

**OFFICIAL STATEMENT DATED MAY 20, 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 BOND COUNSEL'S OPINION.*

*The District has designated the Bonds as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS - Qualified Tax-Exempt Obligations."*

**NEW ISSUE - Book-Entry Only**

**Ratings: S&P Global Ratings (BAM Insured).... "AA" (stable outlook)  
Moody's Investors Service, Inc. (Underlying) .... "A3"  
See "BOND INSURANCE" and "RATINGS" herein**

**\$6,690,000**

**BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 29  
(A Political Subdivision of the State of Texas located within Brazoria County, Texas)  
UNLIMITED TAX BONDS, SERIES 2021A**

**Dated: June 1, 2021**

**Due: March 1, as shown on inside cover**

Principal of the above bonds (the "Bonds") is payable by the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N. A., currently in Dallas, Texas, or any successor paying agent/registrar (the "Paying Agent," "Registrar" or "Paying Agent/Registrar"). Interest on the Bonds accrues from June 1, 2021, and is payable on March 1, 2022 (nine-month interest payment), and on each September 1 and March 1 thereafter until the earlier of maturity or redemption. The Bonds are issued in denominations of \$5,000 or any integral multiple thereof in fully registered form only.

The Bonds, including the Term Bonds, maturing on and after March 1, 2027, are subject to redemption prior to maturity at the option of Brazoria County Municipal Utility District No. 29 (the "District"), as a whole or in part, on March 1, 2026, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of the Bonds to be redeemed shall be selected by the District in integral multiples of \$5,000 within any one maturity. If fewer than all of the Bonds of any given maturity are to be redeemed at any time, the particular Bonds to be redeemed shall be selected by such method of random selection as determined by the Registrar (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Registrar for payment of the redemption price on the portion of the Bond so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

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



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**See Maturity Schedule on the inside cover**

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The Bonds constitute the fifth series of bonds issued by the District for the purpose of acquiring and constructing a waterworks, sanitary sewer and storm drainage system (the "System") to serve the District. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. SEE "INVESTMENT CONSIDERATIONS." Voters in the District have authorized a total of \$67,000,000 principal amount of bonds for the purpose of acquiring and constructing the System, \$43,500,000 principal amount of unlimited tax refunding bonds and \$6,000,000 principal amount of unlimited tax bonds for recreational facilities. Following the issuance of the Bonds, \$36,315,000 principal amount of bonds for the purpose of acquiring and constructing the System, \$42,790,000 principal amount of unlimited tax refunding bonds and \$6,000,000 principal amount of unlimited tax bonds for recreational facilities authorized by the District's voters will remain unissued from such elections. See "THE BONDS – Issuance of Additional Debt."

The Bonds, when issued, constitute valid and binding obligations of the District, and are 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. See "THE BONDS – Source of Payment." Neither the State of Texas, the City of Manvel, Texas, Brazoria County, Texas, nor any political subdivision other than the District shall be obligated to pay the principal of and interest on the Bonds. Neither the faith and credit nor the taxing power of the State of Texas, the City of Manvel, Texas, or Brazoria County, Texas, is pledged to the payment of the principal of and interest on the Bonds.

The Bonds are offered when, as and if issued by the District, subject among other things to the approval of the Attorney General of Texas and of Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about June 23, 2021.

## MATURITY SCHEDULE

CUSIP Prefix (a): 10606T

\$2,405,000 Serial Bonds

<u>Maturity (March 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Reoffering Yield (b)</u>	<u>CUSIP Suffix (a)</u>
2023	\$175,000	2.000%	0.50%	GZ0
2024	185,000	2.000	0.65	HA4
2025	190,000	2.000	0.75	HB2
2026	200,000	1.000	0.90	HC0
2027 (c)	210,000	1.000	1.10	HD8
2028 (c)	215,000	1.000	1.25	HE6
2029 (c)	225,000	1.250	1.40	HF3
2030 (c)	235,000	1.375	1.60	HG1
2031 (c)	245,000	1.500	1.70	HH9
2032 (c)	255,000	2.000	1.60	HJ5
2033 (c)	270,000	2.000	1.70	HK2

**\$570,000 Term Bonds, Due March 1, 2035(c)(d), CUSIP Suffix HM8 (a), Interest Rate 2.00% (Yield 1.85%)(b)**

**\$625,000 Term Bonds, Due March 1, 2037(c)(d), CUSIP Suffix HP1 (a), Interest Rate 2.00% (Yield 2.00%)(b)**

**\$675,000 Term Bonds, Due March 1, 2039(c)(d), CUSIP Suffix HR7 (a), Interest Rate 2.00% (Yield 2.10%)(b)**

**\$1,130,000 Term Bonds, Due March 1, 2042(c)(d), CUSIP Suffix HU0 (a), Interest Rate 2.25% (Yield 2.20%)(b)**

**\$1,285,000 Term Bonds, Due March 1, 2045(c)(d), CUSIP Suffix HX4 (a), Interest Rate 2.25% (Yield 2.30%)(b)**

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- (a) CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the District, the Financial Advisor (as defined herein), nor the Underwriter (as defined herein) take any responsibility for the accuracy of CUSIP numbers.
- (b) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriter. Initial reoffering yields represent the initial offering price to the public which has been established by the Underwriter for public offerings, and which subsequently may be changed. Accrued interest from June 1, 2021, is to be added to the price.
- (c) Subject to optional redemption as described on the front cover.
- (d) Subject to mandatory redemption by lot or other customary method of random selection on March 1 in the years and in the amounts set forth herein under the caption "THE BONDS – Redemption Provisions."

**TABLE OF CONTENTS**

	<u>Page</u>
TABLE OF CONTENTS.....	1
USE OF INFORMATION IN OFFICIAL STATEMENT .....	4
SALE AND DISTRIBUTION OF THE BONDS.....	5
Award of the Bonds .....	5
Prices and Marketability .....	5
Securities Laws.....	5
BOND INSURANCE .....	5
Bond Insurance Policy.....	5
Build America Mutual Assurance Company .....	6
BOND INSURANCE RISK FACTORS.....	7
RATINGS .....	8
OFFICIAL STATEMENT SUMMARY .....	9
INTRODUCTION .....	18
THE BONDS .....	18
General .....	18
Book-Entry-Only System .....	18
Assignments, Transfers and Exchanges.....	20
Redemption Provisions.....	20
Replacement of Registrar .....	22
Authority for Issuance .....	22
Source of Payment.....	22
Issuance of Additional Debt .....	23
Financing Road Facilities .....	23
No Arbitrage.....	23
Dissolution.....	24
Consolidation.....	24
Registered Owners' Remedies .....	24
Bankruptcy Limitation to Registered Owners' Rights .....	24
Legal Investment and Eligibility to Secure Public Funds in Texas .....	25
Defeasance.....	25
Use and Distribution of Bond Proceeds.....	26
THE DISTRICT.....	28
General .....	28
Development Agreement .....	28
Description .....	29
Management of the District .....	29
DEVELOPMENT AND HOME CONSTRUCTION .....	30
DEVELOPERS.....	33
General .....	33
Description of the Developers .....	33
BUILDERS.....	34
FUTURE DEVELOPMENT .....	34
AERIAL PHOTOGRAPH OF THE DISTRICT .....	36
PHOTOGRAPHS TAKEN WITHIN THE DISTRICT.....	37
PHOTOGRAPHS TAKEN WITHIN THE DISTRICT.....	38
DISTRICT DEBT .....	39
General .....	39
Estimated Direct and Overlapping Debt Statement .....	41
Debt Ratios .....	41
Debt Service Requirement Schedule .....	42

TAX DATA.....	42
Debt Service Tax .....	42
Maintenance Tax .....	43
Tax Rate Limitation.....	43
Historical Values and Tax Collection History .....	43
Tax Rate Distribution .....	44
Analysis of Tax Base.....	44
Principal 2020 Taxpayers .....	45
Tax Rate Calculations.....	45
Estimated Overlapping Taxes.....	46
TAXING PROCEDURES .....	46
Authority to Levy Taxes.....	46
Property Tax Code and County-wide Appraisal District.....	47
Property Subject to Taxation by the District.....	47
Tax Abatement .....	48
Valuation of Property for Taxation.....	48
District and Taxpayer Remedies.....	49
Levy and Collection of Taxes.....	49
Rollback of Operation and Maintenance Tax Rate .....	50
Additional Penalties.....	51
District's Rights in the Event of Tax Delinquencies .....	51
THE SYSTEM.....	52
Regulation.....	52
Description .....	52
Water Supply .....	52
Wastewater Treatment.....	52
Drainage Improvements.....	52
100-Year Flood Plain.....	53
INVESTMENT CONSIDERATIONS .....	53
General .....	53
Factors Affecting Taxable Values and Tax Payments .....	53
Maximum Impact on District Tax Rates.....	55
Tax Collection Limitations .....	55
Registered Owners' Remedies and Bankruptcy .....	56
Marketability .....	56
Future Debt.....	56
Competitive Nature of Houston Residential Housing Market .....	57
Continuing Compliance with Certain Covenants.....	57
Approval of the Bonds.....	57
Environmental Regulations .....	57
Extreme Weather Events .....	60
Infectious Disease Outbreak (COVID-19).....	60
Potential Effects of Oil Price Fluctuations on the Houston Area.....	61
Changes in Tax Legislation .....	61
LEGAL MATTERS.....	61
Legal Opinions .....	61
No-Litigation Certificate .....	62
No Material Adverse Change .....	62
TAX MATTERS .....	62
Tax Accounting Treatment of Original Issue Discount Bonds.....	63
Qualified Tax-Exempt Obligations.....	64
OFFICIAL STATEMENT .....	64
General .....	64
Experts.....	65
Certification as to Official Statement .....	65
Updating of Official Statement.....	65

CONTINUING DISCLOSURE OF INFORMATION .....	65
Annual Reports .....	65
Event Notices.....	66
Availability of Information.....	66
Limitations and Amendments.....	66
Compliance With Prior Undertakings .....	67

APPENDIX A - LOCATION MAP

APPENDIX B - INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

APPENDIX C - SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY

## 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 any offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, orders, resolutions, contracts, audited financial statements, and engineering and other related reports set forth in the Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the Financial Advisor.

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 the Official Statement until delivery of the Bonds to the Underwriters (as defined herein), and thereafter only as described under "OFFICIAL STATEMENT - Updating of Official Statement."

Neither the District nor the Underwriters make any representations as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement.

This Official Statement contains "forward-looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, which generally can be identified with words or phrases such as "anticipates," "believes," "could," "estimates," "expects," "foresees," "may," "predict," "should," "will" or other words or phrases of similar import. All statements included in this Official Statement that any person expects or anticipates will, should or may occur in the future are forward-looking statements. These statements are based on assumptions and analyses made in light of experience and perceptions of historical trends, current conditions and expected future developments as well as other factors the District believes are appropriate in the circumstances. However, whether actual results and developments conform with expectations and predictions is subject to a number of risks and uncertainties, including, without limitation, the information discussed under "INVESTMENT CONSIDERATIONS" in this Official Statement, as well as additional factors beyond the District's control. The important investment considerations and assumptions described under that caption and elsewhere herein could cause actual results to differ materially from those expressed in any forward-looking statement. All of the forward-looking statements made in this Official Statement are qualified by these cautionary statements.

Build America Mutual Assurance Company ("BAM" or the "Insurer") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM supplied by BAM and presented under the heading "BOND INSURANCE" and "APPENDIX C - SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY."

## **SALE AND DISTRIBUTION OF THE BONDS**

### **Award of the Bonds**

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net interest cost to the District, which was tendered by SAMCO Capital Markets, Inc. (referred to herein as the “Underwriter” or the “Initial Purchaser”) to purchase the Bonds bearing the interest rates shown under “MATURITY SCHEDULE” at a price of 98.275081% of the principal amount thereof plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 2.174668%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended.

### **Prices and Marketability**

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

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Underwriters after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering price, including sales to dealers who may sell the Bonds into investment accounts.

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

### **Securities Laws**

No registration statement relating to the Bonds has been filed with the United States 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.

## **BOND INSURANCE**

### **Bond Insurance Policy**

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

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

## **Build America Mutual Assurance Company**

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM. The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: [www.buildamerica.com](http://www.buildamerica.com). BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

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

### *Capitalization of BAM*

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2021 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$477.7 million, \$156.4 million and \$321.3 million, respectively.

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

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

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

### *Additional Information Available from BAM*

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

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

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

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

### **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 Policy for such payments.

In the event the 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 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 Insurer and its claim paying ability. The 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 Insurer and of the ratings on the Bonds insured by the Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See "BOND INSURANCE" and "RATINGS" herein. As is stated in this Official Statement under the caption "LEGAL MATTERS - No Material Adverse Change," the rating of the Insurer's creditworthiness by any rating agency does not in any manner affect the District's financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not constitute a change, material or otherwise, in the District's financial condition, and therefore cannot be a basis for termination by the Underwriters of their obligations to take up and pay for the Bonds.

The obligations of the Insurer are contractual obligations and in an event of default by the 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 Insurer and no assurance or representation regarding the financial strength or projected financial strength of the 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 Insurer, particularly over the life of the investment. See "BOND INSURANCE" herein for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

## **RATINGS**

The Bonds have received an insured rating of “AA” (stable outlook) from S&P Global Ratings (“S&P”), a business unit of Standard & Poor’s Financial Services LLC based upon the issuance of the Policy by the Insurer at the time of delivery of the Bonds. The underlying credit rating of the Bonds assigned by Moody’s Investors Service, Inc. (“Moody’s”) is “A3.”

An explanation of the significance of the foregoing ratings may only be obtained from S&P and Moody’s. The foregoing ratings express only the view of S&P and Moody’s at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that the ratings will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P and Moody’s, if, in its judgment, circumstances so warrant. Any such downward change in or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

The District is not aware of any ratings assigned the Bonds other than the ratings of S&P and Moody’s.

**OFFICIAL STATEMENT SUMMARY**

The following material is a summary of certain information contained herein and is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement.

**THE BONDS**

The Issuer ..... Brazoria County Municipal Utility District No. 29 (the “District”), a political subdivision of the State of Texas, is located in Brazoria County, Texas. See “THE DISTRICT.”

The Issue..... Brazoria County Municipal Utility District No. 29 Unlimited Tax Bonds, Series 2021A, in the aggregate principal amount of \$6,690,000, are dated June 1, 2021. Interest accrues from June 1, 2021, and is payable on March 1, 2022 (nine-month interest payment), and on each September 1 and March 1 thereafter until maturity or prior redemption. An aggregate of \$2,405,000 of the Bonds are issued as serial bonds maturing on March 1 in each of the years 2023 through 2033, both inclusive, in the principal amounts set forth on the inside cover page of this Official Statement. An aggregate of \$4,285,000 of the Bonds are issued as term bonds (collectively, the “Term Bonds”), maturing on March 1 in each of the years 2035, 2037, 2039, 2042 and 2045, in the principal amounts set forth on the inside cover page of this Official Statement. The Bonds, including the Term Bonds, scheduled to mature on and after March 1, 2027, are subject to redemption, in whole or in part, prior to their scheduled maturities, on March 1, 2026, or on any date thereafter at the option of the District. Upon redemption, the Bonds will be payable at a price equal to the principal amount of the Bonds, or portions thereof, so called for redemption, plus accrued interest to the date of redemption. In addition to being subject to optional redemption, the Term Bonds are also subject to mandatory sinking fund redemption on March 1 in the years and in the amounts as is more completely described in this Official Statement under the caption “THE BONDS - Redemption Provisions - Mandatory Redemption.” The Bonds will be issued pursuant to a Bond Resolution (the “Bond Resolution”) adopted by the Board of Directors of the District. The Bonds are being issued pursuant to Article XVI, Section 59 of the Texas Constitution and general laws of the State of Texas under the authority of Chapters 49 and 54 of the Texas Water Code, as amended, an order of the Texas Commission on Environmental Quality (the “TCEQ”) and an election held within the District.

Book-Entry-Only System..... The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC (defined herein), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar

(hereinafter defined) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “THE BONDS - Book-Entry-Only System”).

Source of Payment.....

Principal of and interest on the Bonds are 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. See “THE BONDS - Source of Payment,” “TAX DATA - Tax Rate Calculations,” and “INVESTMENT CONSIDERATIONS - Maximum Impact on District Tax Rates.” The Bonds are obligations of the District, and are not obligations of the State of Texas, Brazoria County, Texas, the City of Manvel, Texas, or any entity other than the District.

Other Characteristics .....

The Bonds are issued in fully registered form, without coupons, in the denomination of \$5,000 each, or any integral multiple thereof.

Use of Bond Proceeds .....

Proceeds of the sale of the Bonds will be used by the District to (1) make payment to the developers of land located within the District for the cost of acquisition or construction of (a) water distribution, wastewater collection and storm drainage facilities to serve Rodeo Palms, Palm Villas, Section 2; Rodeo Palms, The Lakes, Section 2; and Newport Lake Estates, Section 1 and (b) clearing and grubbing to serve Rodeo Palms, The Lakes, Section 2, Newport Lake Estates Lift Station construction and land acquisition; and Excel Commercial water line and wastewater force main improvements; (2) pay costs of construction of proposed Water Plant No. 1 expansion; (3) pay engineering fees associated with the foregoing projects; (4) pay interest to the developers of land located within the District for advances made on behalf of the District; and (5) pay for bond issuance costs, legal fees, financial advisor’s fees, fees to the TCEQ and the Attorney General of Texas, and certain financing costs related to the issuance of the Bonds. See “THE BONDS - Use and Distribution of Bond Proceeds.”

Payment Record .....

The Bonds constitute the fifth series of unlimited tax bonds issued by the District for the purpose of acquiring and constructing a waterworks, sanitary sewer, and storm drainage system (the “System”) to serve the District. The District has never defaulted in the timely payment of the principal of and interest on its prior bonds described below. The District has issued Unlimited Tax Bonds, Series 2009 (the “Series 2009 Bonds”), Unlimited Tax Bonds, Series 2010 (the “Series 2010 Bonds”) Unlimited Tax Bonds, Series 2013 (the “Series 2013 Bonds”) and Unlimited Tax Bonds, Series 2017 (the “Series 2017 Bonds”) to finance the System. The District also has issued Unlimited Tax Refunding Bonds, Series 2015 (the “Series 2015 Refunding Bonds”) Unlimited Tax Refunding Bonds, Series 2016 (the Series 2016 Refunding Bonds”) and Unlimited Tax Refunding Bonds, Series 2021 (the Series 2021 Refunding Bonds”) to refund outstanding bonds of the District. Collective reference is made in this Official Statement to all of such bonds previously issued by the District as the “Prior

Bonds.” As of the date hereof, the principal amount of the Prior Bonds that has not been previously retired by the District is \$20,825,000 (the “Outstanding Bonds”). After issuance of the Bonds, the aggregate principal amount of the District's bonded indebtedness, including the Bonds, will be \$27,515,000. In addition to the components of the System that the District has financed with the proceeds of the Prior Bonds and is financing with the proceeds of the Bonds, the District expects to finance the acquisition or construction of additional components of the System with portions of the proceeds of bonds, if any, to be issued by the District in the future. See “THE BONDS - Authority for Issuance,” and - “Issuance of Additional Debt,” “THE SYSTEM,” and “INVESTMENT CONSIDERATIONS - Future Debt.”

Qualified Tax-Exempt Obligations .....

The District has designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended. See “TAX MATTERS - Qualified Tax-Exempt Obligations.”

Authorized But Unissued Bonds.....

\$36,315,000 bonds for waterworks, wastewater and drainage facilities, \$6,000,000 for recreational facilities and \$42,790,000 for refunding purposes will remain authorized but unissued after issuance of the Bonds. See “THE BONDS - Authority for Issuance” and - “Issuance of Additional Debt,” “THE SYSTEM” and “INVESTMENT CONSIDERATIONS-Future Debt.”

Bond Insurance .....

Build America Mutual Assurance Company (“BAM”). See “BOND INSURANCE” and “BOND INSURANCE RISK FACTORS.”

Ratings .....

S&P Global Ratings (BAM Insured) “AA” (stable outlook). Moody’s Investors Service, Inc. (Underlying) “A3.” See “BOND INSURANCE” and “RATINGS.”

Legal Opinion .....

Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. See “LEGAL MATTERS.”

**THE DISTRICT**

Description .....

The District is a political subdivision of the State of Texas, created by Order of the TCEQ, on May 28, 2004. The District contains approximately 911.40 acres of land. The District is located entirely within the corporate boundaries of the City of Manvel, Texas (the “City”). The District is located approximately 18 miles south of the central business district of the City of Houston. The District is bounded on the west by County Road 48, on the east by State Highway 288, and on the north by County Road 58. Rodeo Palms Parkway crosses the southern portion of the District. The District lies within the Alvin Independent School District. See “THE DISTRICT - General,” - “Description” and “APPENDIX A - LOCATION MAP.”

The City, the District and New Rodeo 288 Ltd. (“NR”) (defined below under the caption “Developers”) entered into an Amended and Restated Development Agreement dated August 27, 2007 (the “Development Agreement”), to provide a water distribution system, sanitary sewer collection system and a drainage system (the “System” or the “Facilities”) within the District. Under the terms of the Development Agreement, the District is responsible for constructing, owning and operating the System, and collects all water and sewer revenues from residents of the District. The City may by resolution require the District to convey its then-existing Facilities, and all Facilities thereafter constructed, to the City free and clear of all liens and encumbrances (but subject to the reservation of capacity and rights of reimbursement for funds advanced to the District with respect thereto), for ownership, operation and maintenance by the City at any time after the District has 800 active equivalent single-family connections (“ESFC”), based on an estimated average usage of 350 gallons of water per day. See “THE DISTRICT - Development Agreement.”

Authority .....

The rights, powers, privileges, authority and functions of the District are established by Article XVI, Section 59 of the Constitution of the State of Texas and the general laws of the State of Texas pertaining to municipal utility districts, particularly Chapters 49 and 54 of the Texas Water Code, as amended. See “THE DISTRICT - General.”

Development, Home Construction  
And Developers .....

Development and home construction accomplished in the District to date include the completion of the development of 1,839 single-family residential lots, and 1,752 homes, including 3 homes under construction (see “Builders” below). In addition, the development of 385 single-family residential lots on approximately 127.76 acres located within the District is underway as described below. According to the District's Engineer, underground water, sewer and drainage facilities and street paving have been constructed to serve the aforementioned total of 1,839 single-family residential lots on approximately 477.71 acres platted as Rodeo Palms, Section 1; The Colony, Sections 1, 2, 4 and 5; Palm Court, Sections 1 and 2; Palm Shore, Sections 1 through 3; Palm Villas, Sections 1 and 2; Palm Lakes; Royal Palms, Sections 1 and 2; Newport Lake Estates, Sections 1 and 2; and The Lakes, Section 2; as is delineated in the chart that appears in this Official Statement. In addition, CMI (described under the caption “DEVELOPERS”) has initiated the development of The Lakes, Section 3 (136 single-family residential lots, approximately 41.50 acres) with completion, including street paving, expected by approximately May 2021. DR Horton (described under the caption “DEVELOPERS”) has initiated the development of The Colony, Section 6 (37 single-family residential lots, approximately 18.21 acres) with completion, including street paving, expected by approximately June 2021. In addition, JJ Development (described under the caption “DEVELOPERS”) initiated the development of Yanni Palms, Section 1 (212 single-family residential lots, approximately 68.05 acres).

However, in May 2021, JJ Development announced the foreclosure of its Yanni Palms development. The District cannot predict whether any future development will be undertaken in Yanni Palms or on any additional acres owned by JJ Development. Since none of CMI, DR Horton nor JJ Development has any obligation to the District to complete the development of The Lakes, Section 3, The Colony, Section 6, or Yanni Palms, Section 1, the District cannot represent that the development thereof will be completed. See “DEVELOPERS.”

An approximately 16,400 square foot day care center has been constructed on approximately 2.14 acres of land within the District. Approximately 30.0 acres located within the District are owned by the Alvin Independent School District on which a middle school has been constructed. Approximately 200.64 undeveloped acres of land located within the District are available for future development. The balance of the land located within the District consists of easements, rights-of-way, and other land not available for development. Approximately 52.04 of such currently undeveloped acres that are available for future development are owned by New Rodeo 288, Ltd. (“NR”) (described under the caption “DEVELOPERS”), the developer of the 620 fully developed single-family residential lots that have been platted as The Colony, Sections 1, 2, 4 and 5; Palm Lakes; and Royal Palms, Sections 1 and 2. It is anticipated that NR will develop such currently undeveloped acreage in the future for commercial purposes. Approximately 11.05 of such undeveloped acres that are available for future development are owned by Newport Lake Estates Development, L.P. (“Newport”) (described under the caption “DEVELOPERS”), the developer of the 188 fully developed single-family residential lots that have been platted as Newport Lake Estates, Sections 1 and 2. It is anticipated that Newport will develop such currently undeveloped acreage in the future into approximately 24 single-family residential lots. Approximately 57.68 of such undeveloped acres that are available for future development are owned by JJ Development Company LLC (“JJ Development”) (described under the caption “DEVELOPERS”), the developer of the 212 fully developed single-family residential lots that have been platted as Yanni Palms, Section 1. As stated above, JJ Development recently announced the foreclosure of its Yanni Palms development in the District. The District cannot predict whether any future development in Yanni Palms on the additional 57.68 acres owned by JJ Development will take place. Approximately 79.87 of such undeveloped acres that are available for future development are owned by Foxtail Sky (“Foxtail”) (described under the caption “DEVELOPERS”). It is anticipated that Foxtail will develop such currently undeveloped acreage in the future into single-family residential lots. Since no party, including NR, Newport, JJ Development, or Foxtail has any obligation to the District to develop any of such currently undeveloped acres at any particular pace or at all, the District cannot represent that any development will be

undertaken or completed in the District in addition to the development undertaken therein to date. See “FUTURE DEVELOPMENT,” “TAX DATA – Principal 2020 Taxpayers,” and “INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments.”

In addition to the components of the System that the District has financed with portions of the proceeds of the sale of the Prior Bonds and is financing with the proceeds of the Bonds, the District expects to finance the acquisition or construction of additional components of the System with portions of the proceeds of bonds, if any, to be issued by the District in the future. See “THE BONDS – Authority for Issuance” and – “Issuance of Additional Debt,” “THE SYSTEM” and “INVESTMENT CONSIDERATIONS – Future Debt.”

Builders .....

According to Castlerock (hereinafter defined), it is currently constructing homes in Palm Villas, Section 2 which range in size from approximately 1,857 to 2,817 square feet of living area and in sales price from approximately \$230,000 to \$290,000.

According to Newport, KHovnanian Homes is currently constructing homes in Newport Lake Estates, Section 2 which range in size from approximately 2,241 to 3,382 square feet of living area and in sales price from approximately \$328,990 to \$394,990.

Collective reference is made in this Official Statement to Castlerock Homes and KHovnanian Homes as the “Builders.”

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. 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 were focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic conditions and financial markets worldwide and within Texas.

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 and homebuilding activity within the District. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values

may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

While the potential impact of 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. The financial and operating data contained herein are the latest available, but are as of dates and for periods partially 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.

### **INVESTMENT CONSIDERATIONS**

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

**SELECTED FINANCIAL INFORMATION  
(UNAUDITED)**

2020 Assessed Valuation .....	\$ 335,521,242 (a)
(As of January 1, 2020)	
See "TAX DATA" and "TAXING PROCEDURES"	
2021 Preliminary Valuation .....	\$ 395,007,496 (b)
(As of January 1, 2021)	
See "TAX DATA" and "TAXING PROCEDURES"	
Direct Debt:	
Outstanding Bonds .....	\$ 20,825,000
The Bonds .....	<u>6,690,000</u>
Total .....	\$ 27,515,000 (c)
Estimated Overlapping Debt .....	\$ <u>36,243,652</u>
Total Direct and Estimated Overlapping Debt .....	\$ 63,758,652
Direct Debt Ratio	
: as a percentage of 2020 Assessed Valuation.....	8.20 %
: as a percentage of 2021 Preliminary Valuation.....	6.97 %
Direct and Overlapping Debt Ratio	
: as a percentage of 2020 Assessed Valuation.....	19.00 %
: as a percentage of 2021 Preliminary Valuation.....	16.14 %
Debt Service Fund Balance as of April 23, 2021 .....	\$ 2,301,154 (d)
General Fund Balance as of April 23, 2021.....	\$ 4,152,931
2020 Tax Rate per \$100 of Assessed Valuation	
Debt Service Tax.....	\$ 0.48
Maintenance Tax .....	<u>0.43</u>
Total .....	\$ 0.91 (e)
Average Percentage of Total Tax Collections (2010-2019) as of March 31, 2021.....	99.86 %
Percentage of Tax Collections of 2020 Levy as of March 31, 2021 (In process of collection) .....	97.72 %
Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2022-2042).....	\$ 1,731,061
Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2042) .....	\$ 1,913,906
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2022-2042) at 95% Tax Collections	
Based Upon 2020 Assessed Valuation.....	\$ 0.55
Based Upon 2021 Preliminary Valuation.....	\$ 0.47

Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2042) at 95% Tax Collections

Based Upon 2020 Assessed Valuation.....	\$	0.61
Based Upon 2021 Preliminary Valuation.....	\$	0.52

Number of Single Family Homes (including 3 homes under construction) ..... 1,752

- (a) As of January 1, 2020, and comprises the District's 2020 tax roll. All property located in the District is valued on the tax rolls by the Brazoria County Appraisal District (the "Appraisal District") at 100% of assessed value as of January 1 of each year. The District's tax roll is certified by the Brazoria County Appraisal Review Board (the "Appraisal Review Board"). See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."
- (b) This amount is the sum of the preliminary values of all taxable property located within the District as of January 1, 2021, as reflected on the District's preliminary 2021 tax roll supplied to the District by the Appraisal District, and includes the preliminary 2021 values resulting from the construction of taxable improvements from January 1, 2020, through December 31, 2020. When the Appraisal District supplies a taxing entity with a preliminary tax roll, such preliminary tax roll does not include personal property values. Therefore, this amount includes the 2020 taxable value of personal property located within the District. The taxable value of personal property on the District's 2020 tax roll was \$5,326,110. The District's ultimate 2021 Assessed Valuation may vary significantly from such preliminary tax roll once the Appraisal Review Board certifies the value thereof for 2021. See "TAXING PROCEDURES."
- (c) In addition to the components of the System that the District has financed with the proceeds of the Prior Bonds, and is financing with proceeds of the Bonds, the District expects to finance the acquisition or construction of additional components of the System with the proceeds of bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt" and - "Use and Distribution of Bond Proceeds," "FUTURE DEVELOPMENT," "THE SYSTEM" and "INVESTMENT CONSIDERATIONS - Future Debt."
- (d) Neither Texas law nor the Bond Resolution requires the District to maintain any particular sum in the Debt Service Fund. Such fund balance reflects the timely payment by the District of the debt service requirements on the Outstanding Bonds that were due on March 1, 2021. The District's remaining debt service payments for 2021, which are due on September 1, 2021, total \$332,110, and consist of the payment of interest on the Outstanding Bonds. The District's initial debt service payment on the Bonds is due on March 1, 2022, and consists of a nine-month interest payment.
- (e) The District levied a debt service tax in the amount of \$0.48 per \$100 of Assessed Valuation for 2020, plus a maintenance tax of \$0.43 per \$100 of Assessed Valuation. The District lies wholly within the municipal boundaries of the City of Manvel (the "City"), and all land within the district is subject to taxation by the City. As is described in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2020 tax levies of all units of government which levy taxes against the property located within the District, plus the 2020 tax of the District is \$3.73916 per \$100 of Assessed Valuation. Such aggregate levy is higher than the aggregate of the tax levies of many municipal utility districts located in the greater Houston metropolitan area, but is within the range of the aggregate tax levies of municipal utility districts in the Houston metropolitan area which are in stages of development comparable with the District. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

**\$6,690,000**  
**BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 29**  
**UNLIMITED TAX BONDS**  
**SERIES 2021A**  
**INTRODUCTION**

This Official Statement provides certain information with respect to the issuance by Brazoria County Municipal Utility District No. 29 (the “District”) of its Unlimited Tax Bonds, Series 2021A (the “Bonds”). The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including particularly Chapters 49 and 54, Texas Water Code, as amended, an order of the Texas Commission on Environmental Quality (the “TCEQ”) dated March 2, 2021, an election held within the District (see “THE BONDS - Authority for Issuance”), and a resolution authorizing issuance of the Bonds (the “Bond Resolution”) adopted by the Board of Directors of the District (the “Board”).

Included in this Official Statement are descriptions of the Bonds, the plan of financing, and certain information about the District and its finances. 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 Allen Boone Humphries Robinson LLP, Phoenix Tower, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027, upon payment of duplication costs. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Resolution, except as otherwise indicated herein.

**THE BONDS**

**General**

The Bonds are dated and bear interest from June 1, 2021, with interest payable on March 1, 2022 (nine-month interest payment), and on each September 1 and March 1 thereafter until maturity or prior redemption. The Bonds are issued in fully registered form, without coupons, in the denomination of \$5,000 each, or any integral multiple thereof. An aggregate of \$2,405,000 of the Bonds are issued as serial bonds maturing on March 1 in each of the years 2023 through 2033, both inclusive, in the principal amounts set forth on the inside cover page of this Official Statement. An aggregate of \$4,285,000 of the Bonds are issued as term bonds (collectively, the “Term Bonds”), maturing on March 1 in each of the years 2035, 2037, 2039, 2042 and 2045, in the principal amounts set forth on the inside cover page of this Official Statement. Principal of the Bonds will be payable by the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N.A., in Dallas, Texas, or any successor paying agent/registrar (the “Paying Agent,” “Paying Agent/Registrar,” or “Registrar”). Interest on the Bonds will be payable by check or draft, dated as of the interest payment date, and mailed by the Registrar to Registered Owners as shown on the records of the Registrar (“Registered Owners”) at the close of business on the 15th calendar day of the month next preceding the interest payment date (the “Record Date”).

**Book-Entry-Only System**

*This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York, (“DTC”) 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 and the Financial Advisor believe the source of such information to be reliable, but neither of the District or the Financial Advisor takes any responsibility for the accuracy or completeness thereof.*

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

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

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities 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 S&P Global rating of “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://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 each Bond (“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 Bond 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 DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

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

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

### **Assignments, Transfers and Exchanges**

In the event the Book-Entry-Only System is discontinued, the Bonds may be transferred, registered and assigned only on the registration books of the Registrar, and such registration and transfer shall be without expense or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Registrar. Any Bond may be transferred or exchanged upon its presentment and surrender at the office of the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the owner in not more than three business days after the receipt of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in denominations of \$5,000 or any integral multiple thereof for any one maturity and for a like aggregate principal amount or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the District nor the Registrar is required (1) to transfer or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding interest payment date, or (2) to transfer or exchange any Bond selected for redemption in whole or in part within thirty (30) calendar days of the redemption date. The District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, or receipt of satisfactory evidence of such destruction, loss or theft and receipt by the District and the Registrar of security or indemnity to keep them harmless. The District will require payment of taxes, governmental charges and other expenses in connection with any such replacement.

### **Redemption Provisions**

#### *Mandatory Redemption*

The Term Bonds maturing on March 1 in each of the years 2035, 2037, 2039, 2042, and 2045 shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption, on March 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District's reserved right of optional redemption, as provided under "Optional Redemption" below).

**\$570,000 Term Bonds Maturing on March 1, 2035**

<b><u>Mandatory Redemption Dates</u></b>	<b><u>Principal Amount</u></b>
March 1, 2034	\$280,000
March 1, 2035 (maturity)	290,000

**\$625,000 Term Bonds Maturing on March 1, 2037**

<b><u>Mandatory Redemption Dates</u></b>	<b><u>Principal Amount</u></b>
March 1, 2036	\$305,000
March 1, 2037 (maturity)	320,000

**\$675,000 Term Bonds Maturing on March 1, 2039**

<b><u>Mandatory Redemption Dates</u></b>	<b><u>Principal Amount</u></b>
March 1, 2038	\$330,000
March 1, 2039 (maturity)	345,000

**\$1,130,000 Term Bonds Maturing on March 1, 2042**

<b><u>Mandatory Redemption Dates</u></b>	<b><u>Principal Amount</u></b>
March 1, 2040	\$360,000
March 1, 2041	375,000
March 1, 2042 (maturity)	395,000

**\$1,285,000 Term Bonds Maturing on March 1, 2045**

<b><u>Mandatory Redemption Dates</u></b>	<b><u>Principal Amount</u></b>
March 1, 2043	\$410,000
March 1, 2044	430,000
March 1, 2045 (maturity)	445,000

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

*Optional Redemption*

The District reserves the right, at its option, to redeem the Bonds (including any Term Bonds) maturing on and after March 1, 2027, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on March 1, 2026, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest

thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by DTC in accordance with its procedures, so long as the Bonds are registered in accordance with the Book-Entry-Only System. See "BOOK-ENTRY-ONLY SYSTEM." If less than all of the entire outstanding principal amount of a Term Bond is to be redeemed, the District will notify the Paying Agent/Registrar of the reductions in the remaining mandatory redemption amounts to result from the optional redemption. Notice of each exercise of the reserved right of optional redemption shall be given at least thirty (30) calendar days prior to the date fixed for redemption, in the manner specified in the Bond Resolution.

#### *Effects of Redemption*

By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the principal 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 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..

#### **Replacement of Registrar**

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

#### **Authority for Issuance**

At an election held within the District on September 11, 2004, voters of the District authorized a total of \$67,000,000 in bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities, \$6,000,000 for recreational facilities, and \$43,500,000 for refunding purposes. After sale of the Bonds, a total of \$36,315,000 principal amount of unlimited tax bonds for facilities, \$6,000,000 for recreational facilities and \$42,790,000 for refunding purposes will remain authorized but unissued. The Bonds are issued pursuant to the Bond Resolution, an election held within the District, Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 of the Texas Constitution. Issuance of the Bonds has been further authorized by an order of the TCEQ.

#### **Source of Payment**

The Bonds (together with the Outstanding Bonds, as defined herein, and such additional tax bonds as may hereafter be issued by the District) are 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. In the Bond Resolution, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, and Registrar fees. Tax proceeds, after deduction for collection costs, will be placed in the debt service fund and used solely to pay principal of and interest on the Bonds, on such additional bonds payable from taxes which may be issued, and Registrar fees.

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

## **Issuance of Additional Debt**

The District may issue additional bonds, with the approval of the TCEQ, necessary to provide improvements and facilities consistent with the purposes for which the District was created. The District's voters have authorized the issuance of \$67,000,000 unlimited tax bonds for water, sanitary sewer and drainage facilities, \$6,000,000 for recreational facilities, and could authorize additional amounts. Following the issuance of the Bonds, \$36,315,000 unlimited tax bonds for construction of water distribution, wastewater collection and storm drainage facilities and \$6,000,000 for recreational facilities will remain authorized but unissued for such purpose. The District's voters also have authorized \$43,500,000 unlimited tax bonds for refunding purposes, \$42,790,000 of which remain 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 (if authorized by the District's voters and approved by the Board and the TCEQ.) In addition to the components of the System that the District has financed with portions of the proceeds of the sale of the Prior Bonds and is financing with the proceeds of the sale of the Bonds, the District expects to finance the acquisition or construction of additional components of the System with portions of the proceeds of bonds, if any, to be issued by the District in the future. See "THE BONDS - Authority for Issuance" and - "Issuance of Additional Debt," "THE SYSTEM," and "INVESTMENT CONSIDERATIONS - Future Debt."

Based on present engineering cost estimates and on development plans supplied by the Developers, in the opinion of the District's consulting engineer, EHRA Engineering (the "Engineer"), the \$36,315,000 authorized but unissued bonds will be adequate to finance the extension of components of the System to serve all of the remaining undeveloped portions of the District. See "DEVELOPMENT AND HOME CONSTRUCTION," "FUTURE DEVELOPMENT," and "THE SYSTEM."

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the park project and bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District. Voters of the District have authorized the issuance of \$6,000,000 in bonds for construction of recreational facilities or for refunding bonds issued for such purposes.

## **Financing Road Facilities**

Pursuant to Chapter 54 of the Water Code, a municipal utility district may petition the TCEQ for the power to issue bonds supported by property taxes to finance roads. The District has filed an application with the TCEQ for "road powers" and the TCEQ has granted the power to construct roads to the District. Before a district could issue such bonds, it would be required to receive authorization from the District's voters to issue such bonds, and approval of the bonds by the Attorney General of Texas. However, the District has not held a successful election to authorize the financing of road construction through the issuance of bonds. Issuance of bonds for roads could dilute the investment security for the Bonds.

## **No Arbitrage**

The District certifies that based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed thereunder. Furthermore, all officers, employees and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District are authorized to certify to the facts and circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District covenants 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.

### **Dissolution**

Under existing Texas law, since the District lies entirely within the corporate limits of the City of Manvel, the District must conform to a City of Manvel ordinance consenting to the creation of the District. In addition, the District may be dissolved by the City of Manvel without the District’s consent. In such event the City of Manvel will assume the District’s assets and obligations (including the Bonds). Dissolution of the District by the City of Manvel is a policy-making matter within the discretion of the Mayor and City Council of the City of Manvel, and therefore, the District makes no representation that the City of Manvel will ever dissolve the District and assume its debt, nor does the District make any representation concerning the ability of the City of Manvel to pay debt service on the District’s bonds if dissolution were to occur.

### **Consolidation**

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

### **Registered Owners' Remedies**

Pursuant to Texas law, the Bond Resolution provides that, in the event the District defaults in the payment of the principal of or interest on any of the Bonds when due, fails to make payments required by the Bond Resolution into the Debt Service Fund, or defaults in the observance or performance of any of the other covenants, conditions or obligations set forth in the Bond Resolution, any Registered Owner shall be entitled to seek a writ of mandamus from a court of competent jurisdiction compelling and requiring the District to make such payments or to observe and perform such covenants, obligations or conditions. Such right is in addition to other rights the Registered Owners may be provided by the laws of the State of Texas.

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the District to observe and perform its covenants and obligations to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Resolution does not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee 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. Even if the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay the principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further 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. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners. See “Bankruptcy Limitation to Registered Owners' Rights” below. Certain traditional legal remedies also may not be available.

### **Bankruptcy Limitation to Registered Owners' Rights**

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. 901-946, if the District: (1) is generally authorized to file for federal bankruptcy protection by 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 negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, a municipal utility district such as the District must obtain the approval of the TCEQ prior to filing for bankruptcy. The TCEQ must investigate the financial condition of the District and will authorize the District to proceed only if the TCEQ determines that the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

If the District decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the District would develop and file a plan for the adjustment of its debts and the Bankruptcy Court would confirm the District's plan if: (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code; (2) all payments to be made in connection with the plan are fully disclosed and reasonable; (3) the District is not prohibited by law from taking any action necessary to carry out the plan; (4) administrative expenses are paid in full; and (5) the plan is in the best interests of creditors and is feasible. 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 such Registered Owner's claim against the District.

The District may not be placed into bankruptcy involuntarily.

### **Legal Investment and Eligibility to Secure Public Funds in Texas**

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

“(a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic.

“(b) A district's bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any unmatured interest coupons attached to them.”

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

No representation is made that the Bonds will be suitable for or acceptable to financial or public entities for investment or collateral purposes. No representation is made concerning other laws, rules, regulations or investment criteria which apply to or which might be utilized by any of such persons or entities to limit the acceptability or suitability of the Bonds for any of the foregoing purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds as to the suitability or acceptability of the Bonds for investment or collateral purposes.

### **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, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both or with a commercial bank or trust company designated in the proceedings authorizing such discharge, 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. Because the Bond Resolution does not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality of those currently permitted under Texas law.

**Use and Distribution of Bond Proceeds**

Proceeds of the sale of the Bonds will be used by the District to (1) make payment to the developers of land located within the District for the cost of acquisition or construction of (a) water distribution, wastewater collection and storm drainage facilities to serve Rodeo Palms, Palm Villas, Section 2; Rodeo Palms, The Lakes, Section 2; and Newport Lake Estates, Section 1 and (b) clearing and grubbing to serve Rodeo Palms, The Lakes, Section 2, Newport Lake Estates Lift Station construction and land acquisition; and Excel Commercial water line and wastewater force main improvements; (2) pay costs of construction of proposed Water Plant No. 1 expansion; (3) pay engineering fees associated with the foregoing projects; (4) pay interest to the developers of land located within the District for advances made on behalf of the District; and (5) pay for bond issuance costs, legal fees, financial advisor’s fees, fees to the TCEQ and the Attorney General of Texas, and certain financing costs related to the issuance of the Bonds.

**Construction Costs**

**District Share**

A. Developer Contribution Items(a)

1. Rodeo Palms, Palm Villas, Section 2 Water, Wastewater and Drainage	\$ 439,815
2. Rodeo Palms, The Lakes, Section 2 Clearing and Grubbing	68,553
3. Rodeo Palms, The Lakes, Section 2 Water, Wastewater and Drainage	1,558,127
4. Newport Lake Estates, Section 1 Water, Wastewater and Drainage	1,839,275

5. Newport Lake Estates – Lift Station	403,937
6. Excel Commercial – Water Line And Force Main Improvements	187,808
7. Engineering and Geotechnical	601,333
8. Stormwater Pollution Prevention	72,904
9. Land Costs – Newport Lake Estates Lift Station	5,732
10. Special Reports	<u>39,920</u>
Total Developer Contribution Items	\$5,217,404

B. District Items

1. Water Plant No. 1 Expansion	\$205,000
2. Contingencies	20,500
3. Engineering and Geotechnical	<u>35,000</u>
Total District Items	<u>\$260,500</u>
<b>TOTAL CONSTRUCTION COSTS</b>	<b>\$5,477,904</b>

**Non-Construction Costs**

1. Legal Fees	\$ 173,800
2. Financial Advisor Fees	133,800
3. Developer Interest(b)	592,783
4. Bond Discount	115,398
5. Bond Issuance Expenses	40,485
6. Bond Application Report Costs	47,113
7. Attorney General Fee	6,690
8. TCEQ Bond Issuance Fee	16,725
9. Contingencies(c)	<u>85,302</u>
<b>TOTAL NON-CONSTRUCTION COSTS</b>	<b>\$1,212,096</b>
<b>TOTAL BOND ISSUE REQUIREMENT</b>	<b>\$6,690,000</b>

(a) The rules of the TCEQ require in certain instances that developers within a district subject to the jurisdiction of the TCEQ contribute to the construction program of such district an amount of money equal to thirty percent (30%) of the construction costs of certain water, sewer and drainage facilities in that district. The District requested an exemption from such developer participation requirement with respect to certain facilities being financed with portions of the proceeds of the sale of the Bonds on the basis of one of the criteria under TCEQ rules for such exemption. The TCEQ granted the request for such exemption in its order authorizing the District to issue the Bonds.

- (b) Represents interest owed to the Developers on advances they have made on the District's behalf. The actual amount of interest owed will be calculated at the lesser of (i) the net effective interest rate borne by the Bonds or (ii) the interest rate at which the Developers have borrowed funds.
- (c) The TCEQ directed that any surplus funds resulting from the sale of bonds at a lower interest rate than proposed shall be shown as a contingency line item. The use of these funds is subject to approval by the TCEQ.

In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved by the TCEQ. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required. The Engineer has advised the District that the proceeds of the sale of the Bonds should be sufficient to reimburse the developers for the costs of the above-described facilities. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

## **THE DISTRICT**

### **General**

The District is a municipal utility district created by an order of the TCEQ, dated May 28, 2004, 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, which lies wholly within the corporate limits of the City of Manvel, is subject to the continuing supervisory jurisdiction of the TCEQ.

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. Additionally, the District may, subject to certain limitations, develop and finance recreational facilities. The District may also provide solid waste disposal and collection services. The District is also empowered to establish, operate and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the TCEQ and the voters of the District. The District is further empowered to construct roads, however, it is not yet authorized to finance the construction of roads through the sale of bonds.

The District is required to observe certain requirements of the City of Manvel, which limit the purposes for which the District may sell bonds to the acquisition, construction, and improvement of waterworks, wastewater, and drainage facilities, recreational facilities, fire-fighting facilities, roads 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 Manvel of District construction plans; and permit connections only to lots and reserves described in a plat that has been approved by the City of Manvel, 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."

### **Development Agreement**

The District is located wholly within the corporate limits of the City of Manvel (the "City"). The City, the District and NR entered into an Amended Development Agreement dated August 27, 2007, (the "Development Agreement"), to provide a water distribution system, sanitary sewer collection system and a drainage system (the "System" or the "Facilities") within the District. Under the terms of the Development Agreement, the District is responsible for constructing, owning and operating the System. The District adopts rates and charges applicable to such services, and bills and collects for same, with all revenues derived therefrom being the property of the District. The City may by resolution require the District to convey its then-existing Facilities, and all Facilities thereafter constructed, to the City free and clear of all liens and encumbrances (but subject to the reservation of capacity and rights of reimbursement for funds advanced to the District with respect thereto), for ownership, operation and maintenance by the City at any time after the District has 800 active equivalent single-family connections ("ESFC"), based on an estimated average usage of 350 gallons of water per day. In consideration of such conveyance, upon request of the District, the City will include an additional amount to City utility bills not to exceed \$5.00 per active ESFC per month, payable to the District to assist with the District's administrative costs.

In the Development Agreement, the City has agreed to make an annual payment to the District consisting of a portion of the City ad valorem taxes imposed and collected by the City on land and improvements located within the District in accordance with a formula set out in the Development Agreement (the “Annual Payment”). To date, no Annual Payments have been due pursuant to the Development Agreement. The District does not at this time expect that Annual Payments will be received, nor would the Annual Payments materially affect the District’s financial position, and the District has not pledged such payments as security for the Bonds.

**Description**

The District contains approximately 911.40 acres of land. The District is located entirely within the corporate boundaries of the City of Manvel, Texas (the “City”). The District is located approximately 18 miles south of the central business district of the City of Houston. The District is bounded on the west by County Road 48, one the east by State Highway 288, and on the north by County Road 58. Rodeo Palms Parkway crosses the southern portion of the District. The District lies within the Alvin Independent School District. See “APPENDIX A - LOCATION MAP.”

**Management of the District**

The District is governed by the Board of Directors, consisting of five directors. The Board of Directors has control over and management supervision of all affairs of the District. Directors serve four-year staggered terms, and elections are held within the District in May in even numbered years. The current members and officers of the Board, along with their respective terms of office, are listed below. One of the Directors currently resides within the District.

<u>Name</u>	<u>Position</u>	<u>Term Expires in May</u>
Eddie Cook	President	2024
Cassandra L. Cantner	Vice President	2022
Robina Spruill	Secretary	2024
Erin Garcia	Assistant Vice President	2022
Elizabeth Miller	Assistant Secretary	2024

The District does not have a general manager or any other employee, but has contracted for services, as follows.

**Tax Assessor/Collector** - The District has engaged Assessments of the Southwest, Inc. Friendswood, Texas, as the District's Tax Assessor/Collector. According to Assessments of the Southwest, Inc., it presently serves approximately 204 taxing units as tax assessor/collector. The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Brazoria County Appraisal District and bills and collects such levy.

**Consulting Engineers** - The District has employed the firm of EHRA Engineering, Houston, Texas, as Consulting Engineer in connection with the overall planning activities and the design and construction of the System.

**Bookkeeper** - The District has engaged Municipal Accounts & Consulting, L.P. as the District's Bookkeeper. According to Municipal Accounts & Consulting, L.P., it currently serves approximately 400 districts as bookkeeper.

**Auditor** - As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audited financial statements are filed with the TCEQ. The financial statements of the District as of July 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. A copy of the District's financial statements for the fiscal year ended July 31, 2020, is included as “APPENDIX B” to this Official Statement.

Utility System Operator - Municipal Operations & Consulting, Inc. is the general operator of the System. According to Municipal Operations & Consulting, Inc., it is currently engaged as utility system operator for approximately 92 utility districts.

Disclosure Counsel - McCall, Parkhurst & Horton L.L.P., Houston, Texas, serves as Disclosure Counsel to the District. The fee to be paid Disclosure Counsel for services rendered in connection with the issuance of the Bonds is contingent on the issuance, sale and delivery of the Bonds.

Bond Counsel and General Counsel - Allen Boone Humphries Robinson LLP, Houston, Texas (“Bond Counsel”) serves as Bond Counsel to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. In addition, Allen Boone Humphries Robinson LLP serves as general counsel to the District on matters other than the issuance of bonds.

Financial Advisor - The District has engaged Rathmann & Associates, L.P., as financial advisor (the “Financial Advisor”) to the District. The fees paid the Financial Advisor for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued and sold. Therefore, the payment of such fees is contingent upon the sale and delivery of the Bonds. Rathmann & Associates, L.P. is an independent municipal advisor registered with the United States Securities and Exchange Commission (the “SEC”) and the Municipal Securities Rulemaking Board (the “MSRB”). Rathmann & Associates, L.P.’s SEC registration number is 867-00217 and its MSRB registration number is K0161. Rathmann & Associates, L.P.’s SEC registration Forms MA and MA-1’s, which constitute Rathmann & Associates, L.P.’s registration filings, may be accessed through <http://www.sec.gov/edgar/searchedgar/company search.html>.

## **DEVELOPMENT AND HOME CONSTRUCTION**

Development and home construction accomplished in the District to date include the completion of the development of 1,839 single-family residential lots, and 1,752 homes, including 3 homes under construction (see “BUILDERS” below). In addition, the development of 385 single-family residential lots on approximately 127.76 acres located within the District is underway as described below.

According to the District's Engineer, underground water, sewer and drainage facilities and street paving have been constructed to serve the aforementioned total of 1,839 single-family residential lots on approximately 477.71 acres platted as Rodeo Palms, Section 1; The Colony, Sections 1, 2, 4 and 5; Palm Court, Sections 1 and 2; Palm Shore, Sections 1 through 3; Palm Villas, Sections 1 and 2; Palm Lakes; Royal Palms, Sections 1 and 2; Newport Lake Estates, Sections 1 and 2; and The Lakes, Section 2; as is delineated in the chart that appears below. In addition, CMI (described below under the caption “DEVELOPERS”) has initiated the development of The Lakes, Section 3 (136 single-family residential lots, approximately 41.50 acres) with completion, including street paving, expected by approximately May 2021. DR Horton (described below under the caption “DEVELOPERS”) has initiated the development of The Colony, Section 6 (37 single-family residential lots, approximately 18.21 acres) with completion, including street paving, expected by approximately June 2021. In addition, JJ Development (described below under the caption “DEVELOPERS”) initiated the development of Yanni Palms, Section 1 (212 single-family residential lots, approximately 68.05 acres). However, in May 2021, JJ Development announced the foreclosure of its Yanni Palms development. The District cannot predict whether any future development will be undertaken in Yanni Palms or on any additional acres owned by JJ Development. Since none of CMI, DR Horton nor JJ Development has any obligation to the District to complete the development of The Lakes, Section 3, The Colony, Section 6, or Yanni Palms, Section 1, the District cannot represent that the development thereof will be completed. See “DEVELOPERS” below.

An approximately 16,400 square foot day care center has been constructed on approximately 2.14 acres of land within the District. Approximately 30.0 acres located within the District are owned by the Alvin Independent School District on which a middle school has been constructed. Approximately 200.64 undeveloped acres of land located within the District are available for future development. The balance of the land located within the District consists of easements, rights-of-way, and other land not available for development. Approximately 52.04 of such currently undeveloped acres that are available for future development are owned by New Rodeo 288, Ltd. (“NR”) (described below under the caption “DEVELOPERS”), the developer of the 620 fully developed single-family residential lots that have been platted as The

Colony, Sections 1, 2, 4 and 5; Palm Lakes; and Royal Palms, Sections 1 and 2. It is anticipated that NR will develop such currently undeveloped acreage in the future for commercial purposes. Approximately 11.05 of such undeveloped acres that are available for future development are owned by Newport Lake Estates Development, L.P. (“Newport”) (described below under the caption “DEVELOPERS”), the developer of the 188 fully developed single-family residential lots that have been platted as Newport Lake Estates, Sections 1 and 2. It is anticipated that Newport will develop such currently undeveloped acreage in the future into approximately 24 single-family residential lots. As stated above, JJ Development recently announced the foreclosure of its Yanni Palms development in the District. The District cannot predict whether any future development in Yanni Palms or the additional 57.68 acres owned by JJ Development will take place. Approximately 79.87 of such undeveloped acres that are available for future development are owned by Foxtail Sky (“Foxtail”) (described below under the caption “DEVELOPERS”). It is anticipated that Foxtail will develop such currently undeveloped acreage in the future into single-family residential lots. Since no party, including NR, Newport, JJ Development, or Foxtail has any obligation to the District to develop any of such currently undeveloped acres at any particular pace or at all, the District cannot represent that any development will be undertaken or completed in the District in addition to the development undertaken therein to date. See “FUTURE DEVELOPMENT,” “TAX DATA – Principal 2020 Taxpayers,” and “INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments.”

In addition to the components of the System that the District has financed with portions of the proceeds of the sale of the Prior Bonds and is financing with the proceeds of the Bonds, the District expects to finance the acquisition or construction of additional components of the System with portions of the proceeds of bonds, if any, to be issued by the District in the future. See “THE BONDS – Authority for Issuance” and – “Issuance of Additional Debt,” “THE SYSTEM” and “INVESTMENT CONSIDERATIONS – Future Debt.”

As of January 1, 2021, the status of land development and home construction within the District was as follows:

Subdivision:	LOTS				HOMES*				Totals
	Developed	Acres	Under Development		Under Construction		Complete		
			Acres		Sold	Unsold	Sold	Unsold	
Rodeo Palms									
Section 1	115	109.38			0	0	115	0	115
The Colony									
Section 1	142	22.1			0	0	142	0	142
Section 2	98	20.8			0	0	98	0	98
Section 4	55	10.6			0	0	55	0	55
Section 5	58	11.54			0	0	58	0	58
Section 6			37	18.21					
Palm Court									
Section 1	138	26.16			0	0	138	0	138
Section 2	95	18.88			0	0	95	0	95
Palm Shore									
Section 1	160	26.48			0	0	160	0	160
Section 2**	85	14.14			0	0	85	0	85
Section 3**	149	25.50			0	0	149	0	149
Palm Villas									
Section 1	140	27.35			0	0	140	0	140
Section 2	42	9.28			2	1	39	0	42
Palm Lakes	119	34.37			0	0	119	0	119
Royal Palms									
Section 1	91	25.45			0	0	91	0	91
Section 2	57	11.90			0	0	57	0	57
Newport Lake Estates									
Section 1	101	26.53			0	0	101	0	101
Section 2	87	21.70			0	0	0	0	0
The Lakes									
Section 2	107	34.65			0	0	107	0	107
Section 3			136	41.50	0	0	0	0	0
Yanni Palms									
Section 1***			<u>212</u>	<u>68.05</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	1,839	477.71	385	127.76	2	1	1,749	0	1,752

\* Includes homes sold and contracted for sale. Homes under contract for sale are, in some instances, subject to conditions of appraisal, loan application, approval, and inspection.

\*\* Camillo Properties has constructed homes on all of such Palm Shore, Sections 2 and 3 lots for the purpose of leasing such homes to tenants. Such homes are currently owned by Camillo Houses CV #1, an entity related to Camillo Properties. See "TAX DATA - Principal 2020 Taxpayers" and "INVESTMENT CONSIDERATIONS - Maximum Impact on District Tax Rates - Developer/Builder/Landowner Obligation to the District."

\*\*\* On May 5, 2021, JJ Development announced the foreclosure of its Yanni Palms development. The District cannot predict whether any future development will be undertaken in Yanni Palms or on any additional acres owned by JJ Development.

## DEVELOPERS

### General

In general, the activities of a developer in a municipal utility district such as the District include purchasing the land within the District, designing the subdivision, designing the utilities and streets to be emplaced in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, sewer, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone, and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. In most instances, the developer will be required to pay up to thirty percent (30%) of the cost of emplacing certain of the water, wastewater and drainage facilities in the utility district pursuant to the rules of the TCEQ. The District requested an exemption from such developer participation requirement with respect to the Prior Bonds on the basis of one of the criteria under TCEQ rules for such exemption. The TCEQ granted the request for such exemption in its Orders authorizing the District to issue the Prior Bonds and the Bonds. The relative success or failure of a developer to perform such activities in development of the property within a utility district may have a profound effect on the security of the unlimited tax bonds issued by a district. A developer is generally under no obligation to a district to develop the property which it owns in a district. Furthermore, there is no restriction on the developer's right to sell any or all of the land which the developer owns within a district. See "FUTURE DEVELOPMENT" below.

### Description of the Developers

The developer of approximately 136.76 acres of land located within the District into 620 single-family residential lots known as The Colony, Sections 1, 2, 4, and 5; Palm Lakes; and Royal Palms, Sections 1 and 2 is New Rodeo 288, Ltd. ("NR"). NR is a Texas limited partnership whose general partner is New RP, Inc., a Texas corporation ("NRP"). NR is owned in equal shares by CFW Family Limited Partnership, Camcorp Interests, Ltd. and Meritage Homes of Texas, LLC. In addition to the aforementioned single-family residential lots that NR has developed in the District, NR owns approximately 52.04 acres of undeveloped land located within the District that are expected to be developed in the future for commercial purposes. However, since NR has no obligation to the District to develop any of such currently undeveloped acres at any particular pace or at all, the District cannot represent that any development will be undertaken or completed on any of such currently undeveloped acres.

The developer of approximately 128.12 acres of land located within the District into 641 single-family residential lots known as Palm Shore, Sections 1 through 3; Palm Villas, Section 1; and The Lakes, Section 2 is CMI Palms, Ltd., a Texas limited partnership ("CMI") whose general partner is Camcorp Management, Inc., a Texas corporation. 99% of the stock of CMI is owned by Camcorp Interests, Ltd., a Texas limited partnership ("CI"). CMI has sold all of the aforementioned Palm Shore, Sections 2 and 3 lots to Camillo Properties, Ltd. ("Camillo Properties"), whose general partner is Camillo Properties GP, a Texas corporation, for the purpose of leasing such homes to tenants. To the extent that Camillo Properties continues constructing homes within the District for the purpose of leasing such homes to tenants, and to the extent that the ownership of such homes is concentrated in Camillo Properties and/or related entities, the proportion of the District's tax roll that is owned by such entities will increase substantially. Such Palm homes are currently owned by Camillo Houses CV #1, an entity related to Camillo Properties. In addition, CMI is currently developing The Lakes, Section 3 within the District (136 single-family residential lots/approximately 41.5 acres) with completion expected approximately May 2021. However, since CMI has no obligation to the District to complete the development of The Lakes, Section 3, the District cannot represent that the development thereof will be completed. CMI owns no additional land located in the District. See "TAX DATA - Principal 2020 Taxpayers" and "INVESTMENT CONSIDERATIONS - Maximum Impact on District Tax Rates - Developer/Builder/Landowner Obligation to the District."

The developer of approximately 9.28 acres of land located within the District into 42 single-family residential lots known as Palm Villas, Section 2 is Castlerock Communities, L.P. ("Castlerock"). Castlerock owns no additional land located within the District.

The developer of approximately 48.23 acres of land located within the District into 188 single-family residential lots known as Newport Lakes Estates, Sections 1 and 2 is Newport Lakes Estates Development, L.P. (“Newport”). In addition to the aforementioned single-family residential lots that Newport has developed in the District, Newport owns approximately 11.05 acres of currently undeveloped land located within the District that are expected to be developed in the future into approximately 24 single-family residential lots. However, since Newport has no obligation to the District to develop any of such currently undeveloped acres at any particular pace or at all, the District cannot represent that any development will be undertaken or completed on any of such currently undeveloped acres.

JJ Development Company LLC (“JJ Development”) initiated the development of approximately 68.95 acres of land located within the District into 212 single-family residential lots known as Yanni Palms, Section 1. JJ Development owns approximately 57.68 acres of undeveloped land located within the District. However, in May 2021, JJ Development announced the foreclosure of its Yanni Palms development. The District cannot predict whether JJ Development, or any future developer, will undertake any future development of such land in the District. Since JJ Development has no obligation to the District to complete the development of Yanni Palms, Section 1 or to develop any of such currently undeveloped acres at any particular pace or at all, the District cannot represent that any development will be undertaken or completed on any of such currently undeveloped acres.

The developer of approximately 18.21 acres of land located within the District into 37 single family residential lots is D.R. Horton. D.R. Horton has initiated the development of The Colony, Section 6 (37 single-family residential lots, approximately 18.21 acres), with completion, including street paving, expected in approximately June 2021. D.R. Horton has no obligation to the District to complete the development of The Colony, Section 6; therefore, the District cannot represent that such development will be completed. D.R. Horton owns no additional land located within the District.

Approximately 79.87 acres of currently undeveloped land located within the District that are available for future development are owned by Foxtail Sky LLC (“Foxtail”). It is anticipated that Foxtail will develop the approximately 79.87 acres in the future into single-family residential lots.

NR, CMI, Newport, JJ Development, D.R. Horton and Foxtail are together referred to in this Official Statement as the “Developers.”

### **BUILDERS**

According to Castlerock, it is currently constructing homes in Palm Villas, Section 2 which range in size from approximately 1,857 to 2,817 square feet of living area and in sales price from approximately \$230,000 to \$290,000.

According to Newport, KHovnanian Homes is currently constructing homes in Newport Lake Estates, Section 2 which range in size from approximately 2,241 to 3,382 square feet of living area and in sales price from approximately \$328,990 to \$394,990.

Collective reference is made in this Official Statement to Castlerock and KHovnanian Homes as the “Builders.”

### **FUTURE DEVELOPMENT**

Approximately 200.64 undeveloped acres of land located within the District are available for future development. The balance of the land located within the District consists of easements, rights-of-way, and other land not available for development. Approximately 52.04 of such acres that are available for future development are owned by NR. It is anticipated that NR will develop such currently undeveloped acreage in the future for commercial purposes. Approximately 11.05 of such acres that are available for future development are owned by Newport. It is anticipated that Newport will develop such currently undeveloped acreage in the future into 24 single-family residential lots. Approximately 57.68 of such acres that are available for future development are owned by JJ Development. As previously stated, in May 2021, JJ Development announced the foreclosure of its Yanni Palms development in the District. The District cannot predict whether any future development will occur in Yanni Palms or on the additional

acreage that JJ Development owns. Approximately 79.87 acres of such acres that are available for future development are owned by Foxtail Sky LLC (“Foxtail”). It is anticipated that Foxtail Sky will develop the approximately 79.87 acres in the future into single-family residential lots.

Since no party, including NR, Newport, JJ Development or Foxtail has any obligation to the District to develop any of such currently undeveloped acres at any particular pace or at all, the District cannot represent that any development will be undertaken or completed in the District in addition to the development undertaken therein to date. See “TAX DATA - Principal 2020 Taxpayers” and “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.”

Based on present engineering cost estimates and on development plans supplied by the Developers, in the opinion of the District's consulting engineer, EHRA Engineering (the “Engineer”), the \$36,315,000 authorized but unissued bonds will be adequate to finance the extension of water, wastewater and storm drainage/detention facilities to serve all of the remaining undeveloped portions of the District. In the event that such remaining voted authorization were to be insufficient to finance the construction of all water, wastewater and drainage facilities necessary to provide service to all of the currently undeveloped portions of the District, the District would be required to obtain the consent of District voters to increase such authorization at an election held for such purpose. The District makes no representation that any future development will be undertaken in the District. See “THE BONDS - Issuance of Additional Debt,” “DEVELOPMENT AND HOME CONSTRUCTION,” “THE SYSTEM” and “INVESTMENT CONSIDERATIONS - Future Debt.” If the undeveloped portions of the District are eventually developed, additions to the District's water, sanitary sewer and drainage systems required to service such undeveloped acreage may be financed by future issues of the District's bonds. In addition to the components of the System that the District has financed with portions of the proceeds of the sale of the Prior Bonds and is financing with the proceeds of the Bonds, the District expects to finance the acquisition or construction of additional components of the System with portions of the proceeds of bonds, if any, to be issued by the District in the future. See “THE BONDS - Authority for Issuance” and - “Issuance of Additional Debt,” “THE SYSTEM” and “INVESTMENT CONSIDERATIONS - Future Debt.”

**AERIAL PHOTOGRAPH OF THE DISTRICT**  
**(taken January 2021)**



**PHOTOGRAPHS TAKEN WITHIN THE DISTRICT**  
(taken February 2021)



**PHOTOGRAPHS TAKEN WITHIN THE DISTRICT  
(taken February 2021)**



## DISTRICT DEBT

### General

The following tables and calculations relate to the Bonds and the Outstanding Bonds. After issuance of the Bonds, the aggregate principal amount of the Outstanding Bonds, will be \$27,515,000. The District is empowered to incur debt to be paid from revenues raised by taxation against all taxable property located within the District, and various other political subdivisions of government that overlap all or a portion of the District are empowered to incur debt to be paid from revenues raised or to be raised by taxation against all or a portion of the property within the District.

2020 Assessed Valuation .....	\$	335,521,242 (a)
(As of January 1, 2020)		
See "TAX DATA" and "TAXING PROCEDURES"		
2021 Preliminary Valuation .....	\$	395,007,496 (b)
(As of January 1, 2021)		
See "TAX DATA" and "TAXING PROCEDURES"		
Direct Debt:		
Outstanding Bonds .....	\$	20,825,000
The Bonds .....		<u>6,690,000</u>
Total .....	\$	27,515,000 (c)
Estimated Overlapping Debt .....	\$	<u>36,243,652</u>
Total Direct and Estimated Overlapping Debt .....	\$	63,758,652
Direct Debt Ratio		
: as a percentage of 2020 Assessed Valuation.....		8.20 %
: as a percentage of 2021 Preliminary Valuation.....		6.97 %
Direct and Overlapping Debt Ratio		
: as a percentage of 2020 Assessed Valuation.....		19.00 %
: as a percentage of 2021 Preliminary Valuation.....		16.14 %
Debt Service Fund Balance as of April 23, 2021 .....	\$	2,301,154 (d)
General Fund Balance as of April 23, 2021.....	\$	4,152,931
2020 Tax Rate per \$100 of Assessed Valuation		
Debt Service Tax.....	\$	0.48
Maintenance Tax.....		<u>0.43</u>
Total .....	\$	0.91 (e)
Average Percentage of Total Tax Collections (2010-2019) as of March 31, 2021.....		99.86 %
Percentage of Tax Collections of 2020 Levy as of March 31, 2021		
(In process of collection) .....		97.72 %

(a) As of January 1, 2020, and comprises the District's 2020 tax roll. All property located in the District is valued on the tax rolls by the Brazoria County Appraisal District (the "Appraisal District") at 100% of assessed value as of January 1 of each year. The District's tax roll is certified by the Brazoria County Appraisal Review Board (the "Appraisal Review Board"). See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."

- (b) This amount is the sum of the preliminary values of all taxable property located within the District as of January 1, 2021, as reflected on the District's preliminary 2021 tax roll supplied to the District by the Appraisal District, and includes the preliminary 2021 values resulting from the construction of taxable improvements from January 1, 2020, through December 31, 2020. When the Appraisal District supplies a taxing entity with a preliminary tax roll, such preliminary tax roll does not include personal property values. Therefore, this amount includes the 2020 taxable value of personal property located within the District. The taxable value of personal property on the District's 2020 tax roll was \$5,326,110. The District's ultimate 2021 Assessed Valuation may vary significantly from such preliminary tax roll once the Appraisal Review Board certifies the value thereof for 2021. See "TAXING PROCEDURES."
- (c) In addition to the components of the System that the District has financed with the proceeds of the Prior Bonds and is financing with the proceeds of the Bonds, the District expects to finance the acquisition or construction of additional components of the System with the proceeds of bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt" and - "Use and Distribution of Bond Proceeds," "FUTURE DEVELOPMENT," "THE SYSTEM" and "INVESTMENT CONSIDERATIONS - Future Debt."
- (d) Neither Texas law nor the Bond Resolution requires the District to maintain any particular sum in the Debt Service Fund. Such fund balance reflects the timely payment by the District of the debt service requirements on the Outstanding Bonds that were due on March 1, 2021. The District's remaining debt service payments for 2021, which are due on September 1, 2021, total \$332,110, and consist of the payment of interest on the Outstanding Bonds. The initial debt service payment on the Bonds is due on March 1, 2022, and consists of a nine-month interest payment.
- (e) The District levied a debt service tax in the amount of \$0.48 per \$100 of Assessed Valuation for 2020, plus a maintenance tax of \$0.43 per \$100 of Assessed Valuation. The District lies wholly within the municipal boundaries of the City of Manvel (the "City"), and all land within the district is subject to taxation by the City. As is described in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2020 tax levies of all units of government which levy taxes against the property located within the District, plus the 2020 tax of the District is \$3.73916 per \$100 of Assessed Valuation. Such aggregate levy is higher than the aggregate of the tax levies of many municipal utility districts located in the greater Houston metropolitan area, but is within the range of the aggregate tax levies of municipal utility districts in the Houston metropolitan area which are in stages of development comparable with the District. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

**Estimated Direct and Overlapping Debt Statement**

Other governmental entities whose boundaries overlap the District have bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in “Texas Municipal Reports,” published by the Municipal Advisory Council of Texas, or other available information. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot presently 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.

<b>Taxing Jurisdiction</b>	<b><u>Debt as of April 1, 2021</u></b>	<b><u>Estimated Overlapping Percent</u></b>	<b><u>Amount</u></b>
Brazoria County	56,490,000	0.979%	\$552,902
City of Manvel	21,620,000	35.112	7,591,189
Alvin Community College District	26,515,000	2.648	702,009
Alvin Independent School District	882,360,000	3.105	<u>27,397,552</u>
Total Estimated Overlapping Debt			\$36,243,652
The District (the Bonds and the Outstanding Bonds)			<u>\$ 27,515,000</u>
Total Direct & Estimated Overlapping Debt			\$63,758,652

**Debt Ratios**

	<b><u>% of 2020 Assessed Valuation</u></b>	<b><u>% of 2021 Preliminary Valuation</u></b>
Direct Debt . . . . .	8.20%	6.97%
Direct and Estimated Overlapping Debt . . . . .	19.00%	16.14%

Under Texas law, ad valorem taxes levied by each taxing authority other than the District create a lien that is on a parity with the lien in favor of the District on all taxable property within the District. In addition to the ad valorem taxes required to retire the foregoing direct and overlapping debt, the various taxing authorities mentioned above are also authorized by Texas law to assess, levy, and collect ad valorem taxes for operation, maintenance, administration, and/or general revenue purposes. Certain of the jurisdictions have in the past levied such taxes. The District has the power to assess, levy, and collect ad valorem taxes for operations and maintenance purposes, and such taxes have been authorized by the duly qualified voters of the District. The District has levied a maintenance tax of \$0.43 per \$100 of Assessed Valuation in 2020. See “TAX DATA - Maintenance Tax.”

## Debt Service Requirement Schedule

The following schedule sets forth the debt service requirements for the Outstanding Bonds plus the principal and interest requirements of the Bonds.

<u>Year Ending December 31</u>	<u>Current Total Debt Service</u>	<u>Plus: – The Bonds –</u>		<u>Current Total New Debt Service Requirements</u>
		<u>Principal (Due 3/1)</u>	<u>Interest</u>	
2021	\$1,317,928			\$1,317,928
2022	1,320,369		\$161,508	1,481,877
2023	1,322,569	\$175,000	127,456	1,625,025
2024	1,329,369	185,000	123,856	1,638,225
2025	1,339,869	190,000	120,106	1,649,975
2026	1,338,763	200,000	117,206	1,655,969
2027	1,346,331	210,000	115,156	1,671,487
2028	1,347,156	215,000	113,031	1,675,187
2029	1,351,200	225,000	110,550	1,686,750
2030	1,352,319	235,000	107,528	1,694,847
2031	1,360,544	245,000	104,075	1,709,619
2032	1,367,319	255,000	99,688	1,722,007
2033	1,372,488	270,000	94,438	1,736,926
2034	1,380,991	280,000*	88,938	1,749,929
2035	1,387,350	290,000*	83,238	1,760,588
2036	1,389,588	305,000*	77,288	1,771,876
2037	1,398,713	320,000*	71,038	1,789,751
2038	1,420,938	330,000 *	64,538	1,815,476
2039	1,443,963	345,000*	57,788	1,846,751
2040	1,458,288	360,000*	50,288	1,868,576
2041	1,470,513	375,000*	42,019	1,887,532
2042	1,485,550	395,000*	33,356	1,913,906
2043		410,000*	24,300	434,300
2044		430,000*	14,850	444,850
2045		445,000*	5,006	450,006
	<u>\$30,302,118</u>	<u>\$6,690,000</u>	<u>\$2,007,245</u>	<u>\$38,999,363</u>
Average Annual Requirements: (2022-2042).....				\$1,731,061
Maximum Annual Requirement: (2042).....				\$1,913,906

\* Represents mandatory sinking fund payments on Term Bonds.

## TAX DATA

### Debt Service Tax

All taxable property within the District is subject to the assessment, levy and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Outstanding Bonds and the Bonds (see “TAXING PROCEDURES”). The Board of Directors of the District has in its Bond Resolution covenanted to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds (see “THE BONDS” and “INVESTMENT CONSIDERATIONS”). The District has levied a debt service tax for 2020 at a rate of \$0.48 per \$100 of Assessed Valuation. See - “Tax Rate Distribution” below.

**Maintenance Tax**

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by a vote of the District's electorate. On September 11, 2004, the District voters authorized the levy of such a maintenance tax in an amount not to exceed \$1.50 per \$100 of Assessed Valuation. Such tax is levied in addition to taxes which the District is authorized to levy for paying principal of and interest on the Outstanding Bonds, the Bonds and any tax-supported bonds which may be issued in the future. The District has levied a maintenance tax of \$0.43 per \$100 of Assessed Valuation for 2020. See "Tax Rate Distribution" below.

**Tax Rate Limitation**

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

**Historical Values and Tax Collection History**

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate(a)</u>	<u>Adjusted Levy</u>	<u>Cumulative % Collections</u>	
				<u>Current &amp; Prior Years(b)</u>	<u>Year Ended 9/30</u>
2010	\$117,674,480	\$ 0.80	\$941,396	100.00%	2011
2011	122,586,400	0.80	980,691	99.84	2012
2012	119,309,055	0.90	1,073,782	99.85	2013
2013	121,989,144	0.94	1,146,698	99.85	2014
2014	129,978,197	0.94	1,221,795	99.86	2015
2015	145,646,547	0.94	1,369,078	99.86	2016
2016	186,948,091	0.94	1,757,312	99.88	2017
2017	230,159,828	0.94	2,163,502	99.90	2018
2018	275,069,124	0.94	2,585,650	99.91	2019
2019	310,845,974	0.94	2,921,952	99.61	2020
2020	335,521,242	0.91	3,053,243	97.72(c)	2021

(a) Per \$100 of Assessed Valuation.

(b) Such percentages reflect cumulative total collections for each year from the time each respective annual tax was levied through March 31, 2021. The amount of tax collected for each levy on a current basis (by September 30 of the year following each respective annual levy) is not reflected in this statement.

(c) As of March 31, 2021. In process of collection.

### Tax Rate Distribution

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Debt Service	\$0.48	\$0.53	\$0.53	\$0.62	\$0.62
Maintenance	<u>0.43</u>	<u>0.41</u>	<u>0.41</u>	<u>0.32</u>	<u>0.32</u>
Total	\$0.91	\$0.94	\$0.94	\$0.94	\$0.94

### Analysis of Tax Base

The following table illustrates the composition of property located within the District during the past five years.

<u>Type of Property</u>	<u>2020</u>		<u>2019</u>		<u>2018</u>	
	<u>Assessed Value</u>	<u>%</u>	<u>Assessed Value</u>	<u>%</u>	<u>Assessed Value</u>	<u>%</u>
Land	\$59,698,700	17.79%	\$57,267,430	18.42%	\$51,089,048	18.57%
Improvements	285,327,173	85.04	260,058,100	83.66	228,737,603	83.16
Personal Property	5,326,110	1.59	4,706,020	1.51	3,762,180	1.37
Exemptions	<u>(14,830,741)</u>	<u>(4.42)</u>	<u>(11,185,576)</u>	<u>(3.60)</u>	<u>(8,519,707)</u>	<u>(3.10)</u>
Total	\$335,521,242	100.00%	\$310,845,974	100.00%	\$275,069,124	100.00%

<u>Type of Property</u>	<u>2017</u>		<u>2016</u>	
	<u>Assessed Value</u>	<u>%</u>	<u>Assessed Value</u>	<u>%</u>
Land	\$45,981,860	19.98%	\$39,685,296	21.23%
Improvements	188,437,510	81.87	155,753,433	83.31
Personal Property	3,556,250	1.55	2,699,740	1.44
Exemptions	<u>(7,803,792)</u>	<u>(3.40)</u>	<u>(11,178,378)</u>	<u>(5.98)</u>
Total	\$230,171,828	100.00%	\$186,960,091	100.00%

**Principal 2020 Taxpayers**

Based upon information supplied by the District's Tax Assessor/Collector, the following table lists principal District taxpayers, type of property owned by such taxpayers, and the Assessed Valuation of such property as of January 1, 2020. The information reflects the composition of the Appraisal District's record of property ownership as of January 1, 2020.

<u>Property Owner</u>	<u>Property Description</u>	<u>2020 Taxable Value</u>	<u>% of 2020 Tax Roll</u>
Camillo Houses CV #1 <sup>(a)</sup>	Land and Improvements	\$23,386,180	6.97%
JJ Development Company LLC <sup>(b)</sup>	Land and Improvements	5,399,120	1.61%
SRP SUB LLC	Land and Improvements	4,694,040	1.40%
American Residential Leasing Co LLC	Land and Improvements	4,289,350	1.28%
2018-4 IH Borrower LP	Land and Improvements	2,611,360	0.78%
Newport Lake Estates Development, L.P.	Land and Improvements	1,320,590	0.39%
Centerpoint Energy Inc	Personal Property	1,148,890	0.34%
Windsong Properties	Land and Improvements	1,122,700	0.33%
Jesse T. Staley, II	Land and Improvements	1,104,190	0.33%
LCD Holdings	Land and Improvements	<u>1,072,360</u>	<u>0.32%</u>
<b>Total</b>		\$46,148,780	13.75%

<sup>(a)</sup> CMI developed the 234 Palm Shore, Sections 2 and 3 lots and conveyed such lots to Camillo Properties which constructed homes for the purpose of leasing such homes to tenants. Such Palm Shore, Sections 2 and 3 homes are currently owned by Camillo Houses CV #1, an entity related to Camillo Properties. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

<sup>(b)</sup> See "DEVELOPERS" for additional information.

**Tax Rate Calculations**

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Assessed Valuation which would be required to meet certain debt service requirements if no growth in the District's tax base occurs beyond the 2020 Assessed Valuation. The calculations assume collection of 95% of taxes levied, no use of funds on hand, and the sale of no bonds by the District other than the Prior Bonds and the Bonds.

Average Annual Debt Service Requirements (2022-2042) .....	\$1,731,061
Tax Rate of \$0.55 on the 2020 Assessed Valuation (\$335,521,242) produces.....	\$1,753,098
Tax Rate of \$0.47 on the 2021 Preliminary Valuation (\$395,007,496) produces .....	\$1,763,708
Maximum Annual Debt Service Requirement (2042) .....	\$1,913,906
Tax Rate of \$0.61 on the 2020 Assessed Valuation (\$335,521,242) produces.....	\$1,944,346
Tax Rate of \$0.52 on the 2021 Preliminary Valuation (\$395,007,496) produces .....	\$1,951,337

The District levied a debt service tax of \$0.48 per \$100 of Assessed Valuation for 2020, plus a maintenance tax of \$0.43 per \$100 of Assessed Valuation. As the above table indicates, the 2020 debt service rate is sufficient to pay the Average Annual but not the Maximum Annual debt service on the Bonds and the Outstanding Bonds, assuming taxable values in the District at the level of the 2021 Preliminary Valuation, assuming a tax collection rate of 95%, no use of funds on hand, and the issuance of no additional bonds by the District. However, the District's Debt Service Fund balance was \$2,301,154 as of April 23, 2021. Although neither Texas law nor the Bond Resolution requires that any specific amount be retained in the Debt Service Fund at any time, the District expects to apply earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Bonds and the Outstanding Bonds. The District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Prior Bonds

as is delineated in “APPENDIX B - INDEPENDENT AUDITOR’S REPORT AND FINANCIAL STATEMENTS” that is appended to this Official Statement. Moreover, as is illustrated above under the caption “Historical Values and Tax Collection History,” as of March 31, 2021, the District had collected an average annual percentage of its property taxes of 99.86% for the period 2010 through 2019, and its 2019 tax levy, which was in the process of collection, was 97.72% collected as of such date. Therefore, the District anticipates that it will be able to meet its debt service requirements on the Bonds and the Outstanding Bonds without increasing the District’s debt service tax rate above the rate which it has levied for 2020 - \$0.48 per \$100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners.

**Estimated Overlapping Taxes**

Property located within the District is subject to taxation by several taxing authorities in addition to the District. Set forth below is a compilation of all 2020 taxes levied upon property located within the District and the District’s 2020 tax rate. Under Texas law, ad valorem taxes levied by each taxing authority other than the District entitled to levy taxes against property located within the District create a lien which is on a parity with the tax lien of the District. In addition to the ad valorem taxes required to make the debt service payments on bonded indebtedness of the District and of such other jurisdictions (see “DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement”), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

<u>Taxing Jurisdiction</u>	<u>2020 Tax Rate/\$100</u>
Brazoria County	\$0.392017
Alvin Independent School District	1.397700
City of Manvel	0.610000
Alvin Community College	0.183443
Brazoria Drainage District No. 4	0.146000
Brazoria County Emergency Service District #3	0.100000
The District *	<u>0.910000</u>
TOTAL TAX RATE	<u>\$3.739160</u>

\* The District has levied a total tax of \$0.91 per \$100 of Assessed Valuation for 2020, consisting of a debt service tax of \$0.48 per \$100 of Assessed Valuation and a maintenance tax of \$0.43 per \$100 of Assessed Valuation.

**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, the Outstanding 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 above under “THE BONDS - Source of Payment.” Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District and the System and for the payment of certain contractual obligations. See “TAX DATA - Maintenance Tax” and - “Tax Rate Distribution.”

## **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”) has the responsibility of appraising property for all taxing units within Brazoria County, including the District. Such appraisal values will be subject to review and change by the Brazoria County Appraisal Review Board (the “Appraisal Review Board”).

The Property Tax Code provides that the governing body of a taxing unit located within an area declared to be a disaster area by the governor of the State of Texas may authorize reappraisal of all property damaged in the disaster at its market value immediately after the disaster. For reappraised property, the taxes are pro rated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1 of that year. Beginning on the date of the disaster and for the remainder of the year, the taxing unit assesses taxes on the reappraised market value of the property.

## **Property Subject to Taxation by the District**

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and 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 percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. For the 2021 tax year, the District has granted a \$10,000 residential homestead exemption for persons 65 years or older, or disabled. Furthermore, the District must grant exemptions to disabled veterans, or certain surviving dependents of disabled veterans, if requested, but only to the maximum extent of between \$5,000 and \$12,000 of taxable valuation depending on the disability rating of the veteran. A veteran who receives a disability rating of 100%, and, under certain circumstances, the surviving spouse of such veteran, is entitled to the exemption for the full amount of the residential homestead. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount to be transferred to a subsequent residence homestead of the surviving spouse.

**Residential Homestead Exemptions:** The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to 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. The District has not granted a general residential homestead exemption for 2021. See “TAX DATA - Exemptions.”

**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 for all prior and subsequent years.

## **Tax Abatement**

Brazoria County or the City of Manvel may designate all or part of the area within the District as a reinvestment zone. Thereafter, the City of Manvel, Brazoria County, and the District, 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. Each taxing jurisdiction has discretion to determine the terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

## **Valuation of Property for Taxation**

Generally, property in the District must be appraised by 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 Boards, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. In determining market value, either the replacement cost or the income or the market data method of valuation may be used, whichever is appropriate. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of residence homesteads are limited by the Texas Constitution to 10 percent 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 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 of 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 for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (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 years. It is not known what frequency of reappraisals 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 to formally include such values on its appraisal roll.

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

### **District and Taxpayer Remedies**

Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Boards by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal Districts 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 values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

### **Levy and Collection of Taxes**

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which

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

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

### **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 is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described 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. For the 2020 tax rate year, a determination has been made by the District's Board of Directors that the District is a Developing District.

### **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's Rights in the Event of Tax Delinquencies**

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property. The lien exists in favor of each local taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units (see "TAX DATA - Estimated Overlapping Taxes"). A tax lien on real property takes priority over the claims of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by 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 six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See "INVESTMENT CONSIDERATIONS -Tax Collection Limitations."

## THE SYSTEM

### Regulation

According to the District's Engineer, the System has been designed in conformance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities, including, among others, the TCEQ, the City of Manvel, Brazoria County, and the Brazoria County Drainage District No. 4.

Operation of the System is subject to regulation by, among others, the United States Environmental Protection Agency and the TCEQ. The following descriptions are based upon information supplied by the District's Engineer.

### Description

The System presently serves the 2,051 fully developed single-family residential lots located in the District that are enumerated in this Official Statement under the caption "DEVELOPMENT AND HOME CONSTRUCTION." In addition to the components of the System that the District has financed with portions of the proceeds of the sale of the Prior Bonds and is financing with proceeds of the sale of the Bonds, the District expects to finance the acquisition or construction of additional components of the System with portions of the proceeds of bonds, if any, to be issued by the District in the future. See "THE BONDS - Authority for Issuance" and - "Issuance of Additional Debt" and "INVESTMENT CONSIDERATIONS - FutureDebt."

### Water Supply

The District's source of water is the District owned Water Plant No. 1 and groundwater from 3 water wells, which consist of a 200 gallons-per-minute ("g.p.m.") well, a 300 g.p.m. well, a 1,200 g.p.m. well, 3,916 g.p.m. of booster pump capacity, 30,000 gallons of hydropneumatic tank capacity, and 636,000 gallons of ground storage tank capacity. The water supply facilities are owned and operated by the District. Proceeds from the sale of the Bonds are anticipated to finance an expansion to Water Plant No. 1. According to the District's Engineer, the aforementioned water supply facilities contain sufficient capacity to provide service to 2,537 ESFCs.

The District has water line interconnections with Brazoria County Municipal Utility District No. 21 and Gulf Coast Utility that provide additional sources of water in the event of an emergency.

### Wastewater Treatment

Wastewater treatment for the District is provided by a wastewater treatment plant the capacity of which is 450,000 gallons-per-day ("g.p.d."). According to the District's Engineer, based upon a design criterion of 225 g.p.d./ESFC, the District's wastewater treatment plant capacity is adequate to provide service to 2,000 ESFCs. According to the District's Operator, the wastewater treatment plant is currently operating at 49.1% of permitted capacity based upon actual daily flows at the plant. The City of Manvel ("Manvel") has adopted a design criteria for wastewater treatment plants that utilizes a flow rate of 315 g.p.d./ESFC to determine available capacity of a wastewater treatment plant. In order to meet such design criteria, the District expects to expand the District's wastewater treatment plant to provide sufficient capacity to serve the District at the earlier of the year 2030 or the time at which the actual flow rate of the wastewater treatment plant reaches 85% of permitted capacity. The District expects to issue bonds in the future to finance such expansion. The District is currently in negotiations with Brazoria County MUD No. 47 ("MUD 47") to sell available capacity in the wastewater treatment plant to MUD 47. Such agreement is subject to the approval of Manvel. The District cannot represent whether or when such agreement will be consummated or whether it will be approved by Manvel. See "THE BONDS - Authority for Issuance" and - "Issuance of Additional Debt" and "INVESTMENT CONSIDERATIONS - FutureDebt."

### Drainage Improvements

Storm drainage for the District is collected via inlets to underground storm sewers that outfall into detention basins that drain into the Chocolate Bayou.

## **100-Year Flood Plain**

According to the District's Engineer, no portion of the District is designated as lying within the 100-year flood plain of any watercourse as indicated by Federal Emergency Management Agency (FEMA) Flood Insurance Rate Map Number 48039C0110H, Panel 110 of 850, dated June 5, 1989, and Map No. 48039C0020, Panel 20 of 850, dated June 5, 1989.

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100 year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100 year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100 year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. If substantial or frequent flooding of homes were to occur in the area of the District, the marketing of homes and the future growth of property values in the District could be adversely affected. See "INVESTMENT CONSIDERATIONS - Tropical Weather Events."

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

## **INVESTMENT CONSIDERATIONS**

### **General**

The Bonds, which are obligations solely of the District and not of the State of Texas, Brazoria County, Texas, the City of Manvel, Texas, or any political subdivision or agency other than the District, are secured by the proceeds an annual ad valorem tax, levied without legal limit as to rate or amount, upon all taxable property within the District. The ultimate security for payment of the principal of and interest on the Bonds depends upon the District's ability to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon 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. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below. Further, the collection of delinquent taxes owed the District, and the enforcement by a Registered Owner of the District's obligation to collect sufficient taxes may be costly and lengthy processes. See "Tax Collection Limitations" and "Registered Owners' Remedies and Bankruptcy" below and "THE BONDS - Source of Payment" and "Registered Owners' Remedies."

### **Factors Affecting Taxable Values and Tax Payments**

**Economic Factors:** A substantial percentage of the assessed valuation of the property located within the District is attributable to the current market value of single-family residences that have been constructed within the District, of the single-family residential lots that have been developed by the developers of the District and of the developed lots which have been sold by the developers to homebuilders for the construction of primary residences. The market value of such homes and lots is related to general economic conditions affecting the demand for residences. Demand for residences of this type can be significantly affected by factors such as interest rates, credit availability, construction costs, energy costs and availability and the prosperity and

demographic characteristics of the urban center toward which the marketing of homes and commercial enterprises is directed. Recent changes in federal tax law limiting deductions for ad valorem taxes may adversely affect the demand for housing and the prices thereof. Further declines in the price of oil could adversely affect job stability, wages and salaries, thereby negatively affecting the demand for housing as well as the value of existing homes (see “Potential Effects of Oil Price Fluctuations on the Houston Area” below). Decreased levels of home construction activity would restrict the growth of property values in the District. Although development of the District has occurred to date as described in this Official Statement under the captions “DEVELOPMENT AND HOME CONSTRUCTION,” and “DEVELOPERS,” the District cannot predict the pace or magnitude of any future development or home construction in the District other than that which has occurred to date. See “FUTURE DEVELOPMENT.”

**National Economy:** The housing and building industry has historically been a cyclical industry, affected by both short-term and long-term interest rates, availability of mortgage and development funds, employment levels and general economic conditions. Although development of the District has occurred as described in this Official Statement under the caption “DEVELOPMENT AND HOME CONSTRUCTION” and “DEVELOPERS,” the District cannot predict the pace or magnitude of any future development or home construction in the District other than that which has occurred to date. See “FUTURE DEVELOPMENT.” The District cannot predict what impact, if any, a downturn in the local housing markets or in the national housing and financial markets may have on the Houston market generally and the District specifically.

**Credit Markets and Liquidity in the Financial Markets:** Interest rates and the availability of mortgages and development funding have a direct impact on development and homebuilding activity, particularly short-term interest rates at which developers are able to obtain financing for development costs and at which homebuilders are able to finance the construction of new homes for sale. Interest rate levels may affect the ability of a developer with undeveloped property to undertake and complete development activities within the District and of homebuilders to initiate the construction of new homes for sale. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued development and/or home construction within the District. In addition, since the District is located approximately 18 miles south of the central downtown business district of the City of Houston, 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 and national credit and financial markets. A downturn in the economic conditions of Houston and further decline in real estate and financial markets in the United States could adversely affect development and homebuilding plans in the District and restrain the growth of the District’s property tax base.

**Developer/Builder/Landowner Obligation to the District:** The ability of a Developer (defined in this Official Statement under the caption “DEVELOPERS”), or any other principal taxpayer within the District to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District’s ability to meet its debt service obligations. Camillo Houses CV #1 is the largest taxpayer located in the District. The 2020 Assessed Valuation of property owned by Camillo Houses CV #1 is \$23,386,180, or 6.97% of the 2020 Assessed Valuation of the District. Camillo Houses CV #1 owns homes in Palm Shores, Sections 2 and 3 for the purpose of leasing such homes to tenants as is described in this Official Statement. To the extent that Camillo Houses CV #1 continues leasing such homes to tenants, and to the extent that the ownership of such homes is concentrated in Camillo Houses CV #1 and/or related entities, the proportion of the District’s tax roll that is owned by such entities may increase substantially. See “TAX DATA - Principal 2020 Taxpayers.” The District cannot predict the level of occupancy of any homes that are owned by Camillo Houses CV #1 within the District that have been constructed for the purpose of leasing such homes to tenants. In addition, on May 5, 2021, JJ Development announced the foreclosure of its Gianni Palms Development. The District cannot predict whether any future development will be undertaken in Gianni Palms or on any additional acres owned by JJ Development. There is no commitment by or legal requirement of the Developers or any other party to the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of any of the Builders (see “BUILDERS”) or any other home building company to proceed at any particular pace with the construction of homes in the District, and there is no restriction on any land owner’s right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of home construction activity in the District. See “FUTURE DEVELOPMENT.”

## **Maximum Impact on District Tax Rates**

The value of the land and improvements currently located within the District will be a major determinant of the ability of the District to collect, and the willingness of District property owners to pay, ad valorem taxes levied by the District. The District's 2020 Assessed Valuation is \$335,521,242. After issuance of the Bonds, the Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds will be \$1,913,906 (2042) and the Average Annual Debt Service Requirements will be \$1,731,061 (2022 through 2042, inclusive). Assuming no increase to nor decrease from the 2020 Assessed Valuation, no use of funds on hand, and the issuance of no additional bonds by the District, tax rates of \$0.61 and \$0.55 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively. The District's 2021 Preliminary Valuation is \$395,007,496. Assuming no increase to nor decrease from the 2021 Preliminary Valuation, no use of funds on hand, and the issuance of no additional bonds by the District, tax rates of \$0.52 and \$0.47 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively.

The District levied a debt service tax of \$0.48 per \$100 of Assessed Valuation for 2020, plus a maintenance tax of \$0.43 per \$100 of Assessed Valuation. As is indicated above, the 2020 debt service rate is sufficient to pay the Average Annual but not the Maximum Annual debt service on the Bonds and the Outstanding Bonds, assuming taxable values in the District at the level of the 2021 Preliminary Valuation, assuming a tax collection rate of 95%, no use of funds on hand, and the issuance of no additional bonds by the District. However, the District's Debt Service Fund balance was \$2,301,154 as of April 23, 2021. Although neither Texas law nor the Bond Resolution requires that any specific amount be retained in the Debt Service Fund at any time, the District expects to apply earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Bonds and the Outstanding Bonds. The District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Prior Bonds as is delineated in "APPENDIX B - INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS" that is appended to this Official Statement. Moreover, as is illustrated above under the caption "TAX DATA - Historical Values and Tax Collection History," as of March 31, 2021, the District had collected an average annual percentage of its property taxes of 99.86% for the period 2010 through 2019, and its 2020 tax levy, which was in the process of collection, was 97.72% collected as of such date. Therefore, the District anticipates that it will be able to meet its debt service requirements on the Bonds and the Outstanding Bonds without increasing the District's debt service tax rate above the rate which it has levied for 2020 - \$0.48 per \$100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. See "TAXING PROCEDURES." In addition to the components of the System that the District has financed with portions of the proceeds of the sale of the Prior Bonds and is financing with proceeds of the Bonds, the District expects to finance the acquisition or construction of additional components of the System with portions of the proceeds of bonds, if any, to be issued by the District in the future. See "THE BONDS - Authority for Issuance" and - "Issuance of Additional Debt," "DISTRICT DEBT - Debt Service Requirement Schedule," "THE SYSTEM" and "Future Debt" below.

As is enumerated in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District's rate, is \$3.73916 per \$100 of Assessed Valuation. Such aggregate levies are higher than the aggregate tax levies of many municipal utility districts in the Houston metropolitan area, including the area of the District, but are within the range of the aggregate levies of municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District.

## **Tax Collection Limitations**

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (i) cumbersome, time-consuming, and expensive collection procedures, (ii) a bankruptcy court's stay of tax collection procedures against a taxpayer, (iii) market conditions limiting the proceeds from a foreclosure sale of taxable property,

or (iv) the taxpayer's right to redeem the property within two years of foreclosure. 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.

### **Registered Owners' Remedies and Bankruptcy**

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Resolution does not 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. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas legislature, a default by the District in its covenants in the bond Resolution may not be reduced to a judgement for money damages. Even if Registered Owners could obtain a judgment against the District, 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. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies.

The enforceability of the rights and remedies of the Registered Owners may be further 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. 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. See "THE BONDS - Registered Owners' Remedies."

The District may not be placed into bankruptcy involuntarily.

### **Marketability**

The District has no understanding (other than the initial reoffering yields) with the Underwriters 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 bid and asked spread of other bonds generally bought, sold, or traded in the secondary market. See "SALE AND DISTRIBUTION OF THE BONDS."

### **Future Debt**

The District reserved in the Bond Resolution the right to issue the remaining \$36,315,000 unlimited tax bonds authorized but unissued for waterworks, wastewater and drainage facilities, the \$6,000,000 for recreational facilities, the \$42,790,000 for refunding purposes, and such additional bonds as may hereafter be approved by the voters of the District. The District has also reserved the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Resolution. All of the remaining \$36,315,000 bonds described above for waterworks, wastewater and drainage facilities and \$6,000,000 for recreational facilities which have heretofore been authorized by the voters of the District may be issued by the District from time to time as needed. The issuance of such \$36,315,000 bonds for waterworks, wastewater and drainage facilities and \$6,000,000 for recreational facilities is also subject to TCEQ authorization. In addition to the components of the System that the District has financed with portions of the proceeds of the sale of the Prior Bonds and is financing with the proceeds of the Bonds, the District expects to finance the acquisition or construction of additional components of the System with portions of the proceeds of bonds, if any, to be issued by the District in the future. If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. See "THE BONDS - Authority for Issuance" and - "Issuance of Additional Debt," "DISTRICT DEBT - Debt Service Requirement Schedule," and "THE SYSTEM."

## **Competitive Nature of Houston Residential Housing Market**

The housing industry in the Houston area is very competitive, and the District can give no assurance that the development programs which are planned by the Developers, or any future developer(s), or the home building programs which are planned by the Builders, or any future home builders(s), will be continued or completed. The respective competitive position of the Developers and any other developer(s) which might attempt future development projects in the District for home building purposes and the Builders or any other home builders(s) which might attempt future home building projects in the District in the construction and sale of single-family residential units are affected by most of the factors discussed in this section, and such competitive positions are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

## **Continuing Compliance with Certain Covenants**

The Bond Resolution contains covenants by the District intended to preserve the exclusion from gross income of interest on the Bonds. Failure of the District to comply with such covenants on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See “TAX MATTERS.”

## **Approval of the Bonds**

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

## **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 applied for coverage under the MS4 Permit and is awaiting final approval from the TCEQ. In order to maintain compliance with 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. Costs associated with these compliance activities could be substantial 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 became 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.

## **Extreme Weather Events**

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, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. However, according to the District's Operator and Engineer, the District's System did not sustain any material damage and there was no interruption of water and sewer service from Hurricane Harvey. Further, according to the District's Operator, after investigation, although the District experienced street flooding, there was no apparent material wind or water damage to homes or commercial improvements within the District.

If a future weather event 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 could be adversely affected.

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.

## **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 the Pandemic. On March 13, 2020, the President of the United States (the "President") declared the Pandemic a national emergency and the Texas Governor (the "Governor") declared the Pandemic an imminent threat of disaster for all counties in Texas (collectively, the "disaster declarations"). On March 25, 2020, in response to a request from the Governor, the President issued a Major Disaster Declaration for the State of Texas.

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with this disaster and issuing executive orders that have the force and effect of law. The Governor has issued a number of executive orders relating to the Pandemic preparedness and mitigation. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

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

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

The District continues to monitor the spread of COVID-19 and 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 the Pandemic could have an adverse effect on the District's operations and financial condition. The financial and operating data contained herein are the latest available, but are as of dates and for periods partially prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not necessarily indicative of the economic impact of the Pandemic on the District's financial condition.

### **Potential Effects of Oil Price Fluctuations on the Houston Area**

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

### **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.

## **LEGAL MATTERS**

### **Legal Opinions**

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of Texas as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas, and all taxable property within the District is subject to the levy of ad valorem taxes to pay the same, without legal limitation as to rate or amount, based upon examination of a transcript of certified proceedings held incident to the issuance and authorization of the Bonds, and the approving legal opinion of Bond Counsel for the District, to a like effect and to the effect that, under existing law, interest on the Bonds is excludable from gross income for federal tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals. Such opinions express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds.

Bond Counsel has reviewed the information appearing in this Official Statement under "THE BONDS," (except for the information under the subheadings "Book-Entry-Only System" and "Use and Distribution of Bond Proceeds"), "THE DISTRICT - Development Agreement," - "Management of the District - Bond Counsel and General Counsel," "TAXING PROCEDURES," "LEGAL MATTERS - Legal Opinions", "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information 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 nor has either conducted an investigation of the affairs of the District for the

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

Allen Boone Humphries Robinson LLP also serves as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with 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 the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, that, to their knowledge, no litigation is pending or threatened 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.

### **No Material Adverse Change**

The obligations of the Underwriters to take up 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 financial condition of the District subsequent to the date of sale from that set forth in the Preliminary Official Statement, as it may have been finalized, supplemented or amended through the date of sale. The rating of the Insurer's creditworthiness by any rating agency does not and will not in any manner affect the District's financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not and will not constitute a change, material or otherwise, in the District's financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligations to take up and pay for the Bonds.

## **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 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 the Underwriter with respect to matters solely within the knowledge of the District, the District's Financial Advisor and the Underwriter, respectively, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Resolution or if the foregoing representations or report should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

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

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

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

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

### **Tax Accounting Treatment of Original Issue Discount Bonds**

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

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption "TAX MATTERS" generally applies, except as otherwise provided below, to original issue discount on 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 has designated the Bonds as "qualified tax-exempt obligations" and has represented 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.

## **OFFICIAL STATEMENT**

### **General**

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

The financial statements of the District as of July 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 B.”

## **Experts**

The information contained in the Official Statement relating to engineering and to the description of the System, and, in particular, that engineering information included in the sections entitled “THE DISTRICT” and “THE SYSTEM” has been provided by EHRA Engineering and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in the Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned “DISTRICT DEBT” and “TAX DATA” was provided Assessments of the Southwest, Inc. and the Appraisal District. Such information has been included herein in reliance upon the authority of Assessments of the Southwest, Inc. as an expert in the field of tax collection and the Appraisal District’s authority as an expert in the field of tax assessing.

## **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, to and including the date the Underwriters are no longer required to provide an Official Statement to customers who request same pursuant to Rule 15c2-12 of the United States Securities and Exchange Commission (the “SEC”), the District learns, or is notified by the Underwriters, of any adverse event which causes the Official Statement to be materially misleading, and unless the Underwriters elect to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriters an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriters; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate upon the earlier of (i) 90 days after the “end of the underwriting period” as defined in SEC Rule 15c2-12 or (ii) the date the Official Statement is filed with the MSRB (hereinafter defined), but in no case less than 25 days after the “end of the underwriting period.”

## **CONTINUING DISCLOSURE OF INFORMATION**

In the Bond 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 certain specified events, to the Municipal Securities Rulemaking Board (the “MSRB”) or any successor to its functions as a repository through its Electronic Municipal Market Access (“EMMA”) system.

## **Annual Reports**

The District will provide certain updated financial information and operating data annually to the MSRB. 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 under the headings “DISTRICT DEBT,” “TAX DATA,” and in

“APPENDIX B.” 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 the MSRB or any successor to its functions as a repository.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the “Rule”). The updated information will include audited financial statements if it commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six-month period, and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Resolution or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's fiscal year end is currently July 31. Accordingly, it must provide updated information by January 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

### **Event Notices**

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination 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 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 a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and "financial obligation" 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 debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

### **Availability of Information**

The District has agreed to provide the foregoing information only to the MSRB. Investors will be able to access, without charge from the MSRB, continuing disclosure information filed with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org).

### **Limitations and Amendments**

The District has agreed to update information and to provide notices of certain specified 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 Underwriters 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 Underwriters 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 last five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

This Official Statement was approved by the Board of Directors of Brazoria County Municipal Utility District No. 29 as of the date shown on the first page hereof.

/s/ Eddie Cook  
President, Board of Directors  
Brazoria County Municipal Utility District No. 29

ATTEST:

/s/ Robina Spruill  
Secretary, Board of Directors  
Brazoria County Municipal Utility District No. 29







**APPENDIX B**

**BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 29**  
**BRAZORIA COUNTY, TEXAS**  
**INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS**  
**JULY 31, 2020**



# **Brazoria County Municipal Utility District No. 29**

Brazoria County, Texas

Independent Auditor's Report and Financial Statements

July 31, 2020



**Brazoria County Municipal Utility District No. 29**  
**July 31, 2020**

**Contents**

**Independent Auditor's Report** ..... **1**

**Management's Discussion and Analysis** ..... **3**

**Basic Financial Statements**

    Statement of Net Position and Governmental Funds Balance Sheet ..... 9

    Statement of Activities and Governmental Funds Revenues,  
        Expenditures and Changes in Fund Balances ..... 11

    Notes to Financial Statements ..... 12

**Required Supplementary Information**

    Budgetary Comparison Schedule – General Fund ..... 25

    Notes to Required Supplementary Information ..... 26

**Other Information**

    Other Schedules Included Within This Report ..... 27

    Schedule of Services and Rates ..... 28

    Schedule of General Fund Expenditures ..... 29

    Schedule of Temporary Investments ..... 30

    Analysis of Taxes Levied and Receivable ..... 31

    Schedule of Long-term Debt Service Requirements by Years ..... 33

    Changes in Long-term Bonded Debt ..... 38

    Comparative Schedule of Revenues and Expenditures – General Fund  
        and Debt Service Fund – Five Years ..... 39

    Board Members, Key Personnel and Consultants ..... 41

## Independent Auditor's Report

Board of Directors  
Brazoria County Municipal Utility District No. 29  
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. 29 (the District), as of and for the year ended July 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 July 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 schedule listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

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

**BKD, LLP**

Houston, Texas  
December 10, 2020

# **Brazoria County Municipal Utility District No. 29**

## **Management's Discussion and Analysis**

### **July 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. 29**

## **Management's Discussion and Analysis (Continued)**

### **July 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. 29**  
**Management's Discussion and Analysis (Continued)**  
**July 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**

	<b>2020</b>	<b>2019</b>
Current and other assets	\$ 5,371,610	\$ 4,287,324
Capital assets	28,207,443	25,172,844
Total assets	33,579,053	29,460,168
Deferred outflows of resources	528,877	556,424
Total assets and deferred outflows of resources	\$ 34,107,930	\$ 30,016,592
Long-term liabilities	\$ 31,001,700	\$ 28,241,597
Other liabilities	701,854	822,308
Total liabilities	31,703,554	29,063,905
Net position:		
Net investment in capital assets	(1,877,053)	(2,146,212)
Restricted	1,905,500	1,570,364
Unrestricted	2,375,929	1,528,535
Total net position	\$ 2,404,376	\$ 952,687

The total net position of the District increased by \$1,451,689. The majority of the increase in net position is related to tax revenues intended to pay principal on the District's bonded indebtedness, which is shown as long-term liabilities in the government-wide financial statements. 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. 29**  
**Management's Discussion and Analysis (Continued)**  
**July 31, 2020**

**Summary of Changes in Net Position**

	<b>2020</b>	<b>2019</b>
Revenues:		
Property taxes	\$ 2,922,029	\$ 2,584,939
Charges for services	887,461	820,298
Other revenues	382,136	344,929
Total revenues	<u>4,191,626</u>	<u>3,750,166</u>
Expenses:		
Services	1,265,994	1,480,398
Depreciation	703,066	611,177
Debt service	770,877	771,972
Total expenses	<u>2,739,937</u>	<u>2,863,547</u>
Change in net position	1,451,689	886,619
Net position, beginning of year	<u>952,687</u>	<u>66,068</u>
Net position, end of year	<u><u>\$ 2,404,376</u></u>	<u><u>\$ 952,687</u></u>

**Financial Analysis of the District's Funds**

The District's combined fund balances as of the end of the fiscal year ended July 31, 2020, were \$4,890,343, an increase of \$1,172,733 from the prior year.

The general fund's fund balance increased by \$860,637 due to property taxes and service revenues exceeding service operations and capital outlay expenditures. In addition, tap connection and inspection fee revenues exceeded related expenditures.

The debt service fund's fund balance increased by \$305,840, primarily because property tax revenues generated were greater than bond principal and interest requirements.

The capital projects fund's fund balance increased by \$6,256 due to interest income.

**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 and water service revenues being greater than anticipated and contracted services, other, repairs and maintenance, and capital outlay expenditures being less than anticipated. In addition, an interfund transfer in was budgeted but not received in the current year. The fund balance as of July 31, 2020, was expected to be \$2,031,308 and the actual end-of-year fund balance was \$2,351,898.

**Brazoria County Municipal Utility District No. 29**  
**Management's Discussion and Analysis (Continued)**  
**July 31, 2020**

**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)**

	<b>2020</b>	<b>2019</b>
Land and improvements	\$ 7,576,279	\$ 7,063,662
Construction in progress	-	275,515
Water facilities	6,657,860	5,770,937
Wastewater facilities	6,875,784	6,152,825
Drainage facilities	7,097,520	5,909,905
Total capital assets	\$ 28,207,443	\$ 25,172,844

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

Wastewater treatment plant recoating and rehabilitation	\$ 188,207
Water, sewer and drainage facilities to serve Rodeo Palms, The Lake, Section 2, and Newport Lake Estates, Section 2	2,639,271
Water plant No. 1 expansion	127,556
Hydropneumatic tank rehabilitation	53,184
Waterline and sanitary sewer force main improvements	216,830
Clearing, grubbing and rough cut detention for Newport Lake Estates	512,617
Total additions to capital assets	\$ 3,737,665

**Debt**

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

Long-term debt payable, beginning of year	\$ 28,241,597
Increases in long-term debt	3,368,719
Decreases in long-term debt	(608,616)
Long-term debt payable, end of year	\$ 31,001,700

**Brazoria County Municipal Utility District No. 29**  
**Management's Discussion and Analysis (Continued)**  
**July 31, 2020**

As of July 31, 2020, the District had \$43,005,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems and \$6,000,000 in authorized and unissued bonds for the development and maintenance of recreational facilities within the District.

The District's bonds carry underlying ratings of "BBB-" by Standard & Poor's or "Baal" by Moody's Investors Service. The District's Series 2015 refunding bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Municipal Assurance Corp. The District's Series 2016 refunding bonds and Series 2017 bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company.

**Other Relevant Factors**

**Relationship to the City of Manvel**

Under existing Texas law, since the District lies wholly within the City of Manvel (the City), the District must conform to the City ordinance consenting to the creation of the District. In addition, the District may be dissolved by the City without the District's consent. If the District is dissolved, the City must assume the District's assets and obligations (including the bonded indebtedness) and abolish the District within 90 days.

**Contingencies**

Developers of the District are constructing facilities within the boundaries of the District. The District has agreed to reimburse the developers for these costs, plus interest, from the proceeds of future bond sales, to the extent approved by the Commission. The District's engineer has stated that current construction contract amounts are approximately \$4,015,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

**Brazoria County Municipal Utility District No. 29**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**July 31, 2020**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Total</b>	<b>Adjustments</b>	<b>Statement of Net Position</b>
<b>Assets</b>						
Cash	\$ 139,772	\$ 45,529	\$ 450	\$ 185,751	\$ -	\$ 185,751
Certificates of deposit	1,680,000	1,200,000	-	2,880,000	-	2,880,000
Short-term investments	785,450	864,623	410,834	2,060,907	-	2,060,907
Receivables:						
Property taxes	24,031	36,297	-	60,328	-	60,328
Service accounts	143,727	-	-	143,727	-	143,727
Accrued penalty and interest	-	-	-	-	19,767	19,767
Accrued interest	9,036	11,164	-	20,200	-	20,200
Interfund receivable	-	6,196	-	6,196	(6,196)	-
Due from others	930	-	-	930	-	930
Capital assets (net of accumulated depreciation):						
Land and improvements	-	-	-	-	7,576,279	7,576,279
Infrastructure	-	-	-	-	20,631,164	20,631,164
Total assets	<u>2,782,946</u>	<u>2,163,809</u>	<u>411,284</u>	<u>5,358,039</u>	<u>28,221,014</u>	<u>33,579,053</u>
<b>Deferred Outflows of Resources</b>						
Deferred amount on debt refundings	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>528,877</u>	<u>528,877</u>
Total assets and deferred outflows of resources	<u>\$ 2,782,946</u>	<u>\$ 2,163,809</u>	<u>\$ 411,284</u>	<u>\$ 5,358,039</u>	<u>\$ 28,749,891</u>	<u>\$ 34,107,930</u>

**Brazoria County Municipal Utility District No. 29**  
**Statement of Net Position and Governmental Funds Balance Sheet (Continued)**  
**July 31, 2020**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Liabilities</b>						
Accounts payable	\$ 152,884	\$ 351	\$ -	\$ 153,235	\$ -	\$ 153,235
Accrued interest payable	-	-	-	-	300,682	300,682
Customer deposits	247,937	-	-	247,937	-	247,937
Interfund payable	6,196	-	-	6,196	(6,196)	-
Long-term liabilities:						
Due within one year	-	-	-	-	625,000	625,000
Due after one year	-	-	-	-	30,376,700	30,376,700
<b>Total liabilities</b>	<b>407,017</b>	<b>351</b>	<b>0</b>	<b>407,368</b>	<b>31,296,186</b>	<b>31,703,554</b>
<b>Deferred Inflows of Resources</b>						
Deferred property tax revenues	24,031	36,297	0	60,328	(60,328)	0
<b>Fund Balances/Net Position</b>						
Fund balances:						
Restricted:						
Unlimited tax bonds	-	2,127,161	-	2,127,161	(2,127,161)	-
Water, sewer and drainage	-	-	411,284	411,284	(411,284)	-
Unassigned	2,351,898	-	-	2,351,898	(2,351,898)	-
<b>Total fund balances</b>	<b>2,351,898</b>	<b>2,127,161</b>	<b>411,284</b>	<b>4,890,343</b>	<b>(4,890,343)</b>	<b>0</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 2,782,946</b>	<b>\$ 2,163,809</b>	<b>\$ 411,284</b>	<b>\$ 5,358,039</b>		
Net position:						
Net investment in capital assets					(1,877,053)	(1,877,053)
Restricted for debt service					1,882,543	1,882,543
Restricted for capital projects					22,957	22,957
Unrestricted					2,375,929	2,375,929
<b>Total net position</b>					<b>\$ 2,404,376</b>	<b>\$ 2,404,376</b>

**Brazoria County Municipal Utility District No. 29**  
**Statement of Activities and Governmental Funds Revenues,**  
**Expenditures and Changes in Fund Balances**  
**Year Ended July 31, 2020**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>						
Property taxes	\$ 1,265,535	\$ 1,635,937	\$ -	\$ 2,901,472	\$ 20,557	\$ 2,922,029
Water service	453,807	-	-	453,807	-	453,807
Sewer service	396,068	-	-	396,068	-	396,068
Drainage service	37,586	-	-	37,586	-	37,586
Penalty and interest	45,894	17,522	-	63,416	6,221	69,637
Tap connection and inspection fees	214,220	-	-	214,220	-	214,220
Investment income	40,079	36,890	6,256	83,225	-	83,225
Other income	2,030	13,024	-	15,054	-	15,054
<b>Total revenues</b>	<b>2,455,219</b>	<b>1,703,373</b>	<b>6,256</b>	<b>4,164,848</b>	<b>26,778</b>	<b>4,191,626</b>
<b>Expenditures/Expenses</b>						
Service operations:						
Professional fees	189,412	4,886	-	194,298	-	194,298
Contracted services	154,916	39,786	-	194,702	-	194,702
Utilities	69,823	-	-	69,823	-	69,823
Repairs and maintenance	595,033	-	-	595,033	28,001	623,034
Other expenditures	107,424	5,161	-	112,585	-	112,585
Tap connections	71,552	-	-	71,552	-	71,552
Capital outlay	396,947	-	-	396,947	(396,947)	-
Depreciation	-	-	-	-	703,066	703,066
Debt service:						
Principal retirement	-	610,000	-	610,000	(610,000)	-
Interest and fees	-	737,700	-	737,700	23,702	761,402
Debt issuance costs	9,475	-	-	9,475	-	9,475
<b>Total expenditures/expenses</b>	<b>1,594,582</b>	<b>1,397,533</b>	<b>0</b>	<b>2,992,115</b>	<b>(252,178)</b>	<b>2,739,937</b>
<b>Excess of Revenues Over Expenditures</b>	<b>860,637</b>	<b>305,840</b>	<b>6,256</b>	<b>1,172,733</b>	<b>(1,172,733)</b>	
<b>Change in Net Position</b>					<b>1,451,689</b>	<b>1,451,689</b>
<b>Fund Balances/Net Position</b>						
Beginning of year	1,491,261	1,821,321	405,028	3,717,610	-	952,687
End of year	\$ 2,351,898	\$ 2,127,161	\$ 411,284	\$ 4,890,343	\$ 0	\$ 2,404,376

# **Brazoria County Municipal Utility District No. 29**

## **Notes to Financial Statements**

**July 31, 2020**

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

Brazoria County Municipal Utility District No. 29 (the District) was created by an order of the Texas Commission on Environmental Quality (the Commission), effective May 28, 2004, 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 or owners of property within the District and are elected by voters within the District. The Board sets the policies of the District. The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America for state and local governments, as defined by the Governmental Accounting Standards Board. The following is a summary of the significant accounting and reporting policies of the District:

#### ***Reporting Entity***

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

#### ***Government-wide and Fund Financial Statements***

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

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

# Brazoria County Municipal Utility District No. 29

## Notes to Financial Statements

July 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.

*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.

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

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

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

# **Brazoria County Municipal Utility District No. 29**

## **Notes to Financial Statements**

**July 31, 2020**

### ***Measurement Focus and Basis of Accounting***

#### **Government-wide Financial Statements**

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

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

#### **Fund Financial Statements**

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

### ***Deferred Outflows and Inflows of Resources***

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

# **Brazoria County Municipal Utility District No. 29**

## **Notes to Financial Statements**

**July 31, 2020**

### ***Interfund Transactions***

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

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

### ***Pension Costs***

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

### ***Use of Estimates***

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

### ***Investments and Investment Income***

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

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

### ***Property Taxes***

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

# Brazoria County Municipal Utility District No. 29

## Notes to Financial Statements

July 31, 2020

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 July 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 July 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

### **Deferred Amount on Debt Refundings**

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

### **Debt Issuance Costs**

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

# Brazoria County Municipal Utility District No. 29

## Notes to Financial Statements

July 31, 2020

### ***Long-term Obligations***

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

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

### ***Net Position/Fund Balances***

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

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

### ***Reconciliation of Government-wide and Fund Financial Statements***

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	\$ 28,207,443
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	60,328
Penalty and interest on delinquent taxes is not receivable in the current period and is not reported in the funds.	19,767
Deferred amount on debt refundings for governmental activities are not financial resources and are not reported in the funds.	528,877

**Brazoria County Municipal Utility District No. 29**  
**Notes to Financial Statements**  
**July 31, 2020**

Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	\$ (300,682)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(31,001,700)</u>
Adjustment to fund balances to arrive at net position.	<u><u>\$ (2,485,967)</u></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.	\$ 1,172,733
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 depreciation and noncapitalized costs exceeded capital outlay expenditures in the current year.	(334,120)
Governmental funds report principal payments on debt as expenditures. For the statement of activities, these transactions do not have any effect on net position.	610,000
Revenues that do not provide current financial resources are not reported as revenues for the funds, but are reported as revenues in the statement of activities.	26,778
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>(23,702)</u>
Change in net position of governmental activities.	<u><u>\$ 1,451,689</u></u>

**Note 2: Deposits, Investments and Investment Income**

***Deposits***

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

# Brazoria County Municipal Utility District No. 29

## Notes to Financial Statements

July 31, 2020

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

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

Type	Maturities in Years				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
Texas CLASS	\$ 2,060,907	\$ 2,060,907	\$ 0	\$ 0	\$ 0

# Brazoria County Municipal Utility District No. 29

## Notes to Financial Statements

July 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 July 31, 2020, the District's investments in Texas CLASS were rated "AAAm" by Standard & Poor's.

### **Summary of Carrying Values**

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

Carrying value:	
Deposits	\$ 3,065,751
Investments	<u>2,060,907</u>
Total	<u>\$ 5,126,658</u>

Included in the following statement of net position captions:

Cash	\$ 185,751
Certificates of deposit	2,880,000
Short-term investments	<u>2,060,907</u>
Total	<u>\$ 5,126,658</u>

### **Investment Income**

Investment income of \$83,225 for the year ended July 31, 2020, consisted of interest income.

### **Fair Value Measurements**

The District has the following recurring fair value measurements as of July 31, 2020:

- Pooled investments of \$2,060,907 are valued at fair value per share of the pool's underlying portfolio.

### **Note 3: Capital Assets**

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

**Brazoria County Municipal Utility District No. 29**  
**Notes to Financial Statements**  
**July 31, 2020**

Governmental Activities	Balances, Beginning of Year	Additions	Reclassifi- cations	Balances, End of Year
Capital assets, non-depreciable:				
Land and improvements	\$ 7,063,662	\$ 512,617	\$ -	\$ 7,576,279
Construction in progress	275,515	-	(275,515)	-
Total capital assets, non-depreciable	<u>7,339,177</u>	<u>512,617</u>	<u>(275,515)</u>	<u>7,576,279</u>
Capital assets, depreciable:				
Water production and distribution facilities	7,134,533	858,266	275,515	8,268,314
Wastewater collection and treatment facilities	8,040,778	987,546	-	9,028,324
Drainage facilities	7,031,714	1,379,236	-	8,410,950
Total capital assets, depreciable	<u>22,207,025</u>	<u>3,225,048</u>	<u>275,515</u>	<u>25,707,588</u>
Less accumulated depreciation:				
Water production and distribution facilities	(1,363,596)	(246,858)	-	(1,610,454)
Wastewater collection and treatment facilities	(1,887,953)	(264,587)	-	(2,152,540)
Drainage facilities	(1,121,809)	(191,621)	-	(1,313,430)
Total accumulated depreciation	<u>(4,373,358)</u>	<u>(703,066)</u>	<u>0</u>	<u>(5,076,424)</u>
Total governmental activities, net	<u>\$ 25,172,844</u>	<u>\$ 3,034,599</u>	<u>\$ 0</u>	<u>\$ 28,207,443</u>

**Note 4: Long-term Liabilities**

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

Governmental Activities	Balances, Beginning of Year	Increases	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:					
General obligation bonds	\$ 21,900,000	\$ -	\$ 610,000	\$ 21,290,000	\$ 625,000
Less discounts on bonds	388,275	-	11,925	376,350	-
Add premiums on bonds	222,039	-	10,541	211,498	-
	<u>21,733,764</u>	<u>0</u>	<u>608,616</u>	<u>21,125,148</u>	<u>625,000</u>
Due to developers, construction	6,350,648	3,368,719	-	9,719,367	-
Due to developers, advances	157,185	-	-	157,185	-
Total governmental activities long-term liabilities	<u>\$ 28,241,597</u>	<u>\$ 3,368,719</u>	<u>\$ 608,616</u>	<u>\$ 31,001,700</u>	<u>\$ 625,000</u>

**Brazoria County Municipal Utility District No. 29**  
**Notes to Financial Statements**  
**July 31, 2020**

**General Obligation Bonds**

	<b>Series 2013</b>	<b>Refunding Series 2015</b>
Amounts outstanding, July 31, 2020	\$2,450,000	\$5,040,000
Interest rates	3.000% to 3.875%	2.00% to 4.00%
Maturity dates, serially beginning/ending	March 1, 2021/2037	March 1, 2021/2034
Interest payment dates	September 1/ March 1	September 1/ March 1
Callable dates*	March 1, 2020	March 1, 2022
	<b>Refunding Series 2016</b>	<b>Series 2017</b>
Amounts outstanding, July 31, 2020	\$2,640,000	\$11,160,000
Interest rates	2.00% to 4.00%	2.00% to 3.50%
Maturity dates, serially beginning/ending	March 1, 2021/2035	March 1, 2021/2042
Interest payment dates	September 1/ March 1	September 1/ March 1
Callable dates*	March 1, 2023	March 1, 2024

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

**Annual Debt Service Requirements**

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at July 31, 2020.

**Brazoria County Municipal Utility District No. 29**  
**Notes to Financial Statements**  
**July 31, 2020**

Year	Principal	Interest	Total
2021	\$ 625,000	\$ 721,636	\$ 1,346,636
2022	650,000	704,836	1,354,836
2023	670,000	687,436	1,357,436
2024	695,000	669,486	1,364,486
2025	725,000	650,886	1,375,886
2026-2030	4,020,000	2,912,862	6,932,862
2031-2035	4,940,000	2,149,352	7,089,352
2036-2040	6,110,000	1,159,111	7,269,111
2041-2042	<u>2,855,000</u>	<u>151,025</u>	<u>3,006,025</u>
Total	<u>\$ 21,290,000</u>	<u>\$ 9,806,630</u>	<u>\$ 31,096,630</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.

Bonds voted	\$ 67,000,000
Bonds sold	23,995,000
Refunding bonds voted	43,500,000
Refunding bonds authorization used	550,000
Recreational facilities bonds voted	6,000,000

***Due to Developers***

Developers of the District have constructed underground utilities on behalf of the District. The District has agreed to reimburse the developers for these construction costs and interest to the extent approved by the Commission from the proceeds of future bond sales. The District's engineer estimates reimbursable costs for completed projects are \$9,719,367. These amounts have been recorded in the financial statements as long-term liabilities.

Developers of the District have advanced \$157,185 to the District for operating expenses net of repayments. The District has agreed to reimburse these amounts, plus interest, to the extent approved by the Commission from the proceeds of future bond sales. These amounts have been recorded in the financial statements as long-term liabilities.

# **Brazoria County Municipal Utility District No. 29**

## **Notes to Financial Statements**

**July 31, 2020**

### **Note 5: Significant Bond Resolution and Commission Requirements**

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 July 31, 2020, the District levied an ad valorem debt service tax at the rate of \$0.5300 per \$100 of assessed valuation, which resulted in a tax levy of \$1,647,739 on the taxable valuation of \$310,894,124 for the 2019 tax year. The interest and principal requirements to be paid from the tax revenues and available resources are \$1,337,911 of which \$977,093 has been paid and \$360,818 is due on September 1, 2020.

### **Note 6: Maintenance Taxes**

At an election held September 11, 2004, 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 July 31, 2020, the District levied an ad valorem maintenance tax at the rate of \$0.4100 per \$100 of assessed valuation, which resulted in a tax levy of \$1,274,666 on the taxable valuation of 310,894,124 for the 2019 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

### **Note 7: 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 8: Contingencies**

Developers of the District are constructing facilities within the boundaries of the District. The District has agreed to reimburse the developers for these costs, plus interest, from the proceeds of future bond sales, to the extent approved by the Commission. The District's engineer has stated that current construction contract amounts are approximately \$4,015,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

### **Note 9: 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. 29**  
**Budgetary Comparison Schedule – General Fund**  
**Year Ended July 31, 2020**

	<b>Original Budget</b>	<b>Final Amended Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>				
Property taxes	\$ 1,094,217	\$ 1,237,675	\$ 1,265,535	\$ 27,860
Water service	419,000	419,000	453,807	34,807
Sewer service	377,200	377,200	396,068	18,868
Drainage service	37,000	37,000	37,586	586
Penalty and interest	52,000	52,000	45,894	(6,106)
Tap connection and inspection fees	206,000	206,000	214,220	8,220
Investment income	46,476	46,476	40,079	(6,397)
Other income	500	500	2,030	1,530
<b>Total revenues</b>	<u>2,232,393</u>	<u>2,375,851</u>	<u>2,455,219</u>	<u>79,368</u>
<b>Expenditures</b>				
Service operations:				
Professional fees	212,200	212,200	189,412	22,788
Contracted services	189,500	189,500	154,916	34,584
Utilities	75,500	75,500	69,823	5,677
Repairs and maintenance	830,253	815,253	595,033	220,220
Other expenditures	146,164	146,164	107,424	38,740
Tap connections	65,000	65,000	71,552	(6,552)
Capital outlay	675,000	738,000	396,947	341,053
Debt service, debt issuance costs	-	-	9,475	(9,475)
<b>Total expenditures</b>	<u>2,193,617</u>	<u>2,241,617</u>	<u>1,594,582</u>	<u>647,035</u>
<b>Excess of Revenues Over Expenditures</b>	38,776	134,234	860,637	726,403
<b>Other Financing Sources</b>				
Interfund transfers in	-	405,813	-	(405,813)
<b>Excess of Revenues and Transfers In Over Expenditures and Transfers Out</b>	38,776	540,047	860,637	320,590
<b>Fund Balance, Beginning of Year</b>	<u>1,491,261</u>	<u>1,491,261</u>	<u>1,491,261</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u>\$ 1,530,037</u>	<u>\$ 2,031,308</u>	<u>\$ 2,351,898</u>	<u>\$ 320,590</u>

**Brazoria County Municipal Utility District No. 29**  
**Notes to Required Supplementary Information**  
**July 31, 2020**

***Budgets and Budgetary Accounting***

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was amended during fiscal 2020.

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

## **Other Information**

**Brazoria County Municipal Utility District No. 29**  
**Other Schedules Included Within This Report**  
**July 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 12-24
- [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. 29

## Schedule of Services and Rates

### Year Ended July 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 type="checkbox"/> Parks/Recreation	<input type="checkbox"/> Fire Protection	<input type="checkbox"/> Security
<input type="checkbox"/> Solid Waste/Garbage	<input type="checkbox"/> Flood Control	<input type="checkbox"/> Roads
<input 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:	\$ 34.50 *	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:	\$ 0 *	5,000	N	\$ 2.25	5,001 to No Limit
Regional water fee:	\$ 0	0	N	\$ 0	1 to No Limit

Does the District employ winter averaging for wastewater usage?

Yes  No

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

Water \$ 30.75

Wastewater \$ 28.50

b. Water and wastewater retail connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC*</u>
Unmetered	-	-	x1.0	-
≤ 3/4"	1,472	1,453	x1.0	1,453
1"	147	147	x2.5	368
1 1/2"	1	1	x5.0	5
2"	12	12	x8.0	96
3"	1	1	x15.0	15
4"	-	-	x25.0	-
6"	-	-	x50.0	-
8"	-	-	x80.0	-
10"	-	-	x115.0	-
Total water	1,633	1,614		1,937
Total wastewater	1,614	1,596	x1.0	1,596

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

Gallons pumped into the system:	121,876
Gallons billed to customers:	121,265
Water accountability ratio (gallons billed/gallons pumped):	99.50%

\*Total minimum water and wastewater rate is \$34.50

\*\*"ESFC" means equivalent single-family connections

**Brazoria County Municipal Utility District No. 29**  
**Schedule of General Fund Expenditures**  
**Year Ended July 31, 2020**

<b>Personnel (including benefits)</b>		\$	-
<b>Professional Fees</b>			
Auditing	\$	17,700	
Legal		115,256	
Engineering		56,456	
Financial advisor		-	189,412
		<u>                    </u>	
<b>Purchased Services for Resale</b>			
Bulk water and wastewater service purchases			-
<b>Regional Water Fee</b>			-
<b>Contracted Services</b>			
Bookkeeping		26,440	
General manager		-	
Appraisal district		-	
Tax collector		-	
Security		-	
Other contracted services		128,476	154,916
		<u>                    </u>	
<b>Utilities</b>			69,823
<b>Repairs and Maintenance</b>			595,033
<b>Administrative Expenditures</b>			
Directors' fees		14,550	
Office supplies		27,554	
Insurance		15,544	
Other administrative expenditures		49,776	107,424
		<u>                    </u>	
<b>Capital Outlay</b>			
Capitalized assets		368,947	
Expenditures not capitalized		28,000	396,947
		<u>                    </u>	
<b>Tap Connection Expenditures</b>			71,552
<b>Solid Waste Disposal</b>			-
<b>Fire Fighting</b>			-
<b>Parks and Recreation</b>			-
<b>Lease Payments</b>			-
<b>Other Expenditures</b>			9,475
			<u>                    </u>
Total expenditures		<u>\$</u>	<u>1,594,582</u>

**Brazoria County Municipal Utility District No. 29**  
**Schedule of Temporary Investments**  
**July 31, 2020**

	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Face Amount</b>	<b>Accrued Interest Receivable</b>
<b>General Fund</b>				
Certificates of Deposit				
No. 488	1.80%	02/10/21	\$ 240,000	\$ 2,024
No. 12335	1.90%	03/04/21	240,000	1,861
No. 4191081	1.80%	03/02/21	240,000	1,787
No. 2000000122	1.75%	02/11/21	240,000	1,968
No. 36001416	1.10%	05/19/21	240,000	528
No. 6000030947	0.75%	06/05/21	240,000	276
No. 9009004489	0.75%	04/01/21	240,000	592
Texas CLASS	0.40%	Demand	785,450	-
			<u>2,465,450</u>	<u>9,036</u>
<b>Debt Service Fund</b>				
Certificates of Deposit				
No. 91300011896383	2.75%	08/18/20	240,000	6,274
No. 12332	1.25%	05/06/21	240,000	707
No. 440005517	1.65%	02/20/21	240,000	1,747
No. 6000029428	1.80%	02/11/21	240,000	2,012
No. 9009004490	0.75%	05/06/21	240,000	424
Texas CLASS	0.40%	Demand	864,623	-
			<u>2,064,623</u>	<u>11,164</u>
<b>Capital Projects Fund</b>				
Texas CLASS	0.40%	Demand	410,834	0
Totals			<u>\$ 4,940,907</u>	<u>\$ 20,200</u>

**Brazoria County Municipal Utility District No. 29**  
**Analysis of Taxes Levied and Receivable**  
**Year Ended July 31, 2020**

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>
<b>Receivable, Beginning of Year</b>	\$ 15,064	\$ 24,707
Additions and corrections to prior years' taxes	<u>(164)</u>	<u>(212)</u>
Adjusted receivable, beginning of year	<u>14,900</u>	<u>24,495</u>
 <b>2019 Original Tax Levy</b>	 1,249,400	 1,615,078
Additions and corrections	<u>25,266</u>	<u>32,661</u>
Adjusted tax levy	<u>1,274,666</u>	<u>1,647,739</u>
Total to be accounted for	1,289,566	1,672,234
Tax collections: Current year	(1,257,520)	(1,625,574)
Prior years	<u>(8,015)</u>	<u>(10,363)</u>
Receivable, end of year	<u>\$ 24,031</u>	<u>\$ 36,297</u>
 <b>Receivable, by Years</b>		
2019	\$ 17,146	\$ 22,165
2018	2,812	3,636
2017	1,003	1,942
2016	704	1,364
2015	577	1,293
2014	694	2,026
2013	331	1,397
2012	368	1,287
2011	<u>396</u>	<u>1,187</u>
Receivable, end of year	<u>\$ 24,031</u>	<u>\$ 36,297</u>

**Brazoria County Municipal Utility District No. 29**  
**Analysis of Taxes Levied and Receivable (Continued)**  
**Year Ended July 31, 2020**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Property Valuations</b>				
Land	\$ 57,267,430	\$ 51,089,048	\$ 45,977,200	\$ 39,685,297
Improvements	260,058,100	228,737,603	188,624,160	150,354,109
Personal property	4,711,270	3,762,180	3,556,250	2,699,740
Exemptions	<u>(11,142,676)</u>	<u>(8,452,457)</u>	<u>(7,837,587)</u>	<u>(5,713,505)</u>
Total property valuations	<u>\$ 310,894,124</u>	<u>\$ 275,136,374</u>	<u>\$ 230,320,023</u>	<u>\$ 187,025,641</u>
<b>Tax Rates per \$100 Valuation</b>				
Debt service tax rates	\$ 0.5300	\$ 0.5300	\$ 0.6200	\$ 0.6200
Maintenance tax rates*	<u>0.4100</u>	<u>0.4100</u>	<u>0.3200</u>	<u>0.3200</u>
Total tax rates per \$100 valuation	<u>\$ 0.9400</u>	<u>\$ 0.9400</u>	<u>\$ 0.9400</u>	<u>\$ 0.9400</u>
<b>Tax Levy</b>	<u>\$ 2,922,405</u>	<u>\$ 2,586,282</u>	<u>\$ 2,165,008</u>	<u>\$ 1,758,041</u>
<b>Percent of Taxes Collected to Taxes Levied**</b>				
	<u>98%</u>	<u>99%</u>	<u>99%</u>	<u>99%</u>

\*Maximum tax rate approved by voters: \$1.50 on September 11, 2004

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

**Brazoria County Municipal Utility District No. 29**  
**Schedule of Long-term Debt Service Requirements by Years**  
**July 31, 2020**

Due During Fiscal Years Ending July 31	Series 2013		
	Principal Due March 1	Interest Due September 1, March 1	Total
2021	\$ 40,000	\$ 92,755	\$ 132,755
2022	40,000	91,555	131,555
2023	35,000	90,355	125,355
2024	40,000	89,305	129,305
2025	40,000	88,105	128,105
2026	40,000	86,805	126,805
2027	40,000	85,445	125,445
2028	45,000	84,045	129,045
2029	45,000	82,425	127,425
2030	45,000	80,760	125,760
2031	45,000	79,050	124,050
2032	45,000	77,306	122,306
2033	50,000	75,563	125,563
2034	55,000	73,625	128,625
2035	55,000	71,494	126,494
2036	870,000	69,362	939,362
2037	920,000	35,650	955,650
Totals	\$ 2,450,000	\$ 1,353,605	\$ 3,803,605

**Brazoria County Municipal Utility District No. 29**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**July 31, 2020**

<b>Due During Fiscal Years Ending July 31</b>	<b>Refunding Series 2015</b>		
	<b>Principal Due March 1</b>	<b>Interest Due September 1, March 1</b>	<b>Total</b>
2021	\$ 270,000	\$ 174,125	\$ 444,125
2022	285,000	166,025	451,025
2023	295,000	157,475	452,475
2024	310,000	148,625	458,625
2025	320,000	139,325	459,325
2026	330,000	129,725	459,725
2027	345,000	119,825	464,825
2028	360,000	109,475	469,475
2029	370,000	98,225	468,225
2030	390,000	86,200	476,200
2031	410,000	70,600	480,600
2032	430,000	54,200	484,200
2033	455,000	37,000	492,000
2034	470,000	18,800	488,800
Totals	<u>\$ 5,040,000</u>	<u>\$ 1,509,625</u>	<u>\$ 6,549,625</u>

**Brazoria County Municipal Utility District No. 29**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**July 31, 2020**

<b>Refunding Series 2016</b>			
<b>Due During Fiscal Years Ending July 31</b>	<b>Principal Due March 1</b>	<b>Interest Due September 1, March 1</b>	<b>Total</b>
2021	\$ 120,000	\$ 100,800	\$ 220,800
2022	115,000	97,200	212,200
2023	125,000	93,750	218,750
2024	120,000	90,000	210,000
2025	125,000	86,400	211,400
2026	130,000	81,400	211,400
2027	130,000	76,200	206,200
2028	135,000	71,000	206,000
2029	140,000	65,600	205,600
2030	145,000	60,000	205,000
2031	150,000	54,200	204,200
2032	155,000	48,200	203,200
2033	150,000	42,000	192,000
2034	160,000	36,000	196,000
2035	740,000	29,600	769,600
Totals	<u>\$ 2,640,000</u>	<u>\$ 1,032,350</u>	<u>\$ 3,672,350</u>

**Brazoria County Municipal Utility District No. 29**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**July 31, 2020**

Due During Fiscal Years Ending July 31	Series 2017		
	Principal Due March 1	Interest Due September 1, March 1	Total
2021	\$ 195,000	\$ 353,956	\$ 548,956
2022	210,000	350,056	560,056
2023	215,000	345,856	560,856
2024	225,000	341,556	566,556
2025	240,000	337,056	577,056
2026	245,000	332,256	577,256
2027	260,000	326,744	586,744
2028	260,000	320,244	580,244
2029	280,000	312,444	592,444
2030	285,000	304,044	589,044
2031	300,000	295,494	595,494
2032	315,000	286,494	601,494
2033	330,000	277,044	607,044
2034	345,000	266,732	611,732
2035	280,000	255,950	535,950
2036	250,000	246,850	496,850
2037	250,000	238,724	488,724
2038	1,210,000	230,600	1,440,600
2039	1,275,000	191,275	1,466,275
2040	1,335,000	146,650	1,481,650
2041	1,395,000	99,925	1,494,925
2042	1,460,000	51,100	1,511,100
Totals	<u>\$ 11,160,000</u>	<u>\$ 5,911,050</u>	<u>\$ 17,071,050</u>

**Brazoria County Municipal Utility District No. 29**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**July 31, 2020**

<b>Due During Fiscal Years Ending July 31</b>	<b>Annual Requirements For All Series</b>		
	<b>Total Principal Due</b>	<b>Total Interest Due</b>	<b>Total Principal and Interest Due</b>
2021	\$ 625,000	\$ 721,636	\$ 1,346,636
2022	650,000	704,836	1,354,836
2023	670,000	687,436	1,357,436
2024	695,000	669,486	1,364,486
2025	725,000	650,886	1,375,886
2026	745,000	630,186	1,375,186
2027	775,000	608,214	1,383,214
2028	800,000	584,764	1,384,764
2029	835,000	558,694	1,393,694
2030	865,000	531,004	1,396,004
2031	905,000	499,344	1,404,344
2032	945,000	466,200	1,411,200
2033	985,000	431,607	1,416,607
2034	1,030,000	395,157	1,425,157
2035	1,075,000	357,044	1,432,044
2036	1,120,000	316,212	1,436,212
2037	1,170,000	274,374	1,444,374
2038	1,210,000	230,600	1,440,600
2039	1,275,000	191,275	1,466,275
2040	1,335,000	146,650	1,481,650
2041	1,395,000	99,925	1,494,925
2042	1,460,000	51,100	1,511,100
Totals	<u>\$ 21,290,000</u>	<u>\$ 9,806,630</u>	<u>\$ 31,096,630</u>

**Brazoria County Municipal Utility District No. 29**  
**Changes in Long-term Bonded Debt**  
**Year Ended July 31, 2020**

	<b>Bond</b>	
	<b>Series 2013</b>	<b>Refunding Series 2015</b>
Interest rates	3.000% to 3.875%	2.00% to 4.00%
Dates interest payable	September 1/ March 1	September 1/ March 1
Maturity dates	March 1, 2021/2037	March 1, 2021/2034
Bonds outstanding, beginning of current year	\$ 2,485,000	\$ 5,300,000
Retirements, principal	35,000	260,000
Bonds outstanding, end of current year	\$ 2,450,000	\$ 5,040,000
Interest paid during current year	\$ 93,805	\$ 179,325

Paying agent's name and address:

**Series 2013** - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas  
**Series 2015** - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas  
**Series 2016** - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas  
**Series 2017** - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Bond authority:

	<b>Tax Bonds</b>	<b>Other Bonds</b>	<b>Refunding Bonds</b>
Amount authorized by voters	\$ 67,000,000	\$ 6,000,000	\$ 43,500,000
Amount authorization used	\$ 23,995,000	\$ -	\$ 550,000
Remaining to be issued	\$ 43,005,000	\$ 6,000,000	\$ 42,950,000
Debt service fund cash and temporary investment balances as of July 31, 2020:			\$ 2,110,152
Average annual debt service payment (principal and interest) for remaining term of all debt:			\$ 1,413,483

**Issues**

<b>Refunding Series 2016</b>	<b>Series 2017</b>	<b>Totals</b>
2.00% to 4.00%	2.00% to 3.50%	
September 1/ March 1	September 1/ March 1	
March 1, 2021/2035	March 1, 2021/2042	
\$ 2,760,000	\$ 11,355,000	\$ 21,900,000
<u>120,000</u>	<u>195,000</u>	<u>610,000</u>
<u>\$ 2,640,000</u>	<u>\$ 11,160,000</u>	<u>\$ 21,290,000</u>
<u>\$ 103,200</u>	<u>\$ 357,856</u>	<u>\$ 734,186</u>

**Brazoria County Municipal Utility District No. 29**  
**Comparative Schedule of Revenues and Expenditures – General Fund**  
**Five Years Ended July 31,**

	Amounts				
	2020	2019	2018	2017	2016
<b>General Fund</b>					
<b>Revenues</b>					
Property taxes	\$ 1,265,535	\$ 1,125,780	\$ 735,450	\$ 592,253	\$ 419,712
Water service	453,807	418,155	402,776	347,069	299,833
Sewer service	396,068	365,749	351,031	297,398	254,224
Drainage service	37,586	36,394	34,474	30,334	25,372
Penalty and interest	45,894	52,010	23,849	40,336	37,471
Tap connection and inspection fees	214,220	126,770	272,700	498,335	180,460
Investment income	40,079	41,173	22,417	11,238	3,427
Other income	2,030	53	144,452	1,694	1,406
Total revenues	<u>2,455,219</u>	<u>2,166,084</u>	<u>1,987,149</u>	<u>1,818,657</u>	<u>1,221,905</u>
<b>Expenditures</b>					
Service operations:					
Professional fees	189,412	203,582	181,737	125,490	146,189
Contracted services	154,916	174,399	169,562	166,660	141,262
Utilities	69,823	75,247	75,518	71,608	79,279
Repairs and maintenance	595,033	772,258	844,280	516,634	388,001
Lease payments	-	-	93,086	159,576	119,682
Other expenditures	107,424	137,703	186,091	108,017	98,402
Tap connections	71,552	46,300	59,250	168,350	88,720
Capital outlay	396,947	619,562	633,332	23,530	157,394
Debt service, debt issuance costs	9,475	-	-	61,414	-
Total expenditures	<u>1,594,582</u>	<u>2,029,051</u>	<u>2,242,856</u>	<u>1,401,279</u>	<u>1,218,929</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>860,637</u>	<u>137,033</u>	<u>(255,707)</u>	<u>417,378</u>	<u>2,976</u>
<b>Other Financing Sources</b>					
Interfund transfers in	-	-	61,414	-	-
Insurance proceeds	-	30,223	-	-	-
Recovery from governmental agency	-	23,130	-	-	-
Total other financing sources	<u>0</u>	<u>53,353</u>	<u>61,414</u>	<u>0</u>	<u>0</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<u>860,637</u>	<u>190,386</u>	<u>(194,293)</u>	<u>417,378</u>	<u>2,976</u>
<b>Fund Balance, Beginning of Year</b>	<u>1,491,261</u>	<u>1,300,875</u>	<u>1,495,168</u>	<u>1,077,790</u>	<u>1,074,814</u>
<b>Fund Balance, End of Year</b>	<u>\$ 2,351,898</u>	<u>\$ 1,491,261</u>	<u>\$ 1,300,875</u>	<u>\$ 1,495,168</u>	<u>\$ 1,077,790</u>
<b>Total Active Retail Water Connections</b>	<u>1,614</u>	<u>1,527</u>	<u>1,497</u>	<u>1,392</u>	<u>1,133</u>
<b>Total Active Retail Wastewater Connections</b>	<u>1,596</u>	<u>1,511</u>	<u>1,480</u>	<u>1,375</u>	<u>1,117</u>

**Percent of Fund Total Revenues**

<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
51.6 %	51.9 %	37.0 %	32.6 %	34.3 %
18.5	19.3	20.3	19.1	24.5
16.1	16.9	17.7	16.3	20.8
1.5	1.7	1.7	1.7	2.1
1.9	2.4	1.2	2.2	3.1
8.7	5.9	13.7	27.4	14.8
1.6	1.9	1.1	0.6	0.3
<u>0.1</u>	<u>0.0</u>	<u>7.3</u>	<u>0.1</u>	<u>0.1</u>
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
7.7	9.4	9.1	6.9	12.0
6.3	8.1	8.5	9.2	11.6
2.8	3.5	3.8	3.9	6.5
24.2	35.6	42.5	28.4	31.7
-	-	4.7	8.8	9.8
4.4	6.4	9.4	5.9	8.1
2.9	2.1	3.0	9.3	7.2
16.2	28.6	31.9	1.3	12.9
<u>0.4</u>	<u>-</u>	<u>-</u>	<u>3.4</u>	<u>-</u>
<u>64.9</u>	<u>93.7</u>	<u>112.9</u>	<u>77.1</u>	<u>99.8</u>
<u><u>35.1 %</u></u>	<u><u>6.3 %</u></u>	<u><u>(12.9) %</u></u>	<u><u>22.9 %</u></u>	<u><u>0.2 %</u></u>

**Brazoria County Municipal Utility District No. 29**  
**Comparative Schedule of Revenues and Expenditures – Debt Service Fund**  
**Five Years Ended July 31,**

	Amounts				
	2020	2019	2018	2017	2016
<b>Debt Service Fund</b>					
<b>Revenues</b>					
Property taxes	\$ 1,635,937	\$ 1,460,892	\$ 1,425,060	\$ 1,147,888	\$ 940,858
Penalty and interest	17,522	12,150	13,376	9,421	8,229
Investment income	36,890	38,491	19,787	6,921	2,429
Other income	13,024	9,424	10,429	2,987	16,220
Total revenues	<u>1,703,373</u>	<u>1,520,957</u>	<u>1,468,652</u>	<u>1,167,217</u>	<u>967,736</u>
<b>Expenditures</b>					
Current:					
Professional fees	4,886	6,969	5,919	4,357	4,686
Contracted services	39,786	36,362	32,956	27,677	24,234
Other expenditures	5,161	7,556	4,460	3,267	11,755
Debt service:					
Principal retirement	610,000	590,000	395,000	405,000	345,000
Interest and fees	737,700	749,160	557,770	416,711	433,501
Debt issuance costs	-	-	-	153,622	1,200
Total expenditures	<u>1,397,533</u>	<u>1,390,047</u>	<u>996,105</u>	<u>1,010,634</u>	<u>820,376</u>
<b>Excess of Revenues Over Expenditures</b>	<u>305,840</u>	<u>130,910</u>	<u>472,547</u>	<u>156,583</u>	<u>147,360</u>
<b>Other Financing Sources (Uses)</b>					
General obligation bonds issued	-	-	-	3,025,000	-
Premium on debt issued	-	-	-	199,027	-
Deposit with escrow agent	-	-	-	(3,060,298)	-
Total other financing sources	<u>0</u>	<u>0</u>	<u>0</u>	<u>163,729</u>	<u>0</u>
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<u>305,840</u>	<u>130,910</u>	<u>472,547</u>	<u>320,312</u>	<u>147,360</u>
<b>Fund Balance, Beginning of Year</b>	<u>1,821,321</u>	<u>1,690,411</u>	<u>1,217,864</u>	<u>897,552</u>	<u>750,192</u>
<b>Fund Balance, End of Year</b>	<u>\$ 2,127,161</u>	<u>\$ 1,821,321</u>	<u>\$ 1,690,411</u>	<u>\$ 1,217,864</u>	<u>\$ 897,552</u>

**Percent of Fund Total Revenues**

<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
96.0 %	96.1 %	97.0 %	98.3 %	97.2 %
1.0	0.8	0.9	0.8	0.9
2.2	2.5	1.4	0.6	0.2
<u>0.8</u>	<u>0.6</u>	<u>0.7</u>	<u>0.3</u>	<u>1.7</u>
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
0.3	0.5	0.4	0.4	0.5
2.3	2.4	2.2	2.4	2.5
0.3	0.5	0.3	0.3	1.2
35.8	38.8	26.9	34.7	35.7
43.3	49.3	38.0	35.7	44.8
<u>-</u>	<u>-</u>	<u>-</u>	<u>13.1</u>	<u>0.1</u>
<u>82.0</u>	<u>91.5</u>	<u>67.8</u>	<u>86.6</u>	<u>84.8</u>
<u><u>18.0 %</u></u>	<u><u>8.5 %</u></u>	<u><u>32.2 %</u></u>	<u><u>13.4 %</u></u>	<u><u>15.2 %</u></u>

**Brazoria County Municipal Utility District No. 29**  
**Board Members, Key Personnel and Consultants**  
**Year Ended July 31, 2020**

Complete District mailing address:	Brazoria County Municipal Utility District No. 29 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):		May 11, 2018
Limit on fees of office that a director may receive during a fiscal year:		\$ 7,200

<b>Board Members</b>	<b>Term of Office Elected &amp; Expires</b>	<b>Fees*</b>	<b>Expense Reimbursements</b>	<b>Title at Year-end</b>
Eddie Cook	Elected 05/20- 05/24	\$ 3,600	\$ 1,365	President
Cassandra Cantner	Elected 05/18- 05/22	3,750	1,648	Vice President
Robina Spruill	Elected 05/20- 05/24	4,050	1,412	Secretary
Erin Garcia	Elected 05/18- 05/22	900	51	Assistant Vice President
Elizabeth Miller	Elected 05/20- 05/24	2,250	192	Assistant Secretary

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

**Brazoria County Municipal Utility District No. 29**  
**Board Members, Key Personnel and Consultants (Continued)**  
**Year Ended July 31, 2020**

<b>Consultants</b>	<b>Date Hired</b>	<b>Fees and Expense Reimbursements</b>	<b>Title</b>
Allen Boone Humphries Robinson LLP	06/29/04	\$ 123,083	General Counsel
Assessments of the Southwest, Inc.	08/02/04	26,373	Tax Assessor/ Collector
BKD, LLP	07/11/05	17,700	Auditor
Brazoria County Appraisal District	Legislative Action	18,524	Appraiser
Edminster, Hinshaw, Russ and Associates, Inc.	03/07/05	98,873	Engineer
Municipal Accounts & Consulting, L.P.	08/02/04	29,727	Bookkeeper
Municipal Operations & Consulting, Inc.	04/01/12	651,893	Operator
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/07/05	4,886	Delinquent Tax Attorney
Rathmann & Associates, L.P.	12/06/04	0	Financial Advisor
<b>Investment Officers</b>			
Ghia Lewis and Mark M. Burton	12/06/04	N/A	Bookkeepers



APPENDIX C

SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY



**MUNICIPAL BOND  
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: \_\_\_\_\_

MEMBER: [NAME OF MEMBER]

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

Effective Date: \_\_\_\_\_

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: \_\_\_\_\_  
Authorized Officer

SPECIAL MEMBER

**Notices (Unless Otherwise Specified by BAM)**

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

1 World Financial Center, 27<sup>th</sup> floor  
200 Liberty Street  
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN





