

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 21, 2021

This PRELIMINARY OFFICIAL STATEMENT is subject to completion and amendment. Upon sale of the Bonds, the OFFICIAL STATEMENT will be completed and delivered to the Underwriter.

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

THE BONDS WILL NOT BE DESIGNATED AS “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS. SEE “TAX MATTERS—NOT QUALIFIED TAX-EXEMPT OBLIGATIONS.”

NEW ISSUE-Book-Entry Only

Underlying Rating: Moody’s “Baa1”
See “MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE” herein.

LOWER KIRBY PEARLAND MANAGEMENT DISTRICT
(A political subdivision of the State of Texas located within Harris County)

\$3,620,000*
UNLIMITED TAX ROAD REFUNDING BONDS
SERIES 2021

\$2,905,000*
UNLIMITED TAX REFUNDING BONDS
SERIES 2021A

The \$3,620,000* Unlimited Tax Road Refunding Bonds, Series 2021 (the “Series 2021 Road Refunding Bonds”) and the \$2,905,000* Unlimited Tax Refunding Bonds, Series 2021A (the “Series 2021A Refunding Bonds”) (collectively referred herein as the “Bonds”) are obligations solely of Lower Kirby Pearland Management District (the “District”) and are not obligations of the State of Texas, Harris County, the City of Pearland or any entity other than the District.

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See “INVESTMENT CONSIDERATIONS.”

Dated Date: June 1, 2021

Due: March 1, as shown on the inside cover

Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the “Paying Agent/Registrar”) upon surrender of the Bonds for payment. Interest on the Bonds accrues from June 1, 2021, and is payable each March 1 and September 1, commencing September 1, 2021, until maturity or prior redemption. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity, as shown on the inside cover.

The Bonds of each series 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/Registrar 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. See “BOOK-ENTRY-ONLY SYSTEM.”

See “MATURITY SCHEDULES” on the inside cover

The Bonds are offered by the Underwriter subject to prior sale, when, as and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Bond Counsel. See “LEGAL MATTERS.” Certain legal matters will be reviewed by McCall, Parkhurst & Horton L.L.P., Houston, Texas, as Underwriter’s Counsel. Delivery of the Bonds through DTC is expected on or about June 8, 2021.

RBC CAPITAL MARKETS

*Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

MATURITY SCHEDULES
\$3,620,000*
SERIES 2021 ROAD REFUNDING BONDS

<u>Due</u> <u>(March 1)</u>	<u>Principal*</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Initial</u> <u>Reoffering</u> <u>Yield (c)</u>	<u>CUSIP</u> <u>Number (b)</u>	<u>Due</u> <u>(March 1)</u>	<u>Principal*</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Initial</u> <u>Reoffering</u> <u>Yield (c)</u>	<u>CUSIP</u> <u>Number (b)</u>
2023	\$ 470,000	%	%		2027	\$ 535,000	%	%	
2024	485,000				2028	545,000 (a)			
2025	505,000				2029	555,000 (a)			
2026	525,000								

\$2,905,000*
SERIES 2021A REFUNDING BONDS

<u>Due</u> <u>(March 1)</u>	<u>Principal*</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Initial</u> <u>Reoffering</u> <u>Yield (c)</u>	<u>CUSIP</u> <u>Number (b)</u>	<u>Due</u> <u>(March 1)</u>	<u>Principal*</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Initial</u> <u>Reoffering</u> <u>Yield (c)</u>	<u>CUSIP</u> <u>Number (b)</u>
2022	\$ 10,000	%	%		2029	\$ 210,000 (a)	%	%	
2023	215,000				2030	280,000 (a)			
2024	215,000				2031	280,000 (a)			
2025	215,000				2032	280,000 (a)			
2026	215,000				2033	280,000 (a)			
2027	215,000				2034	280,000 (a)			
2028	210,000 (a)								

- (a) Bonds maturing on and after March 1, 2028, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on March 1, 2027, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. See "THE BONDS—Redemption Provisions."
- (b) CUSIP Numbers have been assigned to the Bonds by CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (c) Initial reoffering yield represents the initial offering yield to the public which has been established by the Underwriter (as herein defined) for offers to the public and which may be subsequently changed by the Underwriter and is the sole responsibility of the Underwriter. The initial reoffering yields indicated above represent the lower of the yields resulting when priced at maturity or to the first call date. Accrued interest from June 1, 2021, is to be added to the price.

*Preliminary; subject to change.

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USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, as amended and in effect on the date hereof (“Rule 15c2-12”), this document constitutes an OFFICIAL STATEMENT with respect to the Bonds that has been “deemed final” by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

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

This OFFICIAL STATEMENT is not to be used in an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this OFFICIAL STATEMENT are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Allen Boone Humphries Robinson LLP, Bond Counsel, 3200 Southwest Freeway, Suite 2600, Houston, Texas, 77027, for further information.

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

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this OFFICIAL STATEMENT for purposes of, and as that term is defined in, Rule 15c2-12.

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SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

The Series 2021 Road Refunding Bonds are being purchased by RBC Capital Markets, LLC (the “Underwriter”) pursuant to a bond purchase agreement with the District at a price of \$_____ (representing the par amount of the Series 2021 Road Refunding Bonds of \$_____, plus/less a net premium/discount on the Series 2021 Road Refunding Bonds of \$_____, less an Underwriter’s discount of \$_____) plus accrued interest. The Underwriter’s obligation is to purchase all of the Series 2021 Road Refunding Bonds, if any are purchased. See “PLAN OF FINANCING—Sources and Uses of Funds.”

The Series 2021A Refunding Bonds are being purchased by the Underwriter pursuant to a bond purchase agreement with the District at a price of \$_____ (representing the par amount of the Series 2021A Refunding Bonds of \$_____, plus/less a net premium/discount on the Series 2021A Refunding Bonds of \$_____, less an Underwriter’s discount of \$_____) plus accrued interest. The Underwriter’s obligation is to purchase all of the Series 2021A Refunding Bonds, if any are purchased. See “PLAN OF FINANCING—Sources and Uses of Funds.”

The Underwriter has reviewed the information in this OFFICIAL STATEMENT pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

The Underwriters and their respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriters and their respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriters and their respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the District. The Underwriters and their respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the District.

Prices and Marketability

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Underwriter may over allot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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

Securities Laws

No registration statement relating to the offer and sale of the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

OFFICIAL STATEMENT SUMMARY

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

INFECTIOUS DISEASE OUTLOOK (COVID-19)

General...

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

Impact...

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

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

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. See “INVESTMENT CONSIDERATIONS—Infectious Disease Outlook (COVID-19).”

RECENT EXTREME WEATHER EVENTS; HURRICANE HARVEY

General...

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 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 25, 2017, and brought historic levels of rainfall during the successive four days.

Impact on the District...

According to LJA Engineering, Inc. (the “Engineer”), the System (as defined herein) serving the District did not sustain any material damage, there was no interruption of water and sewer service by the City of Pearland, and no homes or commercial improvements within the District reported to the District structural flooding or other material damage as a result of Hurricane Harvey.

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. See “INVESTMENT CONSIDERATIONS—Recent Extreme Weather Events; Hurricane Harvey.”

THE DISTRICT

<i>Description...</i>	<p>The District was created as Spectrum Management District, a political subdivision of the State of Texas, by a special act of the 80th Texas Legislature, effective June 15, 2007. On March 13, 2012, by a resolution of the Board of Directors of the District, the District changed its name to the Lower Kirby Pearland Management District. The District operates in accordance with Chapter 3840 of the Texas Special District Local Laws Code and Chapter 375 of the Local Government Code and other statutes of the State of Texas applicable to certain political subdivisions of the State of Texas. The District contains approximately 946 acres of land. See “THE DISTRICT.”</p>
<i>Location...</i>	<p>The District is located approximately 13 miles southeast of the City of Houston in Harris County and entirely within the corporate boundaries of the City of Pearland. Access to the District is provided by Texas State Highway 288 to Sam Houston Toll Road, and Kirby Drive. The District is bounded on the north by Sam Houston Toll Road, on the east by State Highway 288, on the west by Almeda School Road and on the south by Clear Creek. See “THE DISTRICT.”</p>
<i>Principal Property Owners...</i>	<p>Mitsubishi Heavy Industries Compressor International Corporation, a wholly-owned subsidiary of Mitsubishi Heavy Industries, Ltd. (“MHI”) has constructed a 178,500 square foot plant on approximately 28 acres within the District. MHI represents \$63,344,546 or 16.43% of the 2020 Certified Taxable Assessed Valuation of \$385,474,907. LNG Development LP and Iowa Fertilizer LLC represent \$17,046,698 and \$8,190,571 of personal property, respectively, located at MHI’s facility that represents 4.42% and 2.12% of the 2020 Certified Taxable Assessed Valuation of \$385,474,907, respectively.</p> <p>Zeller 401 ZFG TIC LLC (“Zeller 401”), a special purpose entity affiliated with the Zeller Realty Group, a commercial real estate investment and development firm headquartered in Chicago, Illinois, constructed a 276,770 square foot manufacturing and research facility on approximately 10 acres of land in the District. Lonza America, Inc. (“Lonza”), a wholly owned subsidiary of Lonza Group AG, an international biotechnology and pharmaceutical company based in Switzerland, leases the biotechnology facility from Zeller 401. Zeller 401 represents \$51,379,033 or 13.33% of the 2020 Certified Taxable Assessed Valuation of \$385,474,907 and Lonza represents \$44,936,280 or 11.66% of the 2020 Certified Taxable Assessed Valuation of \$385,474,907. Lonza also owns approximately 19 acres of land within the District.</p> <p>Merit Medical Systems, Inc. (“MMSI”), a publicly traded company (NASDAQ: MMSI), is located in an approximately 103,000 square foot building on approximately 12 acres in the District. MMSI represents \$28,990,407 or 7.52% of the 2020 Certified Taxable Assessed Valuation of \$385,474,907.</p> <p>The energy division of Dover Corporation Company (“Dover”), a publicly traded company (NYSE: DOV) based in Downers Grove, Illinois, has constructed an approximately 152,000 square foot building on approximately 14 acres in the District. The Dover facilities in Houston include office and manufacturing for three of its different brands: Bearings Plus Inc., Norris and Cook Compression. Dover represents \$25,149,031 or 6.52% of the 2020 Certified Taxable Assessed Valuation of \$385,474,907.</p> <p>D.I. Properties Inc. (“D.I.”), a Berkshire Hathaway owned company, owns an approximately 81,000 square foot building on approximately 15 acres in the District. Tool Flo Manufacturing, Inc. (“Tool Flo”), a wholly owned subsidiary of Berkshire Hathaway, leases the facility from D.I. D.I. represents \$19,536,205 or 5.07% of the 2020 Certified Taxable Assessed Valuation of \$385,474,907 and Tool Flo represents \$7,622,960 or 1.98% of the 2020 Certified Taxable Assessed Valuation of \$385,474,907.</p> <p>Endress Hauser Inc. (“Endress+Hauser”) owns an approximately 119,856 square foot Gulf Coast Regional Center Campus on approximately 17 acres in the District. Endress+Hauser represents \$16,453,008 or 4.27% of the 2020 Certified Taxable Assessed Valuation of \$385,474,907.</p> <p>Pearland Kirby Medical Plaza LP owns an approximately 44,579 square foot medical building on approximately 5 acres in the District. Pearland Kirby Medical Plaza LP represents \$9,706,108 or 2.52% of the 2020 Certified Taxable Assessed Valuation of \$385,474,907.</p>

Pearland Economic Development Corp. (“Pearland EDC”) owns approximately 15 acres in the District where the Pearland EDC has constructed an approximately 46,000 square foot building solely leased to and occupied by Cardiovascular Systems Inc. (“CSI”), a publicly traded company (NASDAQ: CSI) based in St. Paul, Minnesota. CSI has a 10-year lease with the Pearland EDC. Pearland EDC represents \$6,127,250 or 1.59% of the 2020 Certified Taxable Assessed Valuation of \$385,474,907 and CSI represents \$9,468,904 or 2.46% of the 2020 Certified Taxable Assessed Valuation of \$385,474,907.

America Modern Green Development (Houston) LLC (“AMG”) owns approximately 44 acres of land in the District. AMG initially deposited \$11,425,154 with the District, which the District is using to pre-finance the cost of construction of certain water, sewer, drainage and recreational facilities to serve property owned by AMG.

See “PRINCIPAL PROPERTY OWNERS,” “TAX DATA—Principal Taxpayers” and “INVESTMENT CONSIDERATIONS—Dependence on Principal Taxpayers.”

Role of the City of Pearland...

Pursuant to agreements between the District and the City of Pearland, the City of Pearland serves as the developer with regard to portions of the utilities and roads. The City of Pearland provides funding for some of such projects and the District has agreed to reimburse the City of Pearland from proceeds of its bonds, when available. See “THE ROLE OF THE CITY OF PEARLAND” and “INVESTMENT CONSIDERATIONS—Role of the City of Pearland in Development.”

Land Use and Status of Development...

Development in the District primarily consists of industrial, manufacturing and commercial projects on an aggregate of approximately 264 acres. Development currently consists of (1) an approximately 276,770 square foot manufacturing and research Lonza biotechnology facility on approximately 10 acres, (2) an approximately 178,500 square foot MHI compressor and steam turbine manufacturing plant on approximately 28 acres, (3) an approximately 152,000 square foot Dover office/manufacturing facility on approximately 14 acres, (4) an approximately 103,000 square foot MMSI medical devices manufacturing plant on approximately 12 acres, (5) an approximately 90,000 square foot Brenntag distribution facility on approximately 9 acres, (6) an approximately 75,000 square-foot Tool-Flo Manufacturing, owned by IMC Group, a Berkshire Hathaway owned company, headquarters, training and manufacturing facility on approximately 15 acres, (7) an approximately 46,000 square foot building on approximately 15 acres occupied by CSI, (8) an approximately 45,000 square foot building on approximately 5 acres where Pearland Kirby Medical Plaza and Surgery Center has been constructed, (9) a 21,000 square foot facility for a Bobcat Equipment dealer on approximately 3 acres, and (10) a 119,856 square foot Gulf Coast Regional Center Campus on approximately 17 acres owned by Endress+Hauser. Other businesses in the District include a fabrication facility, a lumberyard, FAMCO Machinery and Syntech Chemical plant. Kids Unlimited Ranch, a facility owned by Kids Unlimited Foundation, a non-profit organization, is also located in the District on approximately 13 acres.

The industrial/manufacturing/commercial projects listed above represent the majority of the taxable value in the District. However, the District does include some residential properties that existed prior to the District’s creation in 2007 and are now located within the District’s boundaries. The residential property in the District consists of 28 residences: 5 with a 2020 taxable value of less than \$50,000, 16 with a 2020 taxable value between \$50,000 and \$150,000, and 7 with a 2020 taxable value over \$150,000.

The District also includes approximately 546 developable acres, of which approximately 240 acres are served by trunkline water distribution and wastewater collection facilities necessary for the construction of taxable improvements and a portion of the remaining developable acreage is served by private septic and water well systems. There are also approximately 123 acres of undevelopable acreage (easements, rights-of-way, floodway, open spaces and agricultural land) in the District. See “THE DISTRICT—Land Use and Status of Development” and “TAX DATA—Principal Taxpayers.”

Payment Record...

The District has previously issued four series of unlimited tax road bonds, four series of unlimited tax bonds and one series of unlimited tax park bonds, of which \$28,510,000 principal amount collectively remains outstanding as of the date hereof (the “Outstanding Bonds”). See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds.” The District has never defaulted in the payment of principal and interest on the Outstanding Bonds.

THE BONDS

<i>Description...</i>	<p>The \$3,620,000* Unlimited Tax Road Refunding Bonds, Series 2021 (the “Series 2021 Road Refunding Bonds”) and \$2,905,000* Unlimited Tax Refunding Bonds, Series 2021A (the “Series 2021A Refunding Bonds”) (collectively referred to herein as the “Bonds”) are being issued as fully registered bonds pursuant to separate resolutions authorizing the issuance of the Bonds of each series (collectively, the “Bond Resolutions”) adopted by the District’s Board of Directors (the “Board”). The Series 2021 Road Refunding Bonds are scheduled to mature serially on March 1 in each of the years 2023 through 2029, both inclusive, in the principal amounts and on the dates shown on the inside cover page hereof. The Series 2021A Refunding Bonds are scheduled to mature serially on March 1 in each of the years 2022 through 2034, both inclusive, in the principal amounts and on the dates shown on the inside cover page hereof. The Bonds will be issued in denominations of \$5,000 or integral multiples of \$5,000. Interest on the Bonds accrues from June 1, 2021, and is payable September 1, 2021, and each March 1 and September 1 thereafter, until the earlier of maturity or prior redemption. See “THE BONDS.”</p>
<i>Book-Entry-Only...</i>	<p>The Depository Trust Company (defined as “DTC”), New York, New York, 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 and will be deposited with DTC. See “BOOK-ENTRY-ONLY SYSTEM.”</p>
<i>Redemption...</i>	<p>Bonds maturing on or after March 1, 2028, are subject to redemption in whole, or from time to time in part, at the option of the District prior to their maturity dates on March 1, 2027, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS—Redemption Provisions.”</p>
<i>Use of Proceeds...</i>	<p>Proceeds from the sale of the Bonds, together with lawfully available debt service funds, if any, will be used to pay certain costs incurred in connection with the issuance of the Bonds and to currently refund and defease \$6,375,000* principal amount of the Outstanding Bonds in order to achieve net savings in the District’s annual debt service expense. See “PLAN OF FINANCING—Refunded Bonds.” The bonds to be refunded and discharged with Bond proceeds are referred to herein as the “Refunded Bonds.” After the issuance of the Bonds, \$22,135,000* principal amount of the Outstanding Bonds will remain outstanding (the “Remaining Outstanding Bonds”). See “FINANCIAL INFORMATION CONCERNING THE DISTRICT—Outstanding Bonds.”</p>
<i>Authority for Issuance...</i>	<p>The Series 2021 Road Refunding Bonds are the fifth series of bonds issued out of an aggregate of \$39,500,000 principal amount of unlimited tax bonds authorized by the District’s voters for the purpose of constructing roads and for the further purpose of refunding such bonds. The Series 2021 Road Refunding Bonds are issued by the District pursuant to the terms and conditions of the Bond Resolution for such series, Article III, Section 52 of the Texas Constitution, Chapter 3840 of the Texas Special District Local Laws Code, applicable provisions of Chapter 375 of the Local Government Code, Chapter 1207, Texas Government Code, as amended, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.</p> <p>The Series 2021A Refunding Bonds are the fifth series of bonds issued out of an aggregate of \$48,735,000 principal amount of unlimited tax bonds authorized by the District’s voters for the purpose of acquiring or constructing water, wastewater and storm drainage facilities and refunding such bonds. The Bonds are issued by the District pursuant to the terms and conditions of the Bond Resolution for such series, Article XVI, Section 59 of the Texas Constitution, Chapter 3840 of the Texas Special District Local Laws Code, applicable provisions of Chapter 375 of the Local Government Code, Chapter 1207, Texas Government Code, as amended, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See “THE BONDS—Authority for Issuance,” “—Issuance of Additional Debt” and “INVESTMENT CONSIDERATIONS—Future Debt.”</p>
<i>Source of Payment...</i>	<p>Principal of and interest on the Bonds and the Remaining Outstanding Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston, or any entity other than the District. See “THE BONDS—Source of and Security for Payment.”</p>

*Municipal Bond Rating
and
Municipal Bond Insurance...*

Moody's Investors Service ("Moody's") has assigned a credit rating of "Baa1" on the Bonds. An explanation of the rating may be obtained from Moody's, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. The fee associated with the rating assigned to the District by Moody's will be paid by the District; however, the fee associated with ratings provided by other agencies will be at the expense of the Underwriter. See "MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE."

Application has also been made to municipal bond insurance companies for qualification of the Bonds for municipal bond insurance. If qualified, the purchase of municipal bond insurance is optional and at the expense of the District. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance" and "MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE."

*Not Qualified Tax-Exempt
Obligations...*

The District will not designate 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—Not Qualified Tax-Exempt Obligations."

Bond Counsel...

Allen Boone Humphries Robinson LLP, Houston, Texas. See "MANAGEMENT OF THE DISTRICT," "LEGAL MATTERS," and "TAX MATTERS."

Financial Advisor...

Masterson Advisors LLC, Houston, Texas. See "MANAGEMENT OF THE DISTRICT."

Underwriter's Counsel...

McCall, Parkhurst & Horton L.L.P., Houston, Texas.

Paying Agent/Registrar...

The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See "THE BONDS—Method of Payment of Principal and Interest."

Escrow Agent...

The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See "PLAN OF FINANCING—Escrow Agreement" and "—Defeasance of Refunded Bonds."

Verification Agent...

Public Finance Partners LLC, Rockford, Minnesota. See "VERIFICATION OF MATHEMATICAL CALCULATIONS."

INVESTMENT CONSIDERATIONS

The purchase and ownership of the Bonds are subject to special INVESTMENT CONSIDERATIONS and all prospective purchasers are urged to examine carefully this entire Official Statement with respect to the investment security of the Bonds, including particularly the section captioned "INVESTMENT CONSIDERATIONS."

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SELECTED FINANCIAL INFORMATION (UNAUDITED)

2020 Certified Taxable Assessed Valuation.....	\$385,474,907 (a)
Gross Direct Debt Outstanding (the Bonds and the Remaining Outstanding Bonds)	\$28,660,000 *(b)
Estimated Overlapping Debt	18,846,943 (c)
Gross Direct Debt and Estimated Overlapping Debt.....	\$47,506,943 *(c)
Ratio of Gross Direct Debt to:	
2020 Certified Taxable Assessed Valuation.....	7.43% *
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:	
2020 Certified Taxable Assessed Valuation.....	12.32% *
Funds Available for Debt Service:	
Water, Sewer and Drainage Debt Service Fund Balance as of April 21, 2021	\$1,727,852 (d)
Road Debt Service Fund Balance as of April 21, 2021	1,808,708 (e)
Total Funds Available for Debt Service as of April 21, 2021	\$3,536,560
General Operating Fund Balance Available as of April 21, 2021	\$ 837,200
Road Capital Projects Fund Balance Available as of April 21, 2021	\$ 668,510 (f)
Capital Projects Fund Balance Available as of April 21, 2021	\$2,177,240 (g)
Master Drainage Fund Balance Available as of April 21, 2021	\$5,269,288 (h)
2020 Debt Service Tax Rate.....	\$0.60
2020 Maintenance Tax Rate.....	0.10
2020 Total Tax Rate.....	\$0.70
Average Annual Debt Service Requirement (2022-2043).....	\$1,659,161 *(i)
Maximum Annual Debt Service Requirement (2022).....	\$2,262,050 *(i)
Tax Rates Required to Pay Average Annual Debt Service (2022-2043) at a 95% Collection Rate Based upon 2020 Certified Taxable Assessed Valuation	\$0.46 *(j)
Tax Rates Required to Pay Maximum Annual Debt Service (2022) at a 95% Collection Rate Based upon 2020 Certified Taxable Assessed Valuation	\$0.62 *(j)

- (a) As certified by the Harris County Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."
- (b) After the issuance of the Bonds and excludes the Refunded Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."
- (c) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt."
- (d) The District intends to contribute approximately \$15,000* of lawfully available debt service funds towards the purpose for which the Series 2021A Refunding Bonds are being issued. See "PLAN OF FINANCING—Sources and Uses of Funds." Neither Texas law nor the Bond Resolutions require the District to maintain any particular balance in the Debt Service Fund. Funds in the Water, Sewer and Drainage Debt Service Fund are pledged only to pay the debt service on bonds issued by the District for water, sewer, drainage and recreational purposes and are not available to pay debt service on bonds issued by the District for road purposes. See "THE BONDS—Funds."
- (e) The District intends to contribute approximately \$18,000* of lawfully available debt service funds towards the purpose for which the Series 2021 Road Refunding Bonds are being issued. See "PLAN OF FINANCING—Sources and Uses of Funds." Neither Texas law nor the Bond Resolutions require the District to maintain any particular balance in the Debt Service Fund. Funds in the Road Debt Service Fund are pledged only to pay the debt service on bonds issued by the District for roads and are not available to pay debt service on bonds issued by the District for water, sewer, drainage and recreational purposes. See "THE BONDS—Funds."
- (f) Funds in the Road Capital Projects Fund are being used to finance construction of portions of, and improvements to, Kirby Drive and South Spectrum Boulevard. See "ROADS."
- (g) Of such amount, \$560,073 and \$1,617,167 may be used to finance water, wastewater and storm drainage facilities and recreational facilities, respectively. The remainder of the Capital Projects funds for water, wastewater and storm drainage facilities are being spent on current construction projects.
- (h) A portion of the funds in the Master Drainage Fund represent non-refundable fees paid by business owners in connection with the District's Master Drainage Plan. The District uses these funds to construct drainage projects described in the Master Drainage Plan.
- (i) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."
- (j) See "TAX DATA—Tax Adequacy for Debt Service."

PRELIMINARY OFFICIAL STATEMENT

LOWER KIRBY PEARLAND MANAGEMENT DISTRICT

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

\$3,620,000*

**UNLIMITED TAX ROAD REFUNDING BONDS
SERIES 2021**

\$2,905,000*

**UNLIMITED TAX REFUNDING BONDS
SERIES 2021A**

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Lower Kirby Pearland Management District (the "District") of its \$3,620,000* Unlimited Tax Road Refunding Bonds, Series 2021 (the "Series 2021 Road Refunding Bonds") and its \$2,905,000* Unlimited Tax Refunding Bonds, Series 2021A (the "Series 2021A Refunding Bonds") (collectively referred to herein as the "Bonds").

The Bonds are issued by the District pursuant to the terms and conditions of separate resolutions authorizing the issuance of the Bonds of each series (collectively, the "Bond Resolutions"), Article XVI, Section 59 of the Texas Constitution in the case of the Series 2021A Refunding Bonds, Article III, Chapter 52 of the Texas Constitution in the case of the Series 2021 Road Refunding Bonds, Chapter 3840 of the Texas Special District Local Laws Code, applicable provisions of Chapter 375 of the Local Government Code, Chapter 1207, Texas Government Code, as amended, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Resolutions, principal property owners and certain other information about the District and development activity in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents referenced herein may be obtained from Allen Boone Humphries Robinson LLP ("Bond Counsel"), 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027, upon payment of duplication costs.

PLAN OF FINANCING

Purpose

The proceeds of the Bonds and lawfully available debt service funds, if any, will be used to currently refund and defease portions of the District's Unlimited Tax Road Bonds, Series 2015 and Unlimited Tax Bonds, Series 2016, totaling an aggregate principal amount of \$6,375,000* (the "Refunded Bonds") in order to achieve a net savings in the District's debt service expense. See "Refunded Bonds" herein. The proceeds will also be used to pay the costs of issuance of the Bonds. See "Sources and Uses of Funds" herein. A total of \$22,135,000* in principal amount of the Outstanding Bonds will remain outstanding after the issuance of the Bonds (the "Remaining Outstanding Bonds"). See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."

Refunded Bonds

Proceeds of the Bonds, together with lawfully available debt service funds, if any, will be applied to currently refund and defease the Refunded Bonds in the principal amounts and with maturity dates set forth below and to pay certain costs of issuing the Bonds.

Maturity Date September 1	Series 2015 Road*	Series 2016*
2022	\$ -	\$ -
2023	460,000	200,000
2024	475,000	200,000
2025	495,000	200,000
2026	510,000	200,000
2027	525,000	200,000
2028	545,000	200,000
2029	565,000	200,000
2030	-	275,000
2031	-	275,000
2032	-	280,000
2033	-	285,000
2034	-	285,000
	<u>\$ 3,575,000</u>	<u>\$ 2,800,000</u>
Redemption Date:	September 1, 2021	September 1, 2021

*Preliminary; subject to change.

The Refunded Bonds will be redeemed on the date shown above, the earliest redemption date allowable under the resolutions authorizing issuance of the Refunded Bonds.

Escrow Agreement

The Refunded Bonds, and the interest due thereon, are to be paid on each principal or Interest Payment Date and on their redemption date from funds to be deposited with The Bank of New York Mellon Trust Company, N.A., Dallas, Texas as escrow agent (the “Escrow Agent”).

The Bond Resolutions provide that the District and the Escrow Agent will enter into an escrow agreement for each series (the “Escrow Agreements”) to provide for the discharge and defeasance of the Refunded Bonds. The Bond Resolutions further provide that from the proceeds of the sale of each series of the Bonds and lawfully available debt service funds of the District, if any, the District will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in segregated escrow accounts (the “Escrow Fund”) and used to purchase United States Treasury Obligations or other investments authorized by Chapter 1207 Texas Government Code (the “Escrowed Securities”). At the time of delivery of the Bonds, Public Finance Partners LLC, will verify to the District, the Escrow Agent and the Underwriter that the Escrowed Securities are sufficient in principal amount and are scheduled to mature at such times and to yield interest in such amounts, together with cash, if any, in the Escrow Fund, to pay, when due, the principal of and interest on each series of the Refunded Bonds. See “VERIFICATION OF MATHEMATICAL CALCULATIONS.” Under the Escrow Agreements, the Escrow Funds are irrevocably pledged to the payment of principal of and interest on the related series of Refunded Bonds and will not be available to pay principal of and interest on the Bonds.

Defeasance of Refunded Bonds

By the deposit of the Escrowed Securities and cash, if any, with the Escrow Agent pursuant to the Escrow Agreements, and the making of irrevocable arrangements for the giving of notice of redemption of the Refunded Bonds, the terms of the prior resolutions of the District securing payment of the Refunded Bonds shall have been satisfied and such Refunded Bonds will no longer be considered outstanding except for the payment out of amounts so deposited, and the amounts so deposited and invested in the Escrow Fund for each series will constitute firm banking arrangements under Texas law for the discharge and final payment of the Refunded Bonds.

Sources and Uses of Funds

The proceeds derived from the sale of the Series 2021 Road Refunding Bonds, together with lawfully available debt service funds, if any, exclusive of accrued interest, will be applied as follows:

Sources of Funds:	
Principal Amount of the Series 2021 Road Refunding Bonds.....	\$ _____
Plus/Less: Net Premium/Discount on the Series 2021 Road Refunding Bonds .	_____
Plus: Transfer from Road Debt Service Fund.....	_____
Total Sources of Funds.....	\$ _____
Uses of Funds:	
Deposit to Escrow Fund.....	\$ _____
Issuance Expenses and Underwriters’ Discount (a).....	_____
Total Uses of Funds	\$ _____

The proceeds derived from the sale of the Series 2021A Refunding Bonds, together with available debt service funds, if any, exclusive of accrued interest, will be applied as follows:

Sources of Funds:	
Principal Amount of the Series 2021A Refunding Bonds	\$ _____
Plus/Less: Net Premium/Discount on the Series 2021A Refunding Bonds.....	_____
Plus: Transfer from Water, Sewer and Drainage Debt Service Fund	_____
Total Sources of Funds.....	\$ _____
Uses of Funds:	
Deposit to Escrow Fund.....	\$ _____
Issuance Expenses and Underwriters’ Discount (a).....	_____
Total Uses of Funds	\$ _____

(a) Includes municipal bond insurance premium.

THE BONDS

Description

The Bonds will be dated and accrue interest from June 1, 2021, with interest payable each March 1 and September 1, beginning September 1, 2021 (the "Interest Payment Date"), and will mature on the dates and in the principal amounts and accrue interest at the rates shown on the inside cover page hereof. The Bonds are issued in fully registered form, in denominations of \$5,000 or any integral multiple of \$5,000. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

Method of Payment of Principal and Interest

In the Bond Resolutions, the Board has appointed The Bank of New York Mellon Trust Company, N.A., Dallas, Texas as the initial Paying Agent/Registrar for the Bonds. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America, which, on the date of payment, is legal tender for the payment of debts due the United States of America. In the event the book-entry system is discontinued, principal of the Bonds shall be payable upon presentation and surrender of the Bonds as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Houston, Texas and interest on each Bond shall be payable by check payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the Registered Owner of record as of the close of business on the February 15 or August 15 immediately preceding each Interest Payment Date (defined herein as the "Record Date"), to the address of such Registered Owner as shown on the Paying Agent/Registrar's records (the "Register") or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners.

If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day, as defined in the Bond Resolutions.

Source of and Security for Payment

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

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

Funds

In the Bond Resolutions, the Road Debt Service Fund and Water, Sewer and Drainage Debt Service Fund are confirmed, and the proceeds from all taxes levied, assessed and collected for and on account of the Bonds authorized by the Bond Resolutions shall be deposited, as collected, in each such fund.

Funds in the Water, Sewer and Drainage Debt Service Fund are not available to pay principal and interest on the Series 2021 Road Refunding Bonds and the Remaining Outstanding Road Bonds and funds in the Road Debt Service Fund are not available to pay principal and interest on the Series 2021A Refunding Bonds and the Remaining Outstanding Water, Sewer, Drainage and Park Bonds.

Accrued interest on the Series 2021 Road Refunding Bonds shall be deposited into the Road Debt Service Fund upon receipt. Any monies remaining after the refunding of the Series 2015 Refunded Bonds and payment of issuance costs will be deposited into the Road Debt Service Fund.

Accrued interest on the Series 2021A Refunding Bonds shall be deposited into the Water, Sewer and Drainage Debt Service Fund upon receipt. Any monies remaining after the refunding of the Series 2016 Refunded Bonds and payment of issuance costs will be deposited into the Water, Sewer and Drainage Debt Service Fund.

No Arbitrage

The District will certify as of the date the Bonds are delivered and paid for 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 in the Bond Resolutions that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds, and take such other and further actions and follow such procedures, including, without limitation, calculating the yield on the Bonds, as may be required so that the Bonds shall not become “arbitrage bonds” under the Code and the regulations prescribed from time to time thereunder.

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds of each series maturing on or after March 1, 2028, prior to their scheduled maturities, in whole or from time-to-time in part, in integral multiples of \$5,000 on March 1, 2027, or any date thereafter, at a price of par value plus accrued interest on the principal amounts called for redemption to the date fixed for redemption.

If less than all of the Bonds are redeemed at any time, the series and maturities of the Bonds to be redeemed will be selected by the District. If less than all the Bonds of a certain series and maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other random method (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

If a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in integral multiples of \$5,000. Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a Bond or Bonds of like series and maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption by sending written notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the Register. Such notices shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment and, if less than all the Bonds outstanding are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption.

When Bonds have been called for redemption in whole or 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.

Authority for Issuance

At a bond election held within the District on May 10, 2008, voters of the District authorized the issuance of \$39,500,000 principal amount of unlimited tax bonds for the purpose of constructing roads and for the further purpose of refunding such bonds and \$48,735,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater and storm drainage facilities and refunding such bonds. The Series 2021 Road Refunding Bonds are the fifth issue pursuant to such authorization and the Series 2021A Refunding Bonds are the fifth issue pursuant to such authorization. See “Issuance of Additional Debt.”

The Bonds of each series are issued by the District pursuant to the respective Bond Resolution, Article XVI, Section 59 of the Texas Constitution in the case of the Series 2021A Refunding Bonds, Article III, Chapter 52 of the Texas Constitution in the case of the Series 2021 Road Refunding Bonds, Chapter 3840 of the Texas Special District Local Laws Code, applicable provisions of Chapter 375 of the Local Government Code, Chapter 1207, Texas Government Code, as amended, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this OFFICIAL STATEMENT.

Dissolution by the City of Pearland

The District lies wholly within the corporate limits of the City of Pearland. The District may be dissolved by the City of Pearland without the District's consent. If the District is dissolved, the City of Pearland will assume the District's assets and obligations (including the Bonds). Dissolution of the District by the City of Pearland is a policy matter within the discretion of the Mayor and City Council of the City of Pearland, and therefore, the District makes no representation that dissolution will or will not occur and makes no representation of the City of Pearland's financial capability to pay debt service on the Bonds if such dissolution were to occur.

Registration and Transfer

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

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

All Bonds shall be exchangeable upon presentation and surrender thereof at the principal payment office of the Paying Agent/Registrar for a Bond or Bonds of the same series and maturity and interest rate and in any authorized denomination in an aggregate amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar is authorized to authenticate and deliver exchange Bonds. Each Bond delivered shall be entitled to the benefits and security of the Bond Resolutions to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

Neither the District nor the Paying Agent/Registrar shall be required to transfer or to exchange any Bond during the period beginning on a Record Date and ending the next succeeding Interest Payment Date or to transfer or exchange any Bond called for redemption during the thirty (30) day period prior to the date fixed for redemption of such Bond.

The District or the Paying Agent/Registrar may require the Registered Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange shall be paid by the District.

Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like series, maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity bond, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding.

Registered owners of lost, stolen or destroyed Bonds will be required to pay the District's costs to replace such Bond. In addition, the District or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

Replacement of Paying Agent/Registrar

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

Issuance of Additional Debt

The District's voters authorized the issuance of \$48,735,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring water, wastewater and storm drainage facilities and refunding such bonds, \$39,500,000 principal amount of unlimited tax bonds for the purpose of constructing roads and refunding such bonds, \$29,120,000 principal amount of unlimited tax bonds for the purpose of providing recreational facilities and refunding such bonds, and \$26,395,000 principal amount of unlimited tax bonds for the purpose of funding economic development programs and refunding such bonds. Although the District has no plans to issue bonds for economic development purposes, the Texas Attorney General Office of Public Finance has informed the District it will not approve a bond issue for economic development purposes. The voters in the District may authorize additional amounts. Any additional bonds sold would be on a parity with the Bonds. After the issuance of the Bonds, the District will have \$33,600,000* principal amount of unlimited tax bonds authorized but unissued for acquiring or constructing water, wastewater and storm drainage facilities and refunding such bonds, \$27,250,000 principal amount of unlimited tax bonds for the purpose of providing recreational facilities and refunding recreational bonds and \$24,160,000* principal amount of unlimited tax bonds authorized but unissued for the purpose of constructing roads and refunding such bonds. The full principal amounts of the authorization for economic development remains unissued.

The Bond Resolutions impose no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. See "INVESTMENT CONSIDERATIONS—Future Debt."

Remedies in Event of Default

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

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 might 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 Resolutions provide that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct 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 the 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.

BOOK-ENTRY-ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the Registered Owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will 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 "Procedure" of DTC to be followed in dealing with DTC Direct Participants is 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 Bond certificate will be issued for each maturity of the Bonds of each series, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest 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 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating from S&P Global Ratings of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 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 affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

Principal, premium, if any, interest payments and redemption proceeds 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 Paying Agent, 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, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, interest payments and redemption proceeds 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, 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. 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.

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THE DISTRICT

General

The District was created as Spectrum Management District, a political subdivision of the State of Texas, by a special act of the 80th Texas Legislature, effective June 15, 2007. On March 13, 2012, by a resolution of the Board of Directors of the District, the District changed its name to the Lower Kirby Pearland Management District. The District operates in accordance with Chapter 3840 of the Texas Special District Local Laws Code, as amended, and applicable provisions of Chapter 375 of the Local Government Code, as amended and other statutes of the State of Texas applicable to political subdivisions of the State of Texas. The District contains approximately 946 acres of land.

The District is empowered, among other things, to further economic development, eliminate unemployment or under employment, develop or expand transportation, promote health and safety and other purposes, and to purchase and construct all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection and transportation of wastewater; the control and diversion of storm water; the construction of roads; and the construction or acquisition of recreational facilities. The District may issue bonds and other forms of indebtedness to purchase or construct facilities required to further its purposes.

The District is required to observe certain requirements of the City of Pearland, which limit the purposes for which the District may sell bonds. Construction of the system serving the District is subject to the regulatory jurisdiction of additional State of Texas and local agencies. See “THE ROLE OF THE CITY OF PEARLAND” and “THE SYSTEM.”

Location

The District is located approximately 13 miles southeast of the City of Houston in Harris County and entirely within the corporate boundaries of the City of Pearland. Access to the District is provided by Texas State Highway 288 to the Sam Houston Toll Road, to Kirby Drive. The District is bounded on the north by the Sam Houston Toll Road, on the east by State Highway 288, on the west by Almeda School Road, and on the south by Clear Creek.

Land Use and Status of Development

Industrial/Manufacturing/Commercial: Development in the District primarily consists of industrial, manufacturing and commercial projects on an aggregate of approximately 264 acres. Development currently consists of (1) an approximately 276,770 square foot manufacturing and research Lonza biotechnology facility on approximately 10 acres, (2) an approximately 178,500 square foot MHI compressor and steam turbine manufacturing plant on approximately 28 acres, (3) an approximately 152,000 square foot Dover office/manufacturing facility on approximately 14 acres, (4) an approximately 103,000 square foot MMSI medical devices manufacturing plant on approximately 12 acres, (5) an approximately 90,000 square foot Brenntag distribution facility on approximately 9 acres, (6) an approximately 75,000 square-foot Tool-Flo Manufacturing, owned by IMC Group, a Berkshire Hathaway owned company, headquarters, training and manufacturing facility on approximately 15 acres, (7) an approximately 46,000 square foot building on approximately 15 acres occupied by CSI, (8) an approximately 45,000 square foot building on approximately 5 acres where Pearland Kirby Medical Plaza and Surgery Center has been constructed, (9) a 21,000 square foot facility for a Bobcat Equipment dealer on approximately 3 acres, and (10) a 119,856 square foot Gulf Coast Regional Center Campus on approximately 17 acres owned by Endress+Hauser. Other businesses in the District include a fabrication facility, a lumberyard, FAMCO Machinery and Syntech Chemical plant. Kids Unlimited Ranch, a facility owned by Kids Unlimited Foundation, a non-profit organization, is also located in the District on approximately 13 acres.

Residential: The industrial/manufacturing/commercial projects listed above represent the majority of the taxable value in the District. However, the District does include some residential properties that existed prior to the District’s creation and are now located within the District’s boundaries. The residential property in the District consists of 28 residences: 5 with a 2020 taxable value less than \$50,000, 16 with a 2020 taxable value between \$50,000 and \$150,000 and 7 with a 2020 taxable value over \$150,000.

Other: The District also includes approximately 546 developable acres, of which approximately 240 acres are served by trunkline water distribution and wastewater collection facilities and a portion of the remaining developable acreage is served by private septic and water well systems. There are also approximately 123 acres of undevelopable acreage (easements, rights-of-way, floodway, open spaces and agricultural land) in the District. See “TAX DATA—Principal Taxpayers.”

Future Development

The District is currently planned as a primarily industrial/manufacturing/commercial development. Approximately 306 developable acres of land currently within the District are not yet served with water distribution and supply, wastewater collection and treatment or storm drainage facilities. Additional road improvements are also planned. While the District anticipates future development and improvement of this District, there can be no assurances if and when any of such undeveloped land will ultimately be developed or when additional roads will be constructed. The District anticipates issuing additional bonds to accomplish full development of the District and to pay outstanding amounts owed to the City of Pearland and certain other landowners. See “THE ROLE OF THE CITY OF PEARLAND” and “THE SYSTEM.”

THE ROLE OF THE CITY OF PEARLAND

General

The City of Pearland is a political subdivision and home rule city of the State of Texas located within Brazoria, Fort Bend and Harris Counties, Texas and has land use and zoning restrictions. Property within the District is zoned for various mixed uses and any changes to the current zoning must be approved by the City of Pearland. The City operates and maintains the public water and sanitary sewer lines, storm sewer lines and public roads in the District. Pursuant to agreements between the District and the City of Pearland, the City of Pearland has taken on the role of developer with regard to portions of the utility and road construction. The City of Pearland provides funding for such projects and the District has agreed to reimburse the City of Pearland from bond proceeds, when available. See “INVESTMENT CONSIDERATIONS—Role of the City of Pearland in Development.”

Agreements with the City of Pearland and Other Political Subdivisions

Interlocal Agreement for Administration of the Master Drainage Plan, dated and effective March 10, 2014: provides for the District to engage the City of Pearland to perform administration, plan review, collection of the plan review fees, and acquisition of right of way for the Master Drainage Plan (the “Plan”). The City of Pearland collects and retains the plan review fees. The City of Pearland will review drainage plans and specifications for the Plan to ensure compliance with the District’s standards and regulations. The City of Pearland shall acquire any right of way needed to implement the Plan, with such costs to be reimbursed to the City of Pearland by the District pursuant to the financing agreement between the City of Pearland and the District. The Agreement is for one year from the effective date and then automatically renews each succeeding year. The agreement can be cancelled at any time by either party with 30 days written notice.

Financing Agreement between the City of Pearland and the District: provides for financing and construction of facilities to serve land within the District and specifically for the following projects: (1) regional detention pond site acquisition; (2) implementation and development of the Plan; (3) implementation of Phase 1 of the Plan; (4) certain specifically identified water, sewer, drainage and road improvements; (5) Hooper Road reconstruction costs; and (6) Kirby Drive detention improvements. The agreement provides that the District’s engineer will design the improvements, or oversee the City of Pearland’s design if the District authorizes the City of Pearland to design improvements. Both parties will authorize award of the projects. After completion of any project constructed under this agreement, the District will own, operate and maintain any regional drainage improvement, and the City of Pearland will own, operate and maintain any water, sewer, drainage or road improvement. This agreement provides for the parties to enter letter financing agreements for each project.

The City of Pearland will be reimbursed by the District with bond proceeds pursuant to the rules of the TCEQ, where applicable. The agreement provides that the District will sell bonds at the earliest feasible date to repay the City of Pearland and sets out criteria for such repayment, including request of 100% reimbursement for facilities for which TCEQ approval is required. The term of the agreement is the earlier of 40 years or when the transactions contemplated by the agreement have been consummated.

Other Financial Agreements with the City of Pearland: the District has also entered into various other financing agreements for specific projects including a 39 acre detention pond, Hooper Road Reconstruction Project, implementation of Regional Drainage Plan, Lateral Ditch No. 1, South Spectrum Boulevard, Texas Department of Transportation drainage ditch, SH 288 Waterline Extension, Lower Kirby Park improvements, Beltway 8 waterline extension and traffic signal and associated improvements at Kirby Drive and North Spectrum Boulevard.

Agreement with Pearland Municipal Management District No. 1 (“PMD 1”) for Regional Drainage Plan: The District and PMD 1 entered into a Cost Sharing and Implementation Agreement for the Plan, whereby the two districts share the cost of the Plan on a pro rata acreage basis.

The District and PMD 1 entered into an agreement for cost sharing each District’s share of water, sewer, drainage, paving and landscaping improvements to serve South Spectrum Boulevard between SH 288 and Kirby Drive.

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PRINCIPAL PROPERTY OWNERS

Mitsubishi Heavy Industries Compressor International Corporation, a wholly-owned subsidiary of Mitsubishi Heavy Industries, Ltd. (“MHI”) has constructed a 178,500 square foot plant on approximately 28 acres within the District. MHI represents \$63,344,546 or 16.43% of the 2020 Certified Taxable Assessed Valuation of \$385,474,907. LNG Development LP and Iowa Fertilizer LLC represent \$17,046,698 and \$8,190,571 of personal property, respectively, located at MHI’s facility that represents 4.42% and 2.12% of the 2020 Certified Taxable Assessed Valuation of \$385,474,907, respectively.

Zeller 401 ZFG TIC LLC (“Zeller 401”), a special purpose entity affiliated with the Zeller Realty Group, a commercial real estate investment and development firm headquartered in Chicago, Illinois, constructed a 276,770 square foot manufacturing and research facility on approximately 10 acres of land in the District. Lonza America, Inc. (“Lonza”), a wholly owned subsidiary of Lonza Group AG, an international biotechnology and pharmaceutical company based in Switzerland, leases the biotechnology facility from Zeller 401. Zeller 401 represents \$51,379,033 or 13.33% of the 2020 Certified Taxable Assessed Valuation of \$385,474,907 and Lonza represents \$44,936,280 or 11.66% of the 2020 Certified Taxable Assessed Valuation of \$385,474,907. Lonza also owns approximately 19 acres of land within the District.

Merit Medical Systems, Inc. (“MMSI”), a publicly traded company (NASDAQ: MMSI), is located in an approximately 103,000 square foot building on approximately 12 acres in the District. MMSI represents \$28,990,407 or 7.52% of the 2020 Certified Taxable Assessed Valuation of \$385,474,907.

The energy division of Dover Corporation Company (“Dover”), a publicly traded company (NYSE: DOV) based in Downers Grove, Illinois, has constructed an approximately 152,000 square foot building on approximately 14 acres in the District. The Dover facilities in Houston include office and manufacturing for three of its different brands: Bearings Plus Inc., Norris and Cook Compression. Dover represents \$25,149,031 or 6.52% of the 2020 Certified Taxable Assessed Valuation of \$385,474,907.

D.I. Properties Inc. (“D.I.”), a Berkshire Hathaway owned company, owns an approximately 81,000 square foot building on approximately 15 acres in the District. Tool Flo Manufacturing, Inc. (“Tool Flo”), a wholly owned subsidiary of Berkshire Hathaway, leases the facility from D.I. D.I. represents \$19,536,205 or 5.07% of the 2020 Certified Taxable Assessed Valuation of \$385,474,907 and Tool Flo represents \$7,622,960 or 1.98% of the 2020 Certified Taxable Assessed Valuation of \$385,474,907.

Endress Hauser Inc. (“Endress+Hauser”) owns an approximately 119,856 square foot Gulf Coast Regional Center Campus on approximately 17 acres in the District. Endress+Hauser represents \$16,453,008 or 4.27% of the 2020 Certified Taxable Assessed Valuation of \$385,474,907.

Pearland Kirby Medical Plaza LP owns an approximately 44,579 square foot medical building on approximately 5 acres in the District. Pearland Kirby Medical Plaza LP represents \$9,706,108 or 2.52% of the 2020 Certified Taxable Assessed Valuation of \$385,474,907.

Pearland Economic Development Corp. (“Pearland EDC”) owns approximately 15 acres in the District where the Pearland EDC has constructed an approximately 46,000 square foot building solely leased to and occupied by Cardiovascular Systems Inc. (“CSI”), a publicly traded company (NASDAQ: CSI) based in St. Paul, Minnesota. CSI has a 10-year lease with the Pearland EDC. Pearland EDC represents \$6,127,250 or 1.59% of the 2020 Certified Taxable Assessed Valuation of \$385,474,907 and CSI represents \$9,468,904 or 2.46% of the 2020 Certified Taxable Assessed Valuation of \$385,474,907.

America Modern Green Development (Houston) LLC (“AMG”) owns approximately 44 acres of land in the District. AMG initially deposited \$11,425,154 with the District, which the District is using to pre-finance the cost of construction of certain water, sewer, drainage and recreational facilities to serve property owned by AMG.

See “TAX DATA—Principal Taxpayers” and “INVESTMENT CONSIDERATIONS—Dependence on Principal Taxpayers.”

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MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by the Board, consisting of seven (7) directors, which has control over and management supervision of all affairs of the District. The current members and officers of the Board along with their titles and terms, are listed as follows:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ron Dagley	President	June 2021
Brian J. Malone	Vice President	June 2021
Shareen Larmond	Secretary	June 2023
Richard K. Jepson	Assistant Vice President	June 2021
Frank Bugg	Assistant Vice President	June 2023
Matthew J. Buchanan	Assistant Secretary	June 2021
Justin Patchen	Assistant Secretary	June 2023

District Consultants

The District does not have a general manager or other full-time employees, but contracts for certain necessary services as described below.

Bond Counsel/Attorney: The District has engaged Allen Boone Humphries Robinson LLP as general counsel to the District and as Bond Counsel in connection with the issuance of the District's bonds. The fees of the attorneys in their capacity as Bond Counsel are contingent upon the sale and delivery of the Bonds. Compensation to the attorneys for other services to the District is based on time charges actually incurred.

Financial Advisor: Masterson Advisors LLC serves as the District's Financial Advisor. The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

Auditor: As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. The District's financial statements for the fiscal year ending March 31, 2020, were prepared by McCall Gibson Swedlund Barfoot PLLC. The District has engaged McCall Gibson Swedlund Barfoot PLLC to audit its financial statements for the fiscal year ending March 31, 2021. See "APPENDIX A" for a copy of the District's March 31, 2020, audited financial statements.

Engineer: The District's consulting engineer is LJA Engineering, Inc.

Tax Appraisal: The Harris County Appraisal District has the responsibility of appraising all property within the District. See "TAXING PROCEDURES."

Tax Assessor/Collector: The District has appointed an independent tax assessor/collector to perform the tax collection function. Equi-Tax, Inc. (the "Tax Assessor/Collector") has been employed by the District to serve in this capacity.

Bookkeeper: The District has contracted with Municipal Accounts & Consulting, L.P. (the "Bookkeeper") for bookkeeping services.

ROADS

Proceeds from the Outstanding Road Bonds financed the construction of Hooper Road and North Spectrum Road Phase I as well as South Spectrum Boulevard and Kirby Drive. Hooper Road is a two-lane roadway with 70 feet of right-of-way and North Spectrum is a four-lane roadway with 100 feet of right-of-way. A portion of the proceeds from the Outstanding Road Bonds are being expended to finance roadway construction of certain segments of South Spectrum Boulevard East and Promenade Shops Drive. Construction of South Spectrum Boulevard is underway and completion of construction is estimated in the second quarter of 2021. Roadways within the District are constructed of reinforced concrete with curbs on cement-stabilized subgrade. Public (water, wastewater, drainage) and franchise utilities (underground electric, natural gas, and communications), which are not financed by the District, are typically located within the road right of ways or in utility easements adjacent to the right of ways. Maintenance of the roadways constructed by the District is the responsibility of the City of Pearland.

THE SYSTEM

Regulation

According to the District's Engineer, the System serving the District 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 Pearland and Harris County.

The District is located totally within the corporate limits of the City of Pearland and water, sanitary sewer and storm sewer services are provided by the City of Pearland, which owns and operates such systems.

Water Supply

The City of Pearland provides connections in the District with potable water. According to the District's Engineer, the City of Pearland's facilities provide adequate water supply capacity to provide service to all connections in the District plus all connections in the District expected to be developed in the future to complete the development of the District.

Wastewater Treatment

The City of Pearland receives and treats all wastewater from connections in the District. The City of Pearland's Reflection Bay Water Reclamation Facility is sized at 2 million gallons per day ("mgd"). The City of Pearland has installed a 0.5 mgd package plant to handle any flows over the 2 mgd. The Texas Pollutant Discharge Elimination System ("TDPEs") permit for the plant expansion to 6 mgd has been approved. As such, construction has been completed on a 4 mgd expansion to the City of Pearland's Reflection Bay Water Reclamation Facility. According to the Engineer, the City of Pearland's facilities are sufficient to provide wastewater treatment service to all connections in the District, plus all connections in the District expected to be developed in the future to complete the development of the District.

Water Distribution, Wastewater Collection and Storm Drainage Facilities

Water distribution, wastewater collection and storm drainage facilities have been constructed by the City of Pearland to serve approximately 264 acres of industrial/manufacturing/commercial tracts in the District. Approximately 546 acres within the District are planned for future development, of which approximately 240 acres are served with trunkline water distribution and wastewater collection facilities and a portion of such remaining developable acreage is served by septic and private water well systems. See "THE DISTRICT—Land Use and Status of Development" and "INVESTMENT CONSIDERATIONS—Undeveloped Land."

Storm Drainage Facilities

The District's natural drainage patterns generally drain water from north to south. Storm-water runoff within the District flows into underground storm sewers and roadside ditches. The storm sewers and roadside ditches discharge to detention ponds within the District, which drain into Clear Creek.

100-Year Flood Plain

"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 no assurance that homes built in such area will not be flooded. The District's drainage system has been designed and constructed to all current standards.

A portion of the District is shown to be within the 100-year flood plain according to the FIRM. All future development will be required to be constructed above the established 100-year flood plain elevation in accordance with the rules of City of Pearland, Harris County and Harris County Flood Control District. Existing developed properties were removed from the 100-year flood plain by either filling the site above the 100-year flood plain elevation and properly mitigating or by constructing the finished floor of the commercial structure above the 100-year flood plain. The District has not independently verified that existing developed properties are above the 100-year flood plain. See "INVESTMENT CONSIDERATIONS—Recent Extreme Weather; Hurricane Harvey."

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 Service Area 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 Service Area. 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.

PARK AND RECREATIONAL FACILITIES

In 2017, the District updated its Lower Kirby Parks Master Plan, and in 2018 completed a design concept for the main detention pond and the north, central, and south detention facilities, based on the Plan. A portion of the proceeds from the Series 2020A Park Bonds are being expended to finance a trail along the north, central and south detention facilities in the District. Crossings for that trail were constructed with the South Spectrum Blvd. road extension from Promenade Shops Drive to Kirby Drive.

In partnership with America Modern Green, developer of the Ivy District, located at the southwest corner of South Spectrum Blvd. and the SH288 frontage road, the District constructed the Lower Kirby Park at Ivy District and a trail around two detention facilities extending to Clear Creek, which will serve active and passive recreation needs of those who live, work, or visit within the District. The fully landscaped park includes a sloped terrace, stage, trellis, playground, and over-look deck areas. The trail will connect to a pedestrian bridge that is currently under construction over Clear Creek. The trail proposed to run along the north, central and south detention facilities is also planned to connect to the pedestrian bridge.

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2020 Certified Taxable Assessed Valuation.....	\$385,474,907 (a)
Gross Direct Debt Outstanding (the Bonds and the Remaining Outstanding Bonds)	\$28,660,000 *(b)
Estimated Overlapping Debt	18,846,943 (c)
Gross Direct Debt and Estimated Overlapping Debt.....	\$47,506,943 *(c)
Ratio of Gross Direct Debt to:	
2020 Certified Taxable Assessed Valuation.....	7.43% *
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:	
2020 Certified Taxable Assessed Valuation.....	12.32% *
Funds Available for Debt Service:	
Water, Sewer and Drainage Debt Service Fund Balance as of April 21, 2021	\$1,727,852 (d)
Road Debt Service Fund Balance as of April 21, 2021	1,808,708 (e)
Total Funds Available for Debt Service as of April 21, 2021	\$3,536,560
General Operating Fund Balance Available as of April 21, 2021	\$ 837,200
Road Capital Projects Fund Balance Available as of April 21, 2021	\$ 668,510 (f)
Capital Projects Fund Balance Available as of April 21, 2021	\$2,177,240 (g)
Master Drainage Fund Balance Available as of April 21, 2021	\$5,269,288 (h)

- (a) As certified by the Harris County Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."
- (b) After the issuance of the Bonds and excludes the Refunded Bonds. See "—Outstanding Bonds" herein.
- (c) See "—Estimated Overlapping Debt" herein.
- (d) The District intends to contribute approximately \$15,000* of lawfully available debt service funds towards the purpose for which the Series 2021A Refunding Bonds are being issued. See "PLAN OF FINANCING—Sources and Uses of Funds." Neither Texas law nor the Bond Resolutions require the District to maintain any particular balance in the Debt Service Fund. Funds in the Water, Sewer and Drainage Debt Service Fund are pledged only to pay the debt service on bonds issued by the District for water, sewer, drainage and recreational purposes and are not available to pay debt service on bonds issued by the District for road purposes. See "THE BONDS—Funds."
- (e) The District intends to contribute approximately \$18,000* of lawfully available debt service funds towards the purpose for which the Series 2021 Road Refunding Bonds are being issued. See "PLAN OF FINANCING—Sources and Uses of Funds." Neither Texas law nor the Bond Resolutions require the District to maintain any particular balance in the Debt Service Fund. Funds in the Road Debt Service Fund are pledged only to pay the debt service on bonds issued by the District for roads and are not available to pay debt service on bonds issued by the District for water, sewer, drainage and recreational purposes. See "THE BONDS—Funds."
- (f) Funds in the Road Capital Projects Fund are being used to finance construction of portions of, and improvements to, Kirby Drive and South Spectrum Boulevard. See "ROADS."
- (g) Of such amount, \$560,073 and \$1,617,167 may be used to finance water, wastewater and storm drainage facilities and recreational facilities, respectively. The remainder of the Capital Projects funds for water, wastewater and storm drainage facilities are being spent on current construction projects.
- (h) A portion of the funds in the Master Drainage Fund represent non-refundable fees paid by business owners in connection with the District's Master Drainage Plan. The District uses these funds to construct drainage projects described in the Master Drainage Plan.

Investments of the District

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

*Preliminary; subject to change.

Outstanding Bonds

The following table lists the original principal amount of Outstanding Bonds, and the current principal balance of the Outstanding Bonds, the Refunded Bonds and the Remaining Outstanding Bonds.

Series	Principal Amount	Currently Outstanding	Refunded Bonds*	Outstanding Bonds*
2015 (a)	\$ 6,585,000	\$ 4,450,000	\$ 3,575,000	\$ 875,000
2016	4,000,000	3,200,000	2,800,000	400,000
2017 (a)	3,830,000	3,680,000	-	3,680,000
2018	2,985,000	2,785,000	-	2,785,000
2019 (a)	3,000,000	2,775,000	-	2,775,000
2020	4,100,000	3,925,000	-	3,925,000
2020A (b)	1,870,000	1,870,000	-	1,870,000
2020 (a)	1,880,000	1,880,000	-	1,880,000
2021	3,945,000	3,945,000	-	3,945,000
Total	\$ 32,195,000	\$ 28,510,000	\$ 6,375,000	\$ 22,135,000
The Bonds				<u>6,525,000</u> *
The Bonds and the Remaining Outstanding Bonds				<u>\$ 28,660,000</u> *

- (a) Unlimited tax road bonds.
(b) Unlimited tax park bonds.

Debt Service Requirements

The following sets forth the debt service requirements for the Outstanding Bonds, less the debt service on the Refunded Bonds (\$6,375,000* principal amount), plus the estimated debt service on the Bonds.

Year	Outstanding Bonds Debt Service Requirements	Less: Debt Service on the Refunded Bonds*	Plus: Debt Service on the Sereis 2021 Road Refunding Bonds*		Plus: Debt Service on the Sereis 2021A Refunding Bonds*		Total Debt Service Requirements*
			Principal	Interest	Principal	Interest	
2021	\$ 1,636,275.00	(a) \$ 105,600.00	\$ -	\$ 23,062.50	\$ -	\$ 17,750.00	\$ 1,571,487.50
2022	2,300,150.00	211,200.00	-	92,250.00	10,000	70,850.00	2,262,050.00
2023	2,234,475.00	871,200.00	470,000	85,200.00	215,000	67,475.00	2,200,950.00
2024	2,215,175.00	868,700.00	485,000	70,875.00	215,000	61,025.00	2,178,375.00
2025	2,196,000.00	868,450.00	505,000	56,025.00	215,000	54,575.00	2,158,150.00
2026	2,170,725.00	862,600.00	525,000	40,575.00	215,000	48,125.00	2,136,825.00
2027	2,143,250.00	855,025.00	535,000	27,350.00	215,000	42,750.00	2,108,325.00
2028	2,118,275.00	850,400.00	545,000	16,550.00	210,000	38,500.00	2,077,925.00
2029	2,090,512.50	843,462.50	555,000	5,550.00	210,000	34,300.00	2,051,900.00
2030	1,811,525.00	325,775.00	-	-	280,000	29,400.00	1,795,150.00
2031	1,771,195.00	316,150.00	-	-	280,000	23,450.00	1,758,495.00
2032	1,735,237.50	311,525.00	-	-	280,000	17,150.00	1,720,862.50
2033	1,708,245.00	306,375.00	-	-	280,000	10,500.00	1,692,370.00
2034	1,664,667.50	295,687.50	-	-	280,000	3,500.00	1,652,480.00
2035	1,380,797.50	-	-	-	-	-	1,380,797.50
2036	1,355,995.00	-	-	-	-	-	1,355,995.00
2037	1,319,958.75	-	-	-	-	-	1,319,958.75
2038	1,283,703.75	-	-	-	-	-	1,283,703.75
2039	1,271,532.50	-	-	-	-	-	1,271,532.50
2040	1,262,748.75	-	-	-	-	-	1,262,748.75
2041	1,227,827.50	-	-	-	-	-	1,227,827.50
2042	1,192,713.75	-	-	-	-	-	1,192,713.75
2043	412,400.00	-	-	-	-	-	412,400.00
Total	\$ 38,503,385.00	\$ 7,892,150.00	\$ 3,620,000	\$ 417,437.50	\$ 2,905,000	\$ 519,350.00	\$ 38,073,022.50

- (a) Excludes the March 1, 2021 debt service payment in the amount of \$404,475.

Average Annual Debt Service Requirements (2022-2043)	\$1,659,161*
Maximum Annual Debt Service Requirement (2022)	\$2,262,050*

Estimated Overlapping Debt

The following table indicates the outstanding debt payable from ad valorem taxes, of governmental entities within which the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District. Debt figures equated herein to outstanding obligations payable from ad valorem taxes are based upon data obtained from individual jurisdictions or Texas Municipal Reports compiled and published by the Municipal Advisory Council of Texas. Furthermore, certain entities listed below may have issued additional obligations since the date listed and may have plans to incur significant amounts of additional debt. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for the purposes of operation, maintenance and/or general revenue purposes in addition to taxes for the payment of debt service and the tax burden for operation, maintenance and/or general revenue purposes is not included in these figures. The District has no control over the issuance of debt or tax levies of any such entities.

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
Harris County.....	\$ 1,293,922,125	2/28/2021	0.08%	\$ 1,035,138
Harris County Flood Control District.....	334,270,000	2/28/2021	0.08%	267,416
Harris County Hospital District.....	81,540,000	2/28/2021	0.08%	65,232
Harris County Department of Education.....	20,185,000	2/28/2021	0.08%	16,148
Port of Houston Authority.....	492,439,397	2/28/2021	0.08%	393,952
Houston Independent School District.....	2,780,775,000	2/28/2021	0.19%	5,283,473
City of Pearland.....	353,810,000	2/28/2021	3.09%	10,932,729
Houston Community College System.....	501,680,000	2/28/2021	0.17%	852,856
Total Estimated Overlapping Debt.....				\$ 18,846,943
The District.....	28,660,000	(a)	100.00%	28,660,000
Total Direct and Estimated Overlapping Debt.....				\$ 47,506,943

Direct and Estimated Overlapping Debt as a Percentage of:

2020 Certified Taxable Assessed Valuation of \$385,474,907 12.32%*

(a) The Bonds and the Remaining Outstanding Bonds.

Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties and interest imposed on such property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District’s tax lien is on a parity with tax liens of taxing authorities shown below. In addition to ad valorem taxes required to pay debt service on bonded debt of the District and other taxing authorities (see “Estimated Overlapping Debt” above), certain taxing jurisdictions, including the District, are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below are all of the taxes levied for the 2020 tax year by all taxing jurisdictions and the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	Tax Rate per \$100 of Taxable <u>Assessed Valuation</u>
Harris County (including Harris County Flood Control District, Harris County Hospital District, Harris County Department of Education, and the Port of Houston Authority).....	\$ 0.604193
Houston Independent School District.....	1.133100
City of Pearland.....	0.720000
Houston Community College System.....	0.100263
Total Overlapping Tax Rate.....	\$ 2.557556
The District.....	0.700000 (a)
Total Tax Rate.....	\$ 3.257556

(a) See “TAX DATA—Historical Tax Rate Distribution.”

*Preliminary; subject to change.

Sales and Use Tax

The District operates pursuant to Chapter 3840 of the Texas Special District Local Laws Code, which authorized the District to levy a sales and use tax if authorized at an election held for such purposes. The District's voters authorized such sales and use tax on May 10, 2008 at a rate not to exceed 0.5%. Proceeds from the annual collection of such sales tax are deposited into the general operating fund of the District. None of the sales and use tax revenue is pledged to the payment of the principal and interest on the Bonds. See "District Operations" below.

District Operations

The following statement sets forth in condensed form the General Fund as derived from the District's audited financial statement for the fiscal years ending March 31, 2017, through March 31, 2020, and an unaudited summary for the fiscal year ending March 31, 2021, provided by the Bookkeeper. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. This summary should be used in conjunction with the full audit attached hereto as "APPENDIX A" and should not be detached. A full review of the documents described herein is recommended.

	Fiscal Year Ended March 31				
	2021 (Unaudited)	(a) 2020	2019	2018	2017
Revenues					
Property Taxes	\$ 429,504	\$ 360,056	\$ 268,961	\$ 191,645	\$ 171,776
Miscellaneous	9,610	17,400	31,310	2,629	110
Sales Tax (b)	154,535	178,771	170,469	130,773	87,879
Total Revenues	\$ 593,650	\$ 556,227	\$ 470,740	\$ 325,047	\$ 259,765
Expenditures					
Professional Fees	\$ 243,288	\$ 146,578	\$ 107,176	\$ 129,696	\$ 207,902
Contracted Services	6,815	30,085	26,162	21,666	41,050
Other	12,111	12,492	106,212	74,692	7,246
Mowing and Maintenance	200,038	126,817	-	-	-
Capital Outlay	-	90,982	-	1,432,735	-
Total Expenditures	\$ 462,253	\$ 406,954	\$ 239,550	\$ 1,658,789	\$ 256,198
Revenues Over (Under) Expenditures	\$ 131,397	\$ 149,273	\$ 231,190	\$ (1,333,742)	\$ 3,567
Other Funds					
Transfers In (Out) (c)	\$ (139,950)	\$ 51,180	\$ 261	\$ (3,785,892)	\$ -
Developer Contributions (c)	-	-	-	5,204,835	-
Total Other Funds	\$ (139,950)	\$ 51,180	\$ 261	\$ 1,418,943	\$ -
Fund Balance (Beginning of Year)	\$ 838,770	\$ 638,317	\$ 406,866	\$ 321,665	\$ 318,098
Fund Balance (End of Year)	\$ 830,216	\$ 838,770	\$ 638,317	\$ 406,866	\$ 321,665

(a) Unaudited. Provided by the Bookkeeper.

(b) See "Sales and Use Tax" herein.

(c) Represents advance from AMG for certain District projects and transfer to the District's Water, Sewer and Drainage Capital Projects Fund.

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TAX DATA

Debt Service Tax

The Board covenants in the Bond Resolutions to levy and assess, for each year that all or any part of the Bonds or the Remaining Outstanding Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds and the Remaining Outstanding Bonds. See “Historical Tax Rate Distribution” and “Tax Roll Information” below, “TAXING PROCEDURES” and “INVESTMENT CONSIDERATIONS—Tax Collections Limitations and Foreclosure Remedies.”

Maintenance and Operations Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District. A maintenance tax election was held May 10, 2008, and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed \$0.10 per \$100 taxable assessed valuation. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds. See “Debt Service Tax” above.

Historical Tax Rate Distribution

	2020	2019	2018	2017	2016
Debt Service	\$ 0.60 (a)	\$ 0.60	\$ 0.60	\$ 0.60	\$ 0.60
Maintenance and Operations	0.10	0.10	0.10	0.10	0.10
Total	\$ 0.70	\$ 0.70	\$ 0.70	\$ 0.70	\$ 0.70

(a) Of such \$0.60 debt service tax rate, \$0.31 per \$100 of taxable assessed valuation is allocated to pay debt service on bonds issued for water, wastewater, storm drainage and recreational facilities and \$0.29 per \$100 of taxable assessed valuation is allocated to pay debt service on bonds issued for road and improvements in aid thereof.

Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District established 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 November 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.

Tax Exemptions

The District grants a \$40,000 exemption to residential homesteads of persons who are 65 years of age or older or disabled and a twenty percent (20%) homestead exemption. In 2020, seven residences qualified for the 65 and over/disabled exemption and sixteen residents qualified for the 20% homestead exemption, for a total value reduction in 2020 of \$702,007. Additionally, the District has taken official action to exempt all goods-in-transit personal property from taxation. See “TAXING PROCEDURES—Property Subject to Taxation by the District.”

Historical Tax Collections

The following statement of tax collections sets forth in condensed form a portion of the historical tax experience of the District. Such table has been prepared for inclusion herein, based upon information obtained from the District’s Tax Assessor/Collector. Reference is made to such statements and records for further and complete information. See “Tax Roll Information” below.

Tax Year	Taxable Assessed Valuation (a)	Tax Rate	Total Tax Levy (b)	Total Collections as of March 31, 2021 (c)	
				Amount	Percent
2016	\$ 162,372,896	\$ 0.70	\$ 1,153,470	\$ 1,153,447	99.99%
2017	207,637,859	0.70	1,469,304	1,469,200	99.99%
2018	277,747,704	0.70	1,944,389	1,944,016	99.98%
2019	327,915,733	0.70	2,295,410	2,272,398	99.00%
2020	385,474,907	0.70	2,698,324	2,672,932	99.06%

- (a) Net valuation represents final gross appraised value as certified by the Appraisal District less any exemptions granted. See “Tax Roll Information” herein for gross appraised value and exemptions granted by the District.
- (b) Represents actual tax levy, including any adjustments by the Appraisal District, as of the date hereof.
- (c) Represents unaudited collections.

Tax Roll Information

The District’s assessed value as of January 1 of each year is used by the District in establishing its tax rate. See “TAXING PROCEDURES—Valuation of Property for Taxation.” The following represents the composition of property comprising the 2016 through 2020 Certified Taxable Assessed Valuations. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year.

Tax Year	Type of Property			Gross Assessed Valuations	Defrements and Exemptions	Taxable Assessed Valuations
	Land	Improvements	Personal Property			
2016	\$ 54,413,682	\$ 83,285,596	\$ 46,111,943	\$ 183,811,221	\$ (21,438,325)	\$ 162,372,896
2017	58,460,632	104,263,172	68,644,643	231,368,447	(23,730,588)	207,637,859
2018	57,756,478	143,344,927	97,884,201	298,985,606	(21,237,902)	277,747,704
2019	57,162,742	157,640,070	142,891,251	357,694,063	(29,778,330)	327,915,733
2020	86,513,081	164,163,341	169,101,509	419,777,931	(34,303,024)	385,474,907

Principal Taxpayers

The following table represents the ten principal taxpayers, the taxable appraised value of such property, and such property’s taxable assessed valuation as a percentage of the 2020 Certified Taxable Assessed Valuation of \$385,474,907, which represents ownership as of January 1, 2020.

Taxpayer (a)	2020 Certified Taxable Assessed Valuation	% of 2020 Certified Taxable Assessed Valuation
MHI Compressor Manufacturing LLC (b)	\$ 63,344,546	16.43%
Zeller 401 ZFG TIC LLC	51,379,033	13.33%
Lonza America Inc.	44,936,280	11.66%
Merit Medical Systems Inc.	28,990,407	7.52%
Dover Energy Inc.	25,149,031	6.52%
DI Properties Inc.	19,536,205	5.07%
Freeport LNG Development LP (b)	17,046,698	4.42%
Endress Hauser Inc.	16,453,008	4.27%
Pearland Kirby Medical Plaza LP	9,706,108	2.52%
Cardiovascular Systems Inc.	9,468,904	2.46%
Total	\$ 286,010,220	74.20%

- (a) See “THE DISTRICT—Land Use and Status of Development” and “PRINCIPAL PROPERTY OWNERS.”
- (b) LNG Development LP and Iowa Fertilizer LLC represent \$17,046,698 and \$7,571,294 of personal property, respectively, located at MHI’s facility.

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 taxable assessed valuation which would be required to meet average annual and maximum debt service requirements if no growth in the District’s tax base occurred beyond the 2020. Certified Taxable Assessed Valuation of \$385,474,907. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and the Remaining Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements.”

Average Annual Debt Service Requirement (2022-2043)	\$1,659,161*
\$0.46* Tax Rate on 2020 Certified Taxable Assessed Valuation.....	\$1,684,525*
Maximum Annual Debt Service Requirement (2022).....	\$2,262,050*
\$0.62* Tax Rate on 2020 Certified Taxable Assessed Valuation.....	\$2,270,447*

*Preliminary; subject to change.

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 Outstanding Bonds, the Bonds and any additional bonds payable from taxes which the District may hereafter issue (see “INVESTMENT CONSIDERATIONS—Future Debt”) and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolutions to levy such a tax from year-to-year as described more fully herein under “THE BONDS—Source of and Security for Payment.” Under Texas law, the District may also levy and collect an annual ad valorem tax for the operation and maintenance of the District. See “TAX DATA—Debt Service Tax” and “—Maintenance Tax.”

Property Tax Code and County-Wide Appraisal District

Title I 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 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 responsibility for reviewing and equalizing the values established by the appraisal district. The Harris County Appraisal District (the “Appraisal District”) has the responsibility for appraising property for all taxing units within Harris County, including the District. Such appraisal values are subject to review and change by the Harris County Appraisal Review Board (the “Appraisal Review Board”).

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 sixty-five (65) years of age or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the previous election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District’s obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$3,000 and \$12,000 of taxable valuation depending upon the disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran’s residential homestead. Additionally, effective January 1, 2012, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran’s residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran’s exemption applied. Effective January 1, 2014, 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, effective January 1, 2014, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See “TAX DATA.”

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 value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. For the 2021 tax year, the District has adopted a 20% homestead exemption. See “TAX DATA.”

Freeport Goods and Goods-in-Transit Exemptions: 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 exempt taxation of all such goods-in-transit personal property for all subsequent years.

Tax Abatement

Harris County or the City of Pearland may designate all or part of the area within the District as a reinvestment zone. Thereafter, Harris County, the City of Pearland and the District, under certain circumstances, 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 appraised valuation of property covered by the agreement over its appraised valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement agreement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

Valuation of Property for Taxation

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

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

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses formally to include such values on its appraisal roll.

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

District and Taxpayer Remedies

Under certain circumstances taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. 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.

Tax Payment Installments

Certain qualified taxpayers, including owners of residential homesteads, located within a natural disaster area and whose property has been damaged as a direct result of the disaster, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District if the tax payer 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 Texas 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 tax year 2020, the District is classified as a Developing District.

District's Rights in the Event of Tax Delinquencies

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both subject to the restrictions on residential homesteads described in the preceding section under "Levy and Collection of Taxes". In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within 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. 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—General" and "—Tax Collection Limitations and Foreclosure Remedies."

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and not obligations of the State of Texas, Harris County, the City of Pearland, or any other political entity other than the District, will be secured by a continuing direct annual ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property within the District. The ultimate security for payment of the principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities.

Infectious Disease Outbreak (COVID-19)

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

Such adverse economic conditions, if they continue, could result in declines in the demand for industrial and commercial property in the Houston area and could reduce or negatively affect property values or development 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 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.

Potential Effects of Oil Price Fluctuations on the Houston Area

The recent fluctuations or volatility 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.

Recent Extreme Weather Events; Hurricane Harvey

The greater Houston area, including the City of Pearland and 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 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 25, 2017, and brought historic levels of rainfall during the successive four days.

According to LJA Engineering, Inc. (the “Engineer”), the System (as defined herein) serving the District did not sustain any material damage, there was no interruption of water and sewer service by the City of Pearland, and no homes or commercial improvements within the District reported to the District structural flooding or other material damage as a result of Hurricane Harvey.

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.

Specific Flood Type Risks

River (or Fluvial) Flood: occurs when water levels rise over the top of river, bayou or channel banks due to excessive rain from tropical systems making landfall and/or persistent thunderstorms over the same area for extended periods of time. The damage from a riverine flood can be widespread. The overflow can affect smaller rivers and streams downstream, or may sheet flow overland. Flash flooding is a type of riverine flood that is characterized by an intense, high velocity torrent of water that occurs in an existing river channel with little to no notice. Flash floods are very dangerous and destructive not only because of the force of the water, but also the hurtling debris that is often swept up in the flow. They can occur within minutes or a few hours of excessive rainfall. They can also occur even if no rain has fallen, for instance, after a levee or dam has failed, or after a sudden release of water by a debris or ice jam. Controlled releases from a dam or levee also could potentially create a flooding condition in rivers or man-made drainage systems (canals or channels) downstream.

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

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District currently results from the current market value of industrial/manufacturing/commercial projects and vacant tracts of land. The market value of such properties is related to general economic conditions in Houston, the State of Texas and the nation and those conditions can affect the demand for such properties. Demand for industrial/manufacturing/commercial sites of this type can be significantly affected by factors such as interest rates, credit availability, construction costs and the prosperity and demographic characteristics of the urban center toward which the marketing of such properties is directed.

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of development funding have a direct impact on the construction activity. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. 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 construction within the District. In addition, since the District is located approximately 13 miles from 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 or the nation could affect development in the District and restrain the growth or reduce the value of the District's property tax base.

Role of the City of Pearland in Development

Pursuant to agreements between the District and the City of Pearland, the City of Pearland serves as the developer with regard to portions of the utility and road construction within the District. The City of Pearland provides funding for such projects and the District has agreed to reimburse the City of Pearland from bond proceeds, when available. The inability of the City of Pearland to continue its development funding and activities could have a negative impact on the construction of future taxable improvements in the District. See "THE ROLE OF THE CITY OF PEARLAND" for more information regarding the agreements with the City of Pearland and the obligations of both the District and the City of Pearland.

Undeveloped Land

The District includes approximately 306 acres of land that have not been fully provided with water, wastewater and storm drain facilities. The District can give no assurances when and if this land will be developed.

Dependence on Principal Taxpayers

The ten principal taxpayers represent \$286,010,220 or 74.20% of the 2020 Certified Taxable Assessed Valuation. See "THE DISTRICT—Land Use and Status of Development" and "TAX DATA—Principal Taxpayers." The ability of any principal taxpayer 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. If, for any reason, any one or more principal taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to levy a higher tax rate or use other funds available for debt service purposes. However, the District has not covenanted in the Bond Resolutions, nor is it required by Texas law, to maintain any particular balance in its Debt Service Funds or any other funds to allow for any such delinquencies. Therefore, failure by one or more principal taxpayers to pay their taxes on a timely basis in amounts in excess of the District's available funds could have a material adverse effect upon the District's ability to pay debt service on the Bonds on a current basis.

Landowner/Pearland Obligation to the District

There are no commitments from or obligations of any landowner or the City of Pearland to the District to proceed at any particular rate or according to any specified plan with the development of land or the construction of improvements in the District, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on developed tracts of land would restrict the rate of growth of taxable values in the District. The District cannot and does not make any representations that over the life of the Bonds, the District will maintain its taxable value. See "Role of the City of Pearland in Development" herein.

Dependence on Personal Property Tax Collections

Approximately 43.87% (\$164,163,341) of the 2020 Certified Taxable Assessed Valuation is personal property. Most other special purpose districts in Texas are not dependent to such an extent on taxes levied on personal property, and collection of personal property taxes is less reliable than collection of taxes on real property. See "TAX DATA—Tax Roll Information" and "TAXING PROCEDURES—Property Subject to Taxation by the District—Freeport Goods and Goods in Transit Exemptions."

Unlike real property, there is no certainty that personal property will remain in the District from year to year. Business inventories are portable, and could be removed from the District at any time. Personal property removed from the District after January 1 of any year is not subject to taxation by the District for that year.

If personal property is subject to a lien for unpaid District taxes for any year, the District lien is lost if the property is sold in the ordinary course of business. However, a lien in the amount of the personal property taxes owed by a taxpayer attaches not only to personal property owned by the taxpayer as of January 1 with a tax situs in the District, but to any personal property then or thereafter owned by the taxpayer. However, the District may not be able to foreclose on personal property located outside the State of Texas, and locating and foreclosing on property held outside the District may be costly, inefficient and difficult.

The statute of limitations for collection of personal property taxes is four years from the date of delinquency, which is shorter than the 20 year statute of limitations for real property. Personal property may not be seized and a suit may not be filed to collect delinquent personal property taxes if the tax has been delinquent for more than four years. A tax and any penalty and interest on the tax that is delinquent longer than the limitation periods is presumed paid unless a suit to collect such personal property tax is pending. As with real property taxes, ad valorem taxes levied on personal property are the personal obligation of the taxpayer. See "TAXING PROCEDURES."

Heretofore, the District has been successful in collecting its ad valorem tax levies, including ad valorem taxes levied on personal property located in the District. However, no representation can be made by the District regarding future tax collections. See "TAX DATA—Historical Tax Collections."

Tax Collections Limitations and Foreclosure Remedies

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 local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

Registered Owners' Remedies and Bankruptcy Limitations

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

Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owner's remedies, including mandamus. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision such as the District may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (1) is authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Special districts such as the District must obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

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

A district may not be forced into bankruptcy involuntarily.

Future Debt

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. A total of \$48,735,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater and storm drainage facilities and refunding water, wastewater and storm drainage facility bonds, \$39,500,000 principal amount of unlimited tax bonds for the purpose of constructing roads and refunding road bonds, \$29,120,000 principal amount of unlimited tax bonds for the purpose of providing recreational facilities and refunding recreational bonds, and \$26,395,000 principal amount of unlimited tax bonds for the purpose of funding economic development programs and refunding economic development bonds have been authorized by the District's voters. Although the District has no plans to issue bonds for economic development purposes, the Texas Attorney General Office of Public Finance has informed the District it will not approve a bond issue for economic development purposes. After the issuance of the Bonds, the District will have \$33,600,000* principal amount of unlimited tax bonds authorized but unissued for acquiring or constructing water, wastewater and storm drainage facilities and refunding

such bonds, \$27,250,000 principal amount of unlimited tax bonds for the purpose of providing recreational facilities and refunding recreational bonds and \$24,160,000* principal amount of unlimited tax bonds authorized but unissued for the purpose of constructing roads and refunding such bonds. The full principal amount of the authorization for economic development remains unissued. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes in future elections. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds.

The District intends to issue additional bonds to continue constructing water, wastewater and drainage facilities, recreational facilities, and roads within the District and, in some circumstances, to reimburse the City of Pearland and various property owners for the construction of such facilities within the District's boundaries. After the issuance of the Bonds, the District will continue to owe reimbursement to the City of Pearland and various property owners. The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds for water, wastewater and storm drainage facilities is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. The issuance of bonds to finance recreational facilities or roads do not require TCEQ approval. In addition, additional bonds may be issued for purposes which do not result in any corresponding increases in taxable value in the District. See "THE BONDS—Issuance of Additional Debt."

Environmental Regulation

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

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

*Preliminary; subject to change.

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) storm water discharges and (2) wetlands dredge and fill activities. Each of these is addressed below:

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. 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 renewed by the TCEQ on December 11, 2013. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The renewed MS4 Permit contains more stringent requirements than the standards contained in the previous MS4 Permit. In order to maintain MS4 Permit compliance, the District is partnering with the City of Pearland (the “City”), to participate in the City’s program to develop and implement the required plan (the “MS4 Permit Plan”) as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. While the District does not have its own independent MS4 Permit Plan, the District has taken all necessary steps required by the City to be included in the City’s MS4 Permit Plan in order to obtain MS4 Permit compliance with the TCEQ. If at any time in the future the District were required to maintain independent coverage under the MS4 Permit, it is anticipated that the District could incur substantial additional costs to develop and implement its own program necessary to comply with the MS4 Permit.

Operations of special 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.

Marketability

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

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.

Continuing Compliance with Certain Covenants

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

Risk Factors Related to the Purchase of Municipal Bond Insurance

The District has applied for a bond insurance policy (the “Policy”) to guarantee the scheduled payment of principal and interest on the Bonds. If the Policy is issued, investors should be aware of the following investment considerations:

The long-term ratings on the Bonds would be dependent in part on the financial strength of the bond insurer (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 description of “MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE.”

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 “MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE” for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE

Moody's Investors Service ("Moody's") has assigned an underlying rating of "Baa1" to the Bonds. An explanation of the rating may be obtained from Moody's. The rating fees of Moody's will be paid by the District; however, the fees associated with any other rating will be the responsibility of the Underwriter.

The use of insurance and the payment of an insurance premium is at the option and expense of the District. The rating fees of Moody's will be paid by the District; any other rating fees associated with the insurance will be the responsibility of the Underwriter. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance."

There is no assurance that such rating will continue for any given period of time or that it will not be revised or withdrawn entirely by Moody's, in its judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

LEGAL MATTERS

Legal Proceedings

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

Bond Counsel has reviewed the information appearing in this OFFICIAL STATEMENT under "PLAN OF FINANCING—Escrow Agreement and Defeasance of Refunded Bonds," "THE BONDS," "THE DISTRICT—General," "THE ROLE OF THE CITY OF PEARLAND—Agreements with the City of Pearland and Other Political Subdivisions," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine if such information, insofar as it relates to matters of law, is true and correct, and whether such information fairly summarizes the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this OFFICIAL STATEMENT nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this OFFICIAL STATEMENT. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

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 Material Adverse Change

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

No-Litigation Certificate

The District will furnish the Underwriter a certificate, executed by both the President or Vice President and Secretary or Assistant Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that no litigation of any nature is pending or to its knowledge threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the levy, assessment and collection of ad valorem taxes to pay the interest or the principal of the Bonds; in any manner questioning the authority or proceedings for the issuance, execution or delivery of the Bonds; or affecting the validity of the Bonds or the title of the present officers of the District.

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 Bond Resolutions that it will comply with these requirements.

Bond Counsel’s opinion will assume continuing compliance with the covenants of the Bond Resolutions 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. In addition, the District will rely on the report of Public Finance Partners LLC, regarding the mathematical accuracy of certain computations. If the District should fail to comply with the covenants in the Bond Resolutions or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

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

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

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

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

Tax Accounting Treatment of Original Issue Discount Bonds

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

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

The foregoing is based on the assumptions that (a) the Underwriter has purchased the Bonds for contemporaneous sale to the general public and not for investment purposes, and (b) all of the Original Issue Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the inside 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.

Not Qualified Tax-Exempt Obligations

The District will not designate the Bonds as "qualified tax-exempt obligations" for financial institutions.

VERIFICATION OF MATHEMATICAL CALCULATIONS

Public Finance Partners LLC, will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Escrowed Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements of the Refunded Bonds; and (b) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes.

Public Finance Partners LLC relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the District. In addition, Public Finance Partners LLC has relied on any information provided to it by the District's retained advisors, consultants or legal counsel.

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

The financial data and other information contained in this OFFICIAL STATEMENT has been obtained primarily from the District's records, the Engineer, the Tax Assessor/Collector, the Appraisal District and information from other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from such sources, and its inclusion herein is not to be construed as a representation on the part of the District except as described below under "Certification of Official Statement." Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, resolutions, engineering and other related information set forth in this OFFICIAL STATEMENT are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

Financial Advisor

Masterson Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the OFFICIAL STATEMENT. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this OFFICIAL STATEMENT. The Financial Advisor has reviewed the information in this OFFICIAL STATEMENT in accordance with, and as a part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Consultants

In approving this OFFICIAL STATEMENT the District has relied upon the following consultants.

Tax Assessor/Collector: The information contained in this OFFICIAL STATEMENT relating to the breakdown of the District's historical assessed value and principal taxpayers, including particularly such information contained in the section entitled "TAX DATA" has been provided by Equi-Tax, Inc. as an expert in assessing property values and collecting taxes.

Engineer: The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the water, wastewater, storm drainage and road facilities and, in particular that information included in the sections entitled "THE DISTRICT," "ROADS," and "THE SYSTEM," has been provided by LJA Engineering, Inc. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Auditor: The District's audited financial statements for the fiscal year ended March 31, 2020, was prepared by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants. See "APPENDIX A" for a copy of the District's March 31, 2020, financial statements.

Bookkeeper: The information related to the "unaudited" summary of the District's General Operating Fund as it appears in "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—District Operations" has been provided by Municipal Accounts & Consulting, L.P., and is included herein in reliance upon the authority of such firm as experts in the tracking and managing the various funds of municipal utility districts.

Updating the Official Statement

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

Certification of Official Statement

The District, acting through its Board in its official capacity, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement of a material fact and do not omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading. With respect to information included in this OFFICIAL STATEMENT other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. In rendering such certificate, the Board has relied in part upon its examination of records of the District, and upon discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants and representatives of the District.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain financial information and operating data annually to the MSRB. The financial information and operating data which will be provided 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 "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)," except for "Estimated Overlapping Debt," "TAX DATA," and in APPENDIX A (Auditor's Report and Financial Statements of the District and certain supplemental schedules). The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2021. Any financial statements provided by the District shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when the audit report becomes available.

The District's current fiscal year end is March 31. Accordingly, it must provide updated information by September 30 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.

Specified Event Notices

The District will provide timely notices of certain specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other 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 to a decision to purchase or sell Bonds and (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 term "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 Resolutions make 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 from the MSRB

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public without charge through its Electronic Municipal Market Access ("EMMA") internet portal at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of 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; nor has the District 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 Registered 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 the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the Registered Owners 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 Registered and Beneficial Owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolutions if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance With Prior Undertakings

During the last five years, the District has complied in all material respects with all continuing disclosure agreements made by the District in accordance with SEC Rule 15c2-12.

MISCELLANEOUS

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

/s/ _____
President, Board of Directors

ATTEST:

/s/ _____
Secretary, Board of Directors

APPENDIX A

Financial Statement of the District for the fiscal year ended March 31, 2020

LOWER KIRBY PEARLAND MANAGEMENT DISTRICT
HARRIS COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
MARCH 31, 2020

LOWER KIRBY PEARLAND MANAGEMENT DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MARCH 31, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Lower Kirby Pearland Management District
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Lower Kirby Pearland Management District (the "District"), as of and for the year ended March 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 District'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.

Board of Directors
Lower Kirby Pearland Management District

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 March 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

July 15, 2020

**LOWER KIRBY PEARLAND MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED MARCH 31, 2020**

Management's discussion and analysis of Lower Kirby Pearland Management District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended March 31, 2020. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

**LOWER KIRBY PEARLAND MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED MARCH 31, 2020**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets by \$6,025,314 as of March 31, 2020. A portion of the District's net position reflects its net investment in capital assets (land and regional drainage improvements, less any debt used to acquire those assets that are still outstanding). The net investment in capital assets is negative because not all expenditures from bond debt proceeds have been capitalized by the District. The City of Pearland will own, operate and maintain any water, sewer, drainage or road improvements financed by the District, so those assets are not recorded as capital assets in the Statement of Net Position of the District.

The following table is a comparative analysis of government-wide changes in net position:

**LOWER KIRBY PEARLAND MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED MARCH 31, 2020**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	<u>Summary of Changes in the Statement of Net Position</u>		
	<u>2020</u>	<u>2019</u>	<u>Change Positive (Negative)</u>
Current and Other Assets	\$ 16,018,692	\$ 17,639,853	\$ (1,621,161)
Capital Assets (Net of Accumulated Depreciation)	<u>9,760,434</u>	<u>6,185,301</u>	<u>3,575,133</u>
Total Assets	\$ 25,779,126	\$ 23,825,154	\$ 1,953,972
Due to Developer	\$ 9,186,202	\$ 9,620,288	\$ 434,086
Long -Term Liabilities	20,545,120	17,617,358	(2,927,762)
Other Liabilities	<u>2,073,118</u>	<u>1,543,505</u>	<u>(529,613)</u>
Total Liabilities	\$ 31,804,440	\$ 28,781,151	\$ (3,023,289)
Net Position:			
Net Investment in Capital Assets	\$ (10,075,497)	\$ (8,157,321)	\$ (1,918,176)
Restricted	3,203,864	2,536,061	667,803
Unrestricted	<u>846,319</u>	<u>665,263</u>	<u>181,056</u>
Total Net Position	\$ (6,025,314)	\$ (4,955,997)	\$ (1,069,317)

The following table provides a summary of the District's operations for the years ended March 31, 2020, and March 31, 2019. The District's net position decreased by \$1,069,317.

	<u>Summary of Changes in the Statement of Activities</u>		
	<u>2020</u>	<u>2019</u>	<u>Change Positive (Negative)</u>
Revenues:			
Property Taxes	\$ 2,374,728	\$ 1,939,278	\$ 435,450
Sales and Use Taxes	178,771	170,469	8,302
Other Revenues	<u>786,617</u>	<u>372,148</u>	<u>414,469</u>
Total Revenues	\$ 3,340,116	\$ 2,481,895	\$ 858,221
Expenses for Services	<u>4,409,433</u>	<u>5,473,232</u>	<u>1,063,799</u>
Change in Net Position	\$ (1,069,317)	\$ (2,991,337)	\$ 1,922,020
Net Position, Beginning of Year	<u>(4,955,997)</u>	<u>(1,964,660)</u>	<u>(2,991,337)</u>
Net Position, End of Year	\$ (6,025,314)	\$ (4,955,997)	\$ (1,069,317)

**LOWER KIRBY PEARLAND MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED MARCH 31, 2020**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of March 31, 2020, were \$15,119,054, a decrease of \$1,576,739 from the prior year.

The General Fund fund balance increased by \$200,453, primarily due to property tax and sales tax revenues exceeding operating expenditures.

The Master Drainage Fund increased \$2,333,102, primarily due to current year transfer from the Capital Projects Fund. Funds from the 2020 Bonds reimbursed capital outlay paid by the Master Drainage Fund in prior years.

The Debt Service Fund balance increased \$807,441, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund decreased \$4,917,735, primarily due to current year capital outlay, offset by the issuance of the Series 2020 Unlimited Tax Bonds and a transfer to the Master Drainage Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenue was \$86,422 more than budgeted, primarily due to higher than anticipated property tax revenues. Actual expenditures were \$13,597 more than budgeted, primarily due to higher than budgeted capital outlay offset by lower than budgeted maintenance costs.

CAPITAL ASSETS

Capital assets as of March 31, 2020 total \$9,760,434. Current year significant activity includes the E & H water system distribution; Eight-inch water line extension; South Spectrum water, wastewater, drainage and paving; South Spectrum Phase II and Street Lighting; State Highway 288 right-turn lane at Modern Green Drive; Modern Green public streets paving; North and Central detention. Additional information on the District's capital assets can be found in Note 6.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2020	2019	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 2,591,217	\$ 2,510,282	\$ 80,935
Construction in Progress	5,670,089	2,120,656	3,549,433
Capital Assets, Net of Accumulated Depreciation:			
Drainage System	1,499,128	1,554,363	(55,235)
Total Net Capital Assets	<u>\$ 9,760,434</u>	<u>\$ 6,185,301</u>	<u>\$ 3,575,133</u>

**LOWER KIRBY PEARLAND MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED MARCH 31, 2020**

LONG-TERM DEBT ACTIVITY

As of March 31, 2020, the District had total bond debt payable of \$21,980,000. The changes in the debt position of the District during the year ended March 31, 2020, are summarized as follows:

Bond Debt Payable, April 1, 2019	\$ 18,630,000
Add: Bond Sale - Series 2020 Bonds	4,100,000
Less: Bond Principal Paid	<u>750,000</u>
Bond Debt Payable, March 31, 2020	<u>\$ 21,980,000</u>

The District's bonds do not carry an underlying rating or an insured rating.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Lower Kirby Pearland Management District, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

LOWER KIRBY PEARLAND MANAGEMENT DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
MARCH 31, 2020

	General Fund	Master Drainage Fund
ASSETS		
Cash	\$ 17,874	\$ 2,151
Investments	747,307	4,199,017
Receivables:		
Property Taxes	7,549	
Penalty and Interest on Delinquent Taxes		
Accrued Interest	409	
Other Governmental Units		
Other		249
Due from Other Funds	130,476	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 903,615	\$ 4,201,417

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

Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 351,203	\$ 843	\$ 372,071	\$	\$ 372,071
2,943,411	7,374,776	15,264,511		15,264,511
45,255		52,804		52,804
			5,169	5,169
7,048		7,457		7,457
	316,431	316,431		316,431
		249		249
		130,476	(130,476)	
			2,591,217	2,591,217
			5,670,089	5,670,089
			1,499,128	1,499,128
<u>\$ 3,346,917</u>	<u>\$ 7,692,050</u>	<u>\$ 16,143,999</u>	<u>\$ 9,635,127</u>	<u>\$ 25,779,126</u>

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

LOWER KIRBY PEARLAND MANAGEMENT DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
MARCH 31, 2020

	General Fund	Master Drainage Fund
LIABILITIES		
Accounts Payable	\$ 57,296	\$ 34,686
Accrued Interest Payable		
Due to Developers		
Due to Other Funds		
Due to Taxpayers		
Accrued Interest at Time of Sale		
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 57,296	\$ 34,686
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 7,549	\$ -0-
FUND BALANCES		
Restricted for Authorized Construction	\$	\$ 4,166,731
Restricted for Debt Service		
Unassigned	838,770	
TOTAL FUND BALANCES	\$ 838,770	\$ 4,166,731
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 903,615	\$ 4,201,417
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$	\$ 742,145	\$ 834,127	\$	\$ 834,127
			72,475	72,475
			9,186,202	9,186,202
74,231	56,245	130,476	(130,476)	
1,516		1,516		1,516
6,022		6,022	(6,022)	
			1,165,000	1,165,000
			20,545,120	20,545,120
<u>\$ 81,769</u>	<u>\$ 798,390</u>	<u>\$ 972,141</u>	<u>\$ 30,832,299</u>	<u>\$ 31,804,440</u>
<u>\$ 45,255</u>	<u>\$ -0-</u>	<u>\$ 52,804</u>	<u>\$ (52,804)</u>	<u>\$ -0-</u>
\$	\$ 6,893,660	\$ 11,060,391	\$ (11,060,391)	\$
3,219,893		3,219,893	(3,219,893)	
		838,770	(838,770)	
<u>\$ 3,219,893</u>	<u>\$ 6,893,660</u>	<u>\$ 15,119,054</u>	<u>\$ (15,119,054)</u>	<u>\$ - 0 -</u>
<u>\$ 3,346,917</u>	<u>\$ 7,692,050</u>	<u>\$ 16,143,999</u>		
			\$ (10,075,497)	\$ (10,075,497)
			3,203,864	3,203,864
			846,319	846,319
			<u>\$ (6,025,314)</u>	<u>\$ (6,025,314)</u>

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

**LOWER KIRBY PEARLAND MANAGEMENT DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
MARCH 31, 2020**

Total Fund Balances - Governmental Funds \$ 15,119,054

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

Land and capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 9,760,434

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2019 and prior tax levies became part of recognized revenue in the governmental activities of the District. 57,973

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

Due to Developers	\$ (9,186,202)	
Accrued Interest Payable	(66,453)	
Bonds Payable Within One Year	(1,165,000)	
Bonds Payable After One Year	<u>(20,545,120)</u>	<u>(30,962,775)</u>

Total Net Position - Governmental Activities \$ (6,025,314)

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

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**LOWER KIRBY PEARLAND MANAGEMENT DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2020**

	<u>General Fund</u>	<u>Master Drainage Fund</u>
REVENUES		
Property Taxes	\$ 360,056	\$
Penalty and Interest		
Sales and Use Tax Revenues	178,771	
Miscellaneous Revenues	<u>17,400</u>	<u>49,955</u>
TOTAL REVENUES	<u>\$ 556,227</u>	<u>\$ 49,955</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 146,578	\$ 21,871
Contracted Services	30,085	
Mowing and Maintenance	126,817	
Depreciation		
Other	12,492	
Conveyance of Capital Assets		
Capital Outlay	90,982	911,061
Debt Service:		
Bond Principal		
Bond Interest		
Bond Issuance Costs		
TOTAL EXPENDITURES/EXPENSES	<u>\$ 406,954</u>	<u>\$ 932,932</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 149,273</u>	<u>\$ (882,977)</u>
OTHER FINANCING SOURCES (USES)		
Transfers In(Out)	\$ 51,180	\$ 3,024,665
Long-Term Debt Issued		
Bond Discount		
Developer Contributions		<u>191,414</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 51,180</u>	<u>\$ 3,216,079</u>
NET CHANGE IN FUND BALANCES	\$ 200,453	\$ 2,333,102
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - APRIL 1, 2019	<u>638,317</u>	<u>1,833,629</u>
FUND BALANCES/NET POSITION - MARCH 31, 2020	<u>\$ 838,770</u>	<u>\$ 4,166,731</u>

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

<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$ 2,150,453	\$	\$ 2,510,509	\$ (135,781)	\$ 2,374,728
10,899		10,899	(6,109)	4,790
		178,771		178,771
<u>46,737</u>	<u>203,933</u>	<u>318,025</u>	<u>463,802</u>	<u>781,827</u>
\$ 2,208,089	\$ 203,933	\$ 3,018,204	\$ 321,912	\$ 3,340,116
\$ 696	\$ 12,758	\$ 181,903	\$	\$ 181,903
25,504		55,589		55,589
		126,817		126,817
			55,235	55,235
4,384	1,753	18,629		18,629
			2,945,210	2,945,210
	6,007,620	7,009,663	(7,009,663)	
750,000		750,000	(750,000)	
620,064		620,064	28,642	648,706
	<u>377,344</u>	<u>377,344</u>		<u>377,344</u>
\$ 1,400,648	\$ 6,399,475	\$ 9,140,009	\$ (4,730,576)	\$ 4,409,433
\$ 807,441	\$ (6,195,542)	\$ (6,121,805)	\$ 5,052,488	\$ (1,069,317)
\$	\$ (3,075,845)	\$	\$	\$
	4,100,000	4,100,000	(4,100,000)	
	(18,736)	(18,736)	18,736	
	<u>272,388</u>	<u>463,802</u>	<u>(463,802)</u>	
\$ -0-	\$ 1,277,807	\$ 4,545,066	\$ (4,545,066)	\$ -0-
\$ 807,441	\$ (4,917,735)	\$ (1,576,739)	\$ 1,576,739	\$
			(1,069,317)	(1,069,317)
<u>2,412,452</u>	<u>11,811,395</u>	<u>16,695,793</u>	<u>(21,651,790)</u>	<u>(4,955,997)</u>
\$ 3,219,893	\$ 6,893,660	\$ 15,119,054	\$ (21,144,368)	\$ (6,025,314)

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

**LOWER KIRBY PEARLAND MANAGEMENT DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2020**

Net Change in Fund Balances - Governmental Funds	\$ (1,576,739)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	(135,781)
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	(6,109)
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(55,235)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	7,009,663
Governmental funds do not record costs paid for assets that are contributed to the City of Pearland for operations. However, in the Statement of Activities, the transfer of these assets is recorded as Conveyance of Capital Assets.	(2,945,210)
Governmental funds report bond insurance costs as expenditures and bond discounts and bond premiums as other financing sources/uses in the year paid. However, in the Statement of Net Position, the bond insurance costs, bond discounts, and bond premiums are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.	18,736
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	750,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	(28,642)
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	(4,100,000)
Governmental funds report developer advances and contributions by other governmental units as other financing sources. However, in the Statement of Net Position, these items, net any amount paid to the developer or the City, are recorded as a liability.	
Change in Net Position - Governmental Activities	\$ (1,069,317)

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

LOWER KIRBY PEARLAND MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 1. CREATION OF DISTRICT

Lower Kirby Pearland Management District, formerly known as Spectrum Management District (the “District”) was created effective June 15, 2007 by the Texas Legislature under provisions of Senate Bill No. 1984, of the 80th Legislature (later codified as Chapter 3840, Special Districts Local Laws Code). Pursuant to the provisions of Chapter 3840, the District is empowered to promote, develop, encourage, and maintain employment, commerce, transportation, housing, tourism, recreation, arts, entertainment, economic development, safety, and the public welfare. The District was created under the authority of Article III, Section 52 and 52a and Article XVI, Section 59 of the Texas Constitution. The Board of Directors held its organizational meeting on July 31, 2007 and sold its first bonds on October 22, 2015.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

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

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

LOWER KIRBY PEARLAND MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

Government-Wide Financial Statements

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

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

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

LOWER KIRBY PEARLAND MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

Governmental Funds

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

General Fund - To account for resources not accounted in another fund, property tax revenues, sales and use tax revenues, costs and general expenditures.

Master Drainage Fund - To account for financial resources restricted, committed or assigned for acquisition or construction of master drainage facilities and related costs.

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

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

Basis of Accounting

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

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there

LOWER KIRBY PEARLAND MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of March 31, 2020, the Debt Service Fund owed the General Fund \$74,231 for maintenance tax collections, and the Capital Projects Fund owed the General Fund \$56,245 for construction costs. During the year ended March 31, 2020, the District transferred \$3,024,665 from the Capital Projects Fund to the Master Drainage Fund for capital costs paid by the Master Drainage Fund in prior years, and the Capital Projects Fund transferred \$51,180 to the General Fund for legal and engineering costs paid by the General Fund in prior years.

Capital Assets

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

Individual tangible capital items, including infrastructure assets, with a useful life of at least two years and a total cost of \$5,000 are capitalized. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation.

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Measurement Focus

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

LOWER KIRBY PEARLAND MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

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

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

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

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

LOWER KIRBY PEARLAND MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 3. LONG-TERM DEBT

The following is a summary of transactions regarding bonds payable for the year ended March 31, 2020:

	<u>April 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>March 31, 2020</u>
Bonds Payable	\$ 18,630,000	\$ 4,100,000	\$ 750,000	\$ 21,980,000
Unamortized Discounts	(262,642)	(18,736)	(11,498)	(269,880)
Bonds Payable	<u>\$ 18,367,358</u>	<u>\$ 4,081,264</u>	<u>\$ 738,502</u>	<u>\$ 21,710,120</u>
			Amount Due Within One Year	\$ 1,165,000
			Amount Due After One Year	<u>20,545,120</u>
			Total Long-Term Liabilities	<u>\$ 21,710,120</u>

	<u>Series 2015 Road Bonds</u>	<u>Series 2016 Water, Sewer & Drainage Bonds</u>	<u>Series 2017 Road Bonds</u>
Amount Outstanding – March 31, 2020	\$ 4,865,000	\$ 3,400,000	\$ 3,730,000
Interest Rates	2.00% - 3.75%	2.00% - 3.75%	2.50% - 3.85%
Maturity Dates – Serially Beginning/Ending	September 1, 2020/2029	September 1, 2020/2034	September 1, 2020/2042
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2021*	September 1, 2021*	September 1, 2023*

* Or any date thereafter, callable at par plus accrued interest in whole or in part at the option of the District. The Series 2017 term bonds due on September 1 in each of the years 2033, 2035, 2037 and 2042 are subject to mandatory sinking fund redemption according to the schedule set forth in the official statement.

LOWER KIRBY PEARLAND MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 3. LONG-TERM DEBT (Continued)

	Series 2018 Water, Sewer & Drainage Bonds	Series 2019 Road Bonds	Series 2020 Water, Sewer & Drainage Bonds
Amount Outstanding – March 31, 2020	\$ 2,885,000	\$ 3,000,000	\$ 4,100,000
Interest Rates	2.25% - 4.00%	3.000% - 4.375%	2.000% - 3.125%
Maturity Dates – Serially Beginning/Ending	September 1, 2020/2042	September 1, 2020/2042	September 1, 2020/2042
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2023*	September 1, 2024*	September 1, 2025*

* Or any date thereafter, callable at par plus accrued interest in whole or in part at the option of the District. The Series 2018 term bonds due on September 1 in each of the years 2037, and 2042 are subject to mandatory sinking fund redemption according to the schedule set forth in the official statement. The Series 2019 term bonds due on September 1 in each of the years 2033, 2035, 2037, 2039, and 2042 are subject to mandatory sinking fund redemption according to the schedule set forth in the official statement. The Series 2020 term bonds due on September 1 in each of the years 2034, 2038, and 2042 are subject to mandatory sinking fund redemption according to the schedule set forth in the official statement.

As of March 31, 2020, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2021	\$ 1,165,000	\$ 712,155	\$ 1,877,155
2022	1,180,000	667,812	1,847,812
2023	1,195,000	638,951	1,833,951
2024	1,085,000	609,313	1,694,313
2025	1,100,000	579,701	1,679,701
2026-2030	5,765,000	2,382,085	8,147,085
2031-2035	4,725,000	1,490,519	6,215,519
2036-2040	3,550,000	747,767	4,297,767
2041-2043	2,215,000	125,515	2,340,515
	<u>\$ 21,980,000</u>	<u>\$ 7,953,818</u>	<u>\$ 29,933,818</u>

**LOWER KIRBY PEARLAND MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020**

NOTE 3. LONG-TERM DEBT (Continued)

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount. As of March 31, 2020, the District has authorized but unissued street and road bonds totaling \$26,085,000; economic development bonds totaling \$26,395,000; water, sewer and drainage bonds totaling \$37,650,000; and recreational facilities bonds totaling \$29,120,000. In the current year, the District levied an ad valorem debt service tax of \$0.60 per \$100 of assessed valuation, which resulted in a tax levy of \$2,001,369 on the adjusted taxable valuation of \$333,561,609 for the 2019 tax year. The bond orders required the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for discussion of the maintenance tax.

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

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of section 148 (f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on each 5th-year anniversary of each issue.

The bond orders state that the District is required to annually provide continuing disclosure of certain general financial information and operating data to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (“EMMA”) system. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

In accordance with the Series 2018 bond orders, a portion of the bond proceeds was deposited into the Debt Service Fund and restricted for the payment of bond interest during the construction period. Transactions for the current year are summarized as follows:

Restricted for Bond Interest - April 1, 2019	\$	13,714
Less: Bond Interest Payments		<u>(13,714)</u>
Restricted for Bond Interest - March 31, 2020	\$	<u>-0-</u>

**LOWER KIRBY PEARLAND MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020**

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District’s deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes. Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District’s deposits was \$1,342,071 and the bank balance was \$2,000,674. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at March 31, 2020, as listed below:

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
GENERAL FUND	\$ 17,874	\$ 250,000	\$ 267,874
MASTER DRAINAGE FUND	2,151		2,151
DEBT SERVICE FUND	351,203	720,000	1,071,203
CAPITAL PROJECTS FUND	<u>843</u>		<u>843</u>
TOTAL DEPOSITS	<u>\$ 372,071</u>	<u>\$ 970,000</u>	<u>\$ 1,342,071</u>

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District’s financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District’s investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.” No person may invest District funds without express written authority from the Board of Directors.

LOWER KIRBY PEARLAND MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

The District invests in Texas Cooperative Liquid Assets Securities System Trust ("Texas CLASS"), an external public funds investment pool that is not SEC-registered. Public Trust Advisors, LLC serves as the pool's administrator and investment advisor. The pool is subject to the general supervision of the Board of Trustees and its Advisory Board. Wells Fargo Bank, N.A. serves as custodian for the pool. Investments held by Texas CLASS are priced to market on a weekly basis. The investments are considered to be Level 1 investments because their fair value is measured by quoted prices in active markets. The fair value of the District's position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from Texas CLASS.

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At March 31, 2020, the District's investments in Texas CLASS were rated AAAM by Standard and Poor's. The District also manages credit risk by typically investing in certificates of deposit with balances below FDIC coverage or collateral pledged in the name of the District and held by a third party.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in Texas CLASS to have a maturity of less than one year due to the fact the share positions can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value. The District also manages interest rate risk by investing in certificates of deposit with maturities of less than one year.

**LOWER KIRBY PEARLAND MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of March 31, 2020, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities Less Than 1 year
<u>GENERAL FUND</u>		
Texas CLASS	\$ 497,307	\$ 497,307
Certificates of Deposit	250,000	250,000
<u>MASTER DRAINAGE FUND</u>		
Texas CLASS	4,199,017	4,199,017
<u>DEBT SERVICE FUND</u>		
Texas CLASS	2,223,411	2,223,411
Certificates of Deposit	720,000	720,000
<u>CAPITAL PROJECTS FUND</u>		
Texas CLASS	<u>7,374,776</u>	<u>7,374,776</u>
TOTAL INVESTMENTS	<u>\$ 15,264,511</u>	<u>\$ 15,264,511</u>

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets. All cash and investments of the Master Drainage Fund are restricted for the purchase of master drainage capital assets.

LOWER KIRBY PEARLAND MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2020:

	April 1, 2019	Increases	Decreases	March 31, 2020
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 2,510,282	\$ 80,935	\$ -	\$ 2,591,217
Construction in Progress	<u>2,120,656</u>	<u>3,549,433</u>	<u>-</u>	<u>5,670,089</u>
Total Capital Assets Not Being Depreciated	<u>\$ 4,630,938</u>	<u>\$ 3,630,368</u>	<u>\$ - 0 -</u>	<u>\$ 8,261,306</u>
Capital Assets Subject to Depreciation				
Drainage System	<u>\$ 1,652,512</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 1,652,512</u>
Less Accumulated Depreciation				
Drainage System	<u>\$ 98,149</u>	<u>\$ 55,235</u>	<u>\$ - 0 -</u>	<u>\$ 153,384</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 1,554,363</u>	<u>\$ (55,235)</u>	<u>\$ - 0 -</u>	<u>\$ 1,499,128</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 6,185,301</u>	<u>\$ 3,575,133</u>	<u>\$ - 0 -</u>	<u>\$ 9,760,434</u>

NOTE 7. MAINTENANCE TAX

On May 10, 2008, the voters of the District approved the levy and collection of an ad valorem tax for operation and maintenance purposes not to exceed \$0.10 per \$100 of assessed valuation of taxable property within the District. The ad valorem tax is to be used for administration, operation, and maintenance purposes and for programs to promote District purposes. Funds are placed in the General Fund. During the year ended March 31, 2020, the District levied an ad valorem operation and maintenance tax of \$0.10 per \$100 of assessed valuation, resulting in a tax levy of \$333,561 on the adjusted taxable valuation of \$333,561,609 for the 2019 tax year.

NOTE 8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters. The District carries commercial insurance for its fidelity bonds and participates in the Texas Municipal League Intergovernmental Risk Pool (TML) to provide general liability, automobile liability, pollution liability and director's liability. The District, along with other participating entities, contributes annual amounts determined by TML's management. As claims arise, they are submitted and paid by TML. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

LOWER KIRBY PEARLAND MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 9. SALES AND USE TAX REVENUES

On May 10, 2008, the voters of the District authorized the District's Board of Directors to levy and collect a sales and use tax not to exceed 0.5 percent within the District, in accordance with Subchapter E, Chapter 3840, Texas Special District Local Laws Code. The District adopted an order levying the sales and use tax on May 16, 2008. The District may use this tax for the funding of all of its programs, functions and services. The District collected \$178,771 from the levy of the sales and use tax for the fiscal year ended March 31, 2020.

NOTE 10. UNREIMBURSED COSTS

The District has executed development financing agreements with Developers within the District. The agreements call for the Developers to fund costs associated with the Master Drainage Plan. The agreement allows up to 70% of the costs to be reimbursed from future bond proceeds. During prior fiscal years, the District received advances from the Developers in the amount of \$2,736,708 which funds were placed in the Master Drainage Fund. \$1,915,697, or 70%, has been recorded in the Statement of Net Position as Due to Developers at March 31, 2020, less reimbursements of \$435,312 in a prior year and \$235,586 in the current fiscal year. During a prior fiscal year, the District received advances of \$11,412,117 which funds were placed in the General Fund and Capital Projects Fund. \$7,988,482, or 70% has been recorded in the Statement of Net Position as Due to Developers at March 31, 2020, less current year reimbursements of \$47,079. As of March 31, 2020, \$9,186,202 has been recorded in the Statement of Net Position as Due to Developers in relation to the above activities. Reimbursements to the Developers and the City will be made in accordance with the District's adopted Reimbursement Policy. Furthermore, in accordance with the Financing Agreement with the City of Pearland, Texas (the "City") explained below in Note 11, the City has or will fund the construction of road projects which will be maintained and operated by the City.

LOWER KIRBY PEARLAND MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 11. AGREEMENTS WITH THE CITY OF PEARLAND, TEXAS

On March 10, 2014, the District entered into an agreement with the City of Pearland, Texas (the “City”) providing for the District to engage the City to perform administration, plan review, collection of the plan review fees, and acquisition of right of way for the Master Drainage Plan (the “Plan”). The City collects and retains the plan review fees to cover its cost of these services. The City reviews drainage plans and specifications for the Plan to ensure compliance with the District’s standards and regulations. The City shall acquire any right of way needed to implement the Plan, with such costs to be reimbursed to the City by the District pursuant to the financing agreement between the City and District. The Agreement is for one year from the effective date and then automatically renews each succeeding year. The agreement can be cancelled at any time by either party with 30 days written notice.

On March 10, 2014, the District entered into a Financing Agreement with the City providing for financing and construction of facilities to serve land within the District and specifically for the following projects: (1) regional detention pond site acquisition; (2) implementation and development of the plan; (3) implementation of Phase 1 of the plan; (4) certain specifically identified water, sewer, drainage and road improvements; (5) Hooper Road reconstruction costs; and (6) Kirby Drive detention improvements. The agreement provides that the District’s engineer will design the improvements or oversee the City’s design if the District authorizes the City to design improvements. Both parties will authorize award of the projects. After completion of any project constructed under this agreement, the District will own, operate and maintain any regional drainage improvement, and the City will own, operate and maintain any water, sewer, drainage or road improvement. The agreement provides for the parties to enter into letter financing agreements for each project. The City will be reimbursed from bond issues in the same manner as developers. The agreement provides that the District will sell bonds at the earliest feasible date to repay the City and sets out criteria for such repayment, including request of 100% reimbursement for facilities for which Commission approval is required. The term of the agreement is the earlier of 40 years or when the transactions contemplated by the agreement have been consummated. In a prior year, the District reimbursed the City \$441,518 for construction and engineering related to a traffic signal on North Spectrum at Kirby Drive and \$83,975 for land acquisition and engineering for South Spectrum Boulevard West right of way.

On May 5, 2014, the District executed a letter financing agreement with the City for conveyance of a 39-acre detention pond, acknowledging payment by the City for acquisition of the pond, with the District agreeing to reimburse the City for the District’s 72.3% share of the pond, subject to terms of the Financing Agreement. As of March 31, 2020, the District has reimbursed the City in the amount of \$1,624,826 for its share of the detention pond costs and engineering fees.

LOWER KIRBY PEARLAND MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 11. AGREEMENTS WITH THE CITY OF PEARLAND, TEXAS (Continued)

On May 5, 2014, the District executed a letter financing agreement with the City, for design and construction of the Hooper Road Reconstruction Project, acknowledging that the City will make payments for such project and with the District agreeing to reimburse the City subject to terms of the Financing Agreement. As of March 31, 2020, the District has reimbursed the City a total of \$3,243,294 for Hooper Road costs and engineering fees.

On August 10, 2015, amended on December 9, 2015, the District executed a letter financing agreement with the City, for design and construction of the Regional Drainage Plan, Lateral I Project, acknowledging that the City will make payments for such project with the District agreeing to reimburse the City subject to terms of the Financing Agreement. The District has reimbursed the City a total of \$2,021,046 for its share of Lateral I costs.

On February 6, 2014, the District and Pearland Municipal Management District No. 1 (“PMD 1”) entered into a Cost Sharing and Implementation Agreement for Master Drainage Plan, whereby the two districts share the cost of the regional drainage plan. To date, all drainage construction projects, except for the purchase of the regional detention pond from the City, has been for the benefit of the District only. During a prior year, the District reimbursed the City \$80,800 to purchase land for the West Conveyance Pond and \$12,680 for engineering costs related to Phase I of the Urban Center Detention Pond.

On December 15, 2016, the District and PMD 1 entered into a Cost Sharing Agreement for South Spectrum Boulevard, whereby the two districts will share in the cost of the South Spectrum Boulevard improvements. PMD 1 will pay all costs of Segment A and the District will pay all costs related to Segment B and C. The District has paid \$2,171,022, of which \$66,678 has been recorded in the Statement of Net Position as due from PMD 1 as of March 31, 2020.

On June 21, 2017, the District and the City entered into a letter financing agreement for the construction of the Lower Kirby Park Improvements, acknowledging the City will make payments for such project with the District agreeing to reimburse the City subject to terms of the financing agreement.

On September 19, 2018, the District and the City entered into a letter financing agreement for the design and construction of the Beltway 8 waterline extension, acknowledging the City will make payments for such project with the District agreeing to reimburse the City subject to terms of the financing agreement. The District has reimbursed the City \$344,420 for Beltway 8 waterline extension and State Highway 288 8’ waterline extension.

LOWER KIRBY PEARLAND MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 12. TAX BOND SALE

On January 21, 2020, the District closed on the sale of its \$4,100,000 Series 2020 Unlimited Tax Bonds, to fund water and sanitary sewer facilities. Proceeds of the sale were used to pay costs related to Lateral 2 Drainage Facilities, Lateral 2 Drainage Facilities West Stub, North and Central Detention, South Detention Pond Phase I, Beltway 8 Waterline, State Highway 288 Waterline Extension, land acquisition costs, engineering fees, and costs of issuance.

NOTE 14. SUBSEQUENT BONDS

On May 20, 2020, subsequent to fiscal year-end, the District approved a resolution authorizing issuance of its \$1,880,000 Series 2020 Unlimited Tax Road Bonds. Proceeds of the sale will be used to pay costs related to certain segments of South Spectrum Boulevard East and Promenade Shops Drive, engineering fees and costs of issuance.

On May 20, 2020, subsequent to fiscal year-end, the District approved a resolution authorizing issuance of its \$1,870,000 Series 2020A Unlimited Tax Park Bonds. Proceeds of the sale will be used to pay costs related to certain segments of Lower Kirby Trail west side of North, Central and South Detention, engineering fees and costs of issuance.

NOTE 15. UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the COVID-19 virus a global pandemic. As a result, economic uncertainties have arisen which could have an impact on the operations of the District. The District is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty, as the potential financial impact of this pandemic is unknown at this time.

LOWER KIRBY PEARLAND MANAGEMENT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

MARCH 31, 2020

**LOWER KIRBY PEARLAND MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2020**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 275,595	\$ 360,056	\$ 84,461
Sales and Use Tax Revenues	175,000	178,771	3,771
Miscellaneous Revenues	19,210	17,400	(1,810)
TOTAL REVENUES	\$ 469,805	\$ 556,227	\$ 86,422
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 142,661	\$ 146,578	\$ (3,917)
Contracted Services	26,500	30,085	(3,585)
Other	13,455	12,492	963
Mowing and Maintenance	210,741	126,817	83,924
Capital Outlay	_____	90,982	(90,982)
TOTAL EXPENDITURES	\$ 393,357	\$ 406,954	\$ (13,597)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 76,448	\$ 149,273	\$ 72,825
OTHER FINANCING SOURCES(USES)			
Transfers In	\$ -0-	\$ 51,180	\$ 51,180
NET CHANGE IN FUND BALANCE	\$ 76,448	\$ 200,453	\$ 124,005
FUND BALANCE - APRIL 1, 2019	638,317	638,317	_____
FUND BALANCE - MARCH 31, 2020	\$ 714,765	\$ 838,770	\$ 124,005

See accompanying independent auditor's report.

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LOWER KIRBY PEARLAND MANAGEMENT DISTRICT
SUPPLEMENTARY INFORMATION REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
MARCH 31, 2020

**LOWER KIRBY PEARLAND MANAGEMENT DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2020**

PROFESSIONAL FEES:	
Auditing	\$ 12,250
Engineering	68,645
Legal	<u>65,683</u>
TOTAL PROFESSIONAL FEES	<u>\$ 146,578</u>
CONTRACTED SERVICES:	
Bookkeeping	<u>\$ 30,085</u>
REPAIRS AND MAINTENANCE	<u>\$ 126,817</u>
ADMINISTRATIVE EXPENDITURES:	
Insurance	\$ 2,405
Other	<u>10,087</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 12,492</u>
TOTAL CAPITAL OUTLAY	<u>\$ 90,982</u>
TOTAL EXPENDITURES	<u><u>\$ 406,954</u></u>

See accompanying independent auditor's report.

**LOWER KIRBY PEARLAND MANAGEMENT DISTRICT
INVESTMENTS
MARCH 31, 2020**

Fund	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
Texas CLASS	XXXX0001	Varies	Daily	\$ 497,307	\$
Certificate of Deposit	XXXX4051	2.05%	02/26/21	50,000	93
Certificate of Deposit	XXXX0999	1.60%	10/25/20	50,000	70
Certificate of Deposit	XXXX2497	1.80%	01/22/21	50,000	81
Certificate of Deposit	XXXX0839	1.80%	12/23/20	50,000	81
Certificate of Deposit	XXXX0444	1.85%	11/23/20	50,000	84
TOTAL GENERAL FUND				<u>\$ 747,307</u>	<u>\$ 409</u>
<u>SPECIAL REVENUE FUND - MASTER DRAINAGE FUND</u>					
Texas CLASS	XXXX0002	Varies	Daily	\$ 1,042,368	\$
Texas CLASS	XXXX0007	Varies	Daily	3,156,649	
TOTAL MASTER DRAINAGE FUND				<u>\$ 4,199,017</u>	<u>\$ - 0 -</u>
<u>DEBT SERVICE FUND</u>					
Texas CLASS	XXXX0003	Varies	Daily	\$ 1,179,471	\$
Texas CLASS	XXXX0004	Varies	Daily	1,043,940	
Certificate of Deposit	XXXX6964	2.75%	05/13/20	240,000	5,822
Certificate of Deposit	XXXX2338	1.70%	08/06/20	240,000	581
Certificate of Deposit	XXXX4496	1.85%	08/05/20	240,000	645
TOTAL DEBT SERVICE FUND				<u>\$ 2,943,411</u>	<u>\$ 7,048</u>
<u>CAPITAL PROJECTS FUND</u>					
Texas CLASS	XXXX0005	Varies	Daily	\$ 5,632,887	\$
Texas CLASS	XXXX0006	Varies	Daily	861,272	
Texas CLASS	XXXX0008	Varies	Daily	123,754	
Texas CLASS	XXXX0009	Varies	Daily	120,768	
Texas CLASS	XXXX0010	Varies	Daily	386,311	
Texas CLASS	XXXX0011	Varies	Daily	249,784	
TOTAL CAPITAL PROJECTS FUND				<u>\$ 7,374,776</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u>\$ 15,264,511</u>	<u>\$ 7,457</u>

See accompanying independent auditor's report.

**LOWER KIRBY PEARLAND MANAGEMENT DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2020**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE - APRIL 1, 2019	\$	26,946	\$	161,639
Adjustments to Beginning Balance		<u>7,098</u>	\$	<u>32,700</u>
		34,044	\$	194,339
Original 2019 Tax Levy	\$	324,112	\$	1,944,676
Adjustment to 2019 Tax Levy		<u>9,449</u>	<u>333,561</u>	<u>56,693</u>
			<u>2,001,369</u>	
TOTAL TO BE ACCOUNTED FOR		\$	367,605	\$
			2,195,708	
TAX COLLECTIONS:				
Prior Years	\$	33,498	\$	191,103
Current Year		<u>326,558</u>	<u>360,056</u>	<u>1,959,350</u>
			<u>2,150,453</u>	
TAXES RECEIVABLE - MARCH 31, 2020		<u>\$</u>	<u>7,549</u>	<u>\$</u>
			45,255	
TAXES RECEIVABLE BY YEAR:				
2019	\$	7,003	\$	42,019
2018		432		2,595
2017		15		89
2016		3		19
2015		89		533
2014		3		
2013		<u>3</u>		
TOTAL	\$	<u>7,548</u>	\$	<u>45,255</u>

See accompanying independent auditor's report.

**LOWER KIRBY PEARLAND MANAGEMENT DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2020**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
PROPERTY VALUATIONS:				
Land, Improvements, Personal Property and Exemptions	<u>\$ 333,561,609</u>	<u>\$ 277,731,035</u>	<u>\$ 208,899,868</u>	<u>\$ 162,992,335</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.60	\$ 0.60	\$ 0.60	\$ 0.60
Maintenance	<u>0.10</u>	<u>0.10</u>	<u>0.10</u>	<u>0.10</u>
TAX RATE PER \$100 VALUATION:	<u>\$ 0.70</u>	<u>\$ 0.70</u>	<u>\$ 0.70</u>	<u>\$ 0.70</u>
ADJUSTED TAX LEVY*	<u>\$ 2,334,930</u>	<u>\$ 1,944,272</u>	<u>\$ 1,454,637</u>	<u>\$ 1,138,628</u>
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	<u>97.90 %</u>	<u>99.84 %</u>	<u>99.99 %</u>	<u>99.99 %</u>

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

Maintenance tax – Maximum tax rate in an amount not to exceed \$0.10 per \$100 assessed valuation approved by voters on May 10, 2008.

See accompanying independent auditor's report.

**LOWER KIRBY PEARLAND MANAGEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2020**

SERIES - 2015 ROAD BONDS

Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2021	\$ 415,000	\$ 141,050	\$ 556,050
2022	430,000	132,600	562,600
2023	445,000	122,738	567,738
2024	460,000	111,425	571,425
2025	475,000	98,550	573,550
2026	495,000	84,000	579,000
2027	510,000	68,287	578,287
2028	525,000	50,813	575,813
2029	545,000	31,406	576,406
2030	565,000	10,594	575,594
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
	<u>\$ 4,865,000</u>	<u>\$ 851,463</u>	<u>\$ 5,716,463</u>

See accompanying independent auditor's report.

**LOWER KIRBY PEARLAND MANAGEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2020**

SERIES - 2016 WATER, SEWER
& DRAINAGE BONDS

Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2021	\$ 200,000	\$ 106,025	\$ 306,025
2022	200,000	102,025	302,025
2023	200,000	97,025	297,025
2024	200,000	91,025	291,025
2025	200,000	85,025	285,025
2026	200,000	79,025	279,025
2027	200,000	73,025	273,025
2028	200,000	66,900	266,900
2029	200,000	60,525	260,525
2030	200,000	54,025	254,025
2031	275,000	45,963	320,963
2032	275,000	36,337	311,337
2033	280,000	26,450	306,450
2034	285,000	16,030	301,030
2035	285,000	5,343	290,343
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
	<u>\$ 3,400,000</u>	<u>\$ 944,748</u>	<u>\$ 4,344,748</u>

See accompanying independent auditor's report.

**LOWER KIRBY PEARLAND MANAGEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2020**

SERIES - 2017 ROAD BONDS

Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2021	\$ 50,000	\$ 132,273	\$ 182,273
2022	50,000	131,022	181,022
2023	50,000	129,772	179,772
2024	50,000	128,523	178,523
2025	50,000	127,248	177,248
2026	50,000	125,910	175,910
2027	50,000	124,498	174,498
2028	50,000	123,022	173,022
2029	50,000	121,485	171,485
2030	50,000	119,872	169,872
2031	220,000	115,308	335,308
2032	220,000	107,718	327,718
2033	220,000	100,018	320,018
2034	220,000	92,317	312,317
2035	220,000	84,508	304,508
2036	265,000	75,777	340,777
2037	265,000	66,105	331,105
2038	265,000	56,300	321,300
2039	265,000	46,296	311,296
2040	265,000	36,093	301,093
2041	265,000	25,891	290,891
2042	270,000	15,592	285,592
2043	270,000	5,198	275,198
	<u>\$ 3,730,000</u>	<u>\$ 2,090,746</u>	<u>\$ 5,820,746</u>

See accompanying independent auditor's report.

**LOWER KIRBY PEARLAND MANAGEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2020**

**SERIES - 2018 WATER, SEWER
& DRAINAGE BONDS**

Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2021	\$ 100,000	\$ 99,628	\$ 199,628
2022	100,000	97,302	197,302
2023	100,000	94,803	194,803
2024	100,000	92,102	192,102
2025	100,000	89,203	189,203
2026	100,000	86,202	186,202
2027	100,000	83,153	183,153
2028	100,000	80,002	180,002
2029	100,000	76,753	176,753
2030	100,000	73,402	173,402
2031	145,000	69,165	214,165
2032	145,000	64,018	209,018
2033	145,000	58,761	203,761
2034	145,000	53,433	198,433
2035	145,000	48,031	193,031
2036	145,000	42,593	187,593
2037	145,000	37,157	182,157
2038	145,000	31,719	176,719
2039	145,000	26,100	171,100
2040	145,000	20,300	165,300
2041	145,000	14,500	159,500
2042	145,000	8,700	153,700
2043	145,000	2,900	147,900
	<u>\$ 2,885,000</u>	<u>\$ 1,349,927</u>	<u>\$ 4,234,927</u>

See accompanying independent auditor's report.

**LOWER KIRBY PEARLAND MANAGEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2020**

SERIES - 2019 ROAD BONDS

Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2021	\$ 225,000	\$ 108,469	\$ 333,469
2022	225,000	101,719	326,719
2023	225,000	94,969	319,969
2024	100,000	90,094	190,094
2025	100,000	87,031	187,031
2026	100,000	83,781	183,781
2027	100,000	80,344	180,344
2028	100,000	76,781	176,781
2029	100,000	73,093	173,093
2030	100,000	69,281	169,281
2031	125,000	64,844	189,844
2032	125,000	59,844	184,844
2033	125,000	54,844	179,844
2034	125,000	49,844	174,844
2035	125,000	44,844	169,844
2036	125,000	39,844	164,844
2037	125,000	34,766	159,766
2038	125,000	29,610	154,610
2039	125,000	24,374	149,374
2040	125,000	19,062	144,062
2041	125,000	13,672	138,672
2042	125,000	8,203	133,203
2043	125,000	2,734	127,734
	<u>\$ 3,000,000</u>	<u>\$ 1,312,047</u>	<u>\$ 4,312,047</u>

See accompanying independent auditor's report.

**LOWER KIRBY PEARLAND MANAGEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2020**

SERIES - 2020 WATER, SEWER
& DRAINAGE BONDS

Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2021	\$ 175,000	\$ 124,710	\$ 299,710
2022	175,000	103,144	278,144
2023	175,000	99,644	274,644
2024	175,000	96,144	271,144
2025	175,000	92,644	267,644
2026	175,000	89,056	264,056
2027	175,000	85,294	260,294
2028	175,000	81,356	256,356
2029	175,000	77,244	252,244
2030	175,000	72,956	247,956
2031	175,000	68,494	243,494
2032	175,000	63,812	238,812
2033	175,000	58,781	233,781
2034	175,000	53,531	228,531
2035	175,000	48,281	223,281
2036	175,000	43,031	218,031
2037	175,000	37,781	212,781
2038	175,000	32,422	207,422
2039	175,000	26,953	201,953
2040	175,000	21,484	196,484
2041	200,000	15,625	215,625
2042	200,000	9,375	209,375
2043	200,000	3,125	203,125
	<u>\$ 4,100,000</u>	<u>\$ 1,404,887</u>	<u>\$ 5,504,887</u>

See accompanying independent auditor's report.

**LOWER KIRBY PEARLAND MANAGEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2020**

**ANNUAL REQUIREMENTS
FOR ALL SERIES**

Due During Fiscal Years Ending March 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2021	\$ 1,165,000	\$ 712,155	\$ 1,877,155
2022	1,180,000	667,812	1,847,812
2023	1,195,000	638,951	1,833,951
2024	1,085,000	609,313	1,694,313
2025	1,100,000	579,701	1,679,701
2026	1,120,000	547,974	1,667,974
2027	1,135,000	514,601	1,649,601
2028	1,150,000	478,874	1,628,874
2029	1,170,000	440,506	1,610,506
2030	1,190,000	400,130	1,590,130
2031	940,000	363,774	1,303,774
2032	940,000	331,729	1,271,729
2033	945,000	298,854	1,243,854
2034	950,000	265,155	1,215,155
2035	950,000	231,007	1,181,007
2036	710,000	201,245	911,245
2037	710,000	175,809	885,809
2038	710,000	150,051	860,051
2039	710,000	123,723	833,723
2040	710,000	96,939	806,939
2041	735,000	69,688	804,688
2042	740,000	41,870	781,870
2043	740,000	13,957	753,957
	<u>\$ 21,980,000</u>	<u>\$ 7,953,818</u>	<u>\$ 29,933,818</u>

See accompanying independent auditor's report.

**LOWER KIRBY PEARLAND MANAGEMENT DISTRICT
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED MARCH 31, 2020**

Description	Original Bonds Issued	Bonds Outstanding April 1, 2019	
Lower Kirby Pearland Management District Unlimited Tax Road Bonds - Series 2015	\$ 6,585,000	\$ 5,265,000	
Lower Kirby Pearland Management District Unlimited Tax Utility Bonds - Series 2016	4,000,000	3,600,000	
Lower Kirby Pearland Management District Unlimited Tax Road Bonds - Series 2017	3,830,000	3,780,000	
Lower Kirby Pearland Management District Unlimited Tax Utility Bonds - Series 2018	2,985,000	2,985,000	
Lower Kirby Pearland Management District Unlimited Tax Road Bonds - Series 2019	3,000,000	3,000,000	
Lower Kirby Pearland Management District Unlimited Tax Utility Bonds - Series 2020	<u>4,100,000</u>		
TOTAL	<u>\$ 24,500,000</u>	<u>\$ 18,630,000</u>	
Bond Authority:	Water, Sewer & Drainage Bonds	Road Bonds	Recreational Facility Bonds
Amount Authorized by Voters	\$ 48,735,000	\$ 39,500,000	\$ 29,120,000
Amount Issued	<u>11,085,000</u>	<u>13,415,000</u>	
Remaining to be Issued	<u>\$ 37,650,000</u>	<u>\$ 26,085,000</u>	<u>\$ 29,120,000</u>
Debt Service Fund cash, investments and cash with paying agent balances as of March 31, 2020:			<u>\$ 3,294,614</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:			<u>\$ 1,301,470</u>

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

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding March 31, 2020</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$ - 0 -	\$ 400,000	\$ 149,200	\$ 4,865,000	The Bank of New York Mellon Trust Company N.A. Dallas, TX
	200,000	110,025	3,400,000	The Bank of New York Mellon Trust Company N.A. Dallas, TX
	50,000	133,523	3,730,000	The Bank of New York Mellon Trust Company N.A. Dallas, TX
	100,000	101,802	2,885,000	The Bank of New York Mellon Trust Company N.A. Dallas, TX
		125,514	3,000,000	The Bank of New York Mellon Trust Company N.A. Dallas, TX
<u>4,100,000</u>			<u>4,100,000</u>	The Bank of New York Mellon Trust Company N.A. Dallas, TX
<u>\$ 4,100,000</u>	<u>\$ 750,000</u>	<u>\$ 620,064</u>	<u>\$ 21,980,000</u>	
<u>Economic Development Bonds</u>				
\$ 26,395,000				
<u>\$ 26,395,000</u>				

See accompanying independent auditor's report.

**LOWER KIRBY PEARLAND MANAGEMENT DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS**

	Amounts		
	2020	2019	2018
REVENUES			
Property Taxes	\$ 360,056	\$ 268,961	\$ 191,645
Penalty and Interest			
Sales and Use Tax Revenues	178,771	170,469	130,773
Miscellaneous Revenues	<u>17,400</u>	<u>31,310</u>	<u>2,629</u>
TOTAL REVENUES	<u>\$ 556,227</u>	<u>\$ 470,740</u>	<u>\$ 325,047</u>
EXPENDITURES			
Professional Fees	\$ 146,578	\$ 107,176	\$ 129,696
Contracted Services	30,085	26,162	21,666
Other	12,492	106,212	74,692
Mowing and Maintenance	126,817		
Capital Outlay	<u>90,982</u>	<u> </u>	<u>1,432,735</u>
TOTAL EXPENDITURES	<u>\$ 406,954</u>	<u>\$ 239,550</u>	<u>\$ 1,658,789</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 149,273</u>	<u>\$ 231,190</u>	<u>\$ (1,333,742)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	\$ 51,180	\$ 261	\$ (3,785,892)
Developer Advances	<u> </u>	<u> </u>	<u>5,204,835</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 51,180</u>	<u>\$ 261</u>	<u>\$ 1,418,943</u>
NET CHANGE IN FUND BALANCE	\$ 200,453	\$ 231,451	\$ 85,201
BEGINNING FUND BALANCE	<u>638,317</u>	<u>406,866</u>	<u>321,665</u>
ENDING FUND BALANCE	<u>\$ 838,770</u>	<u>\$ 638,317</u>	<u>\$ 406,866</u>

See accompanying independent auditor's report.

		Percentage of Total Revenue						
2017	2016	2020	2019	2018	2017	2016		
\$ 171,776	\$ 138,520	64.8 %	57.1 %	59.0	66.1	59.6 %		
87,879	93,899	32.1	36.2	40.2	33.8	40.4		
110	12	3.1	6.7	0.8	0.1			
<u>\$ 259,765</u>	<u>\$ 232,431</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0 %</u>		
\$ 207,902	\$ 128,280	26.4 %	22.8 %	39.9	80.0	55.2 %		
41,050	11,381	5.4	5.6	6.7	15.8	4.9		
7,246	3,273	2.2	22.6	23.0	2.8	1.4		
		22.8						
		16.4		440.8				
<u>\$ 256,198</u>	<u>\$ 142,934</u>	<u>73.2 %</u>	<u>51.0 %</u>	<u>510.4</u>	<u>98.6</u>	<u>61.5 %</u>		
\$ 3,567	\$ 89,497	26.8 %	49.0	(410.4)	1.4	38.5 %		
\$ - 0 -	\$ - 0 -							
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>							
\$ 3,567	\$ 89,497							
318,098	228,601							
<u>\$ 321,665</u>	<u>\$ 318,098</u>							

See accompanying independent auditor's report.

**LOWER KIRBY PEARLAND MANAGEMENT DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS**

	Amounts		
	2020	2019	2018
REVENUES			
Property Taxes	\$ 2,150,453	\$ 1,612,397	\$ 1,146,449
Penalty and Interest	10,899	13,359	7,010
Miscellaneous Revenues	46,737	33,157	13,701
TOTAL REVENUES	\$ 2,208,089	\$ 1,658,913	\$ 1,167,160
EXPENDITURES			
Tax Collection Expenditures	\$ 26,834	\$ 22,222	\$ 17,859
Debt Service Principal	750,000	635,000	575,000
Debt Service Interest and Fees	623,814	497,986	367,295
TOTAL EXPENDITURES	\$ 1,400,648	\$ 1,155,208	\$ 960,154
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 807,441	\$ 503,705	\$ 207,006
OTHER FINANCING SOURCES (USES)			
Long-Term Debt Issued	\$	\$ 102,853	\$ 135,398
NET CHANGE IN FUND BALANCE	\$ 807,441	\$ 606,558	\$ 342,404
BEGINNING FUND BALANCE	2,412,452	1,805,894	1,463,490
ENDING FUND BALANCE	\$ 3,219,893	\$ 2,412,452	\$ 1,805,894

See accompanying independent auditor's report.

		Percentage of Total Revenue				
<u>2017</u>	<u>2016</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 1,027,043	\$ 748,743	97.4 %	97.2 %	98.2 %	97.4 %	99.4 %
22,026	3,130	0.5	0.8	0.6	2.1	0.4
<u>5,615</u>	<u>1,309</u>	<u>2.1</u>	<u>2.0</u>	<u>1.2</u>	<u>0.5</u>	<u>0.2</u>
<u>\$ 1,054,684</u>	<u>\$ 753,182</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 27,978	\$ 9,353	1.2 %	1.3 %	1.5 %	2.7 %	1.2 %
560,000		34.0	38.3	49.3	53.1	
<u>281,189</u>	<u>65,106</u>	<u>28.3</u>	<u>30.0</u>	<u>31.5</u>	<u>26.7</u>	<u>8.7</u>
<u>\$ 869,167</u>	<u>\$ 74,459</u>	<u>63.5 %</u>	<u>69.6 %</u>	<u>82.3 %</u>	<u>82.5 %</u>	<u>9.9 %</u>
\$ 185,517	\$ 678,723	36.5 %	30.4 %	17.7 %	17.5 %	90.1 %
<u>\$ 240,050</u>	<u>\$ 359,200</u>					
\$ 425,567	\$ 1,037,923					
<u>1,037,923</u>						
<u>\$ 1,463,490</u>	<u>\$ 1,037,923</u>					

See accompanying independent auditor's report.

**LOWER KIRBY PEARLAND MANAGEMENT DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MARCH 31, 2020**

District Mailing Address - Lower Kirby Pearland Management District
Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, TX 77027

District Telephone Number - (713) 860-6400

Board Members	<u>Term of Office (Elected or Appointed)</u>	<u>Fees of Office for the year ended March 31, 2020</u>	<u>Expense Reimbursements for the year ended March 31, 2020</u>	<u>Title</u>
Ron Dagley	06/17 06/21 (Appointed)	\$ -0-	\$ -0-	President
Brian J. Malone	06/17 06/21 (Appointed)	\$ -0-	\$ -0-	Vice President
Thomas Hochuli (resigned 06/17/20)	06/19 06/23 (Appointed)	\$ -0-	\$ -0-	Assistant Vice President
Richard Jepson	06/17 06/21 (Appointed)	\$ -0-	\$ -0-	Assistant Vice President
Shareen Larmond	06/19 06/23 (Appointed)	\$ -0-	\$ -0-	Secretary
Matthew J. Buchanan	06/17 06/21 (Appointed)	\$ -0-	\$ -0-	Assistant Secretary
Justin Patchen	06/19 06/23 (Appointed)	\$ -0-	\$ -0-	Assistant Secretary

Submission date of most recent District Registration Form: June 19, 2019

See accompanying independent auditor's report.

**LOWER KIRBY PEARLAND MANAGEMENT DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MARCH 31, 2020**

<u>Consultants:</u>	<u>Date Hired</u>	<u>Fees for the year ended March 31, 2020</u>	<u>Title</u>
Allen Boone Humphries Robinson LLP	07/31/07	\$ 72,200 \$ 33,516 \$ 117,539	General Counsel Capital Projects Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	03/30/10	\$ 12,250 \$ 9,000	Auditor Bond
Municipal Accounts & Consulting LP	04/18/18	\$ 37,691	Bookkeeper
LJA Engineering, Inc.	02/06/14	\$ 478,365	Engineer
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/31/09	\$ 696	Delinquent Tax Attorney
Masterson Advisors LLC	04/18/18	\$ 87,267	Financial Advisor
Mark Burton and Ghia Lewis	02/21/18	\$ -0-	Investment Officer
Equi-Tax, Inc.	10/02/08	\$ 9,245	Tax Assessor/ Collector

See accompanying independent auditor's report.