

# **Brazoria County Municipal Utility District No. 21**

Brazoria County, Texas

Independent Auditor's Report and Financial Statements

August 31, 2018



**Brazoria County Municipal Utility District No. 21**  
**August 31, 2018**

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## Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Brazoria County Municipal Utility District No. 21 (the District), as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

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

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

### *Auditor's Responsibility*

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of August 31, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

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

***Other Information***

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

**BKD, LLP**

Houston, Texas  
January 10, 2019

# **Brazoria County Municipal Utility District No. 21**

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

### **August 31, 2018**

#### **Overview of the Financial Statements**

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

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

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

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

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

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

**Brazoria County Municipal Utility District No. 21**  
**Management's Discussion and Analysis (Continued)**  
**August 31, 2018**

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

**Fund Financial Statements**

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

**Governmental Funds**

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

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

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

**Notes to Financial Statements**

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

**Brazoria County Municipal Utility District No. 21**  
**Management's Discussion and Analysis (Continued)**  
**August 31, 2018**

**Financial Analysis of the District as a Whole**

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

**Summary of Net Position**

	<b>2018</b>	<b>2017</b>
Current and other assets	\$ 12,289,485	\$ 11,826,982
Capital assets	28,279,469	28,409,490
Total assets	40,568,954	40,236,472
Deferred outflows of resources	842,567	894,713
Total assets and deferred outflows of resources	\$ 41,411,521	\$ 41,131,185
Long-term liabilities	\$ 32,237,677	\$ 33,725,556
Other liabilities	347,925	753,430
Total liabilities	32,585,602	34,478,986
Net position:		
Net investment in capital assets	(2,648,056)	(3,645,973)
Restricted	3,092,751	3,051,741
Unrestricted	8,381,224	7,246,431
Total net position	\$ 8,825,919	\$ 6,652,199

The total net position of the District increased by \$2,173,720, or about 33 percent. The majority of the increase in net position is related to property taxes and service revenues exceeding services and debt service expenses. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Brazoria County Municipal Utility District No. 21**  
**Management's Discussion and Analysis (Continued)**  
**August 31, 2018**

**Summary of Changes in Net Position**

	<b>2018</b>	<b>2017</b>
Revenues:		
Property taxes	\$ 4,046,498	\$ 4,090,492
Charges for services	1,679,004	1,598,042
Other revenues	491,967	914,831
Total revenues	<u>6,217,469</u>	<u>6,603,365</u>
Expenses:		
Services	2,342,099	2,309,386
Depreciation	610,639	470,320
Debt service	1,091,011	1,150,834
Total expenses	<u>4,043,749</u>	<u>3,930,540</u>
Change in net position	2,173,720	2,672,825
Net position, beginning of year	<u>6,652,199</u>	<u>3,979,374</u>
Net position, end of year	<u>\$ 8,825,919</u>	<u>\$ 6,652,199</u>

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

The District's combined fund balances as of the end of the fiscal year ended August 31, 2018, were \$9,350,683, an increase of \$855,162 from the prior year.

The general fund's fund balance increased by \$1,156,415. This net increase was due to property taxes and service revenues exceeding service operations and capital outlay expenditures.

The joint water plant fund's fund balance increased by \$15,225 due to an increase in the District's share of operating reserves.

The joint wastewater treatment plant fund's fund balance remained the same all expenditures were billed to participants.

The debt service fund's fund balance increased by \$15,006 due to property tax revenues generated exceeding bond principal and interest requirements.

The capital projects fund's fund balance decreased by \$331,484 due to capital outlay expenditures incurred in the current year related to District facilities.



**Brazoria County Municipal Utility District No. 21**  
**Management's Discussion and Analysis (Continued)**  
**August 31, 2018**

**General Fund Budgetary Highlights**

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to property taxes, fire protection, investment income and other income revenues being higher than anticipated, and water service revenues and purchased services and repairs and maintenance expenditures being lower than anticipated. In addition, capital outlay expenditures incurred were not budgeted. The fund balance as of August 31, 2018, was expected to be \$5,261,147 and the actual end-of-year fund balance was \$5,846,573.

**Capital Assets and Related Debt**

Capital Assets

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

**Capital Assets (Net of Accumulated Depreciation)**

	<b>2018</b>	<b>2017</b>
Land and improvements	\$ 5,116,375	\$ 5,116,375
Construction in progress	2,572,488	3,352,076
Water facilities	5,639,435	4,928,650
Wastewater facilities	5,676,203	5,467,988
Drainage facilities	9,274,968	9,544,401
Total capital assets	\$ 28,279,469	\$ 28,409,490

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

Construction in progress related to the reverse osmosis treatment unit, Phase 1, water supply plant reverse osmosis system, Phase 2 and wastewater treatment plant expansion, Phase 4	\$ 281,060
Engineering fees related to rehabilitation of the ground storage tank, hydropneumatic tank, yard piping and water plant building, rehabilitation of lake 2 and drainage improvements at the water plant site	25,272
Remote water well generator	14,880
Water supply plant expansion	83,037
Water supply plant reverse osmosis system booster pump addition	56,372
Wastewater treatment plant access road improvements	19,997
Total additions to capital assets	\$ 480,618

**Brazoria County Municipal Utility District No. 21**  
**Management's Discussion and Analysis (Continued)**  
**August 31, 2018**

The developer of the District has constructed recreational facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Commission and authorization by the City of Pearland (the City). At August 31, 2018, a liability for developer-constructed capital assets of \$851,267 is recorded in the government-wide financial statements.

Debt

The changes in the debt position of the District during the fiscal year ended August 31, 2018, are summarized as follows:

Long-term debt payable, beginning of year	\$	33,725,556
Decreases in long-term debt		(1,487,879)
Long-term debt payable, end of year	\$	32,237,677

At August 31, 2018, the District had \$9,150,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems; \$4,500,000 for the development and maintenance of recreational facilities; and \$1,000,000 for fire protection within the District.

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

**Other Relevant Factors**

Relationship to the City of Pearland

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

**Brazoria County Municipal Utility District No. 21**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**August 31, 2018**

	General Fund	Joint Water Plant	Joint Wastewater Treatment Plant	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>								
Cash	\$ 3,521,134	\$ 35,045	\$ 53,906	\$ 339,447	\$ 437,439	\$ 4,386,971	\$ -	\$ 4,386,971
Certificates of deposit	506,425	-	-	143,628	-	650,053	-	650,053
Short-term investments	2,014,082	-	-	2,424,871	75,020	4,513,973	-	4,513,973
Receivables:								
Property taxes	17,991	-	-	35,895	-	53,886	-	53,886
Service accounts	121,207	-	-	-	-	121,207	-	121,207
Due from participants	-	6,664	7,657	-	-	14,321	-	14,321
Due from others	368	-	-	-	-	368	2,513,660	2,514,028
Accrued penalty and interest	-	-	-	-	-	-	23,331	23,331
Accrued interest	1,519	-	-	1,036	-	2,555	-	2,555
Interfund receivable	5,695	26,609	17,796	46	-	50,146	(50,146)	-
Prepaid expenditures	9,160	-	-	-	-	9,160	-	9,160
Capital assets (net of accumulated depreciation):								
Land and improvements	-	-	-	-	-	-	5,116,375	5,116,375
Construction in progress	-	-	-	-	-	-	2,572,488	2,572,488
Infrastructure	-	-	-	-	-	-	20,590,606	20,590,606
<b>Total assets</b>	<b>6,197,581</b>	<b>68,318</b>	<b>79,359</b>	<b>2,944,923</b>	<b>512,459</b>	<b>9,802,640</b>	<b>30,766,314</b>	<b>40,568,954</b>
<b>Deferred Outflows of Resources</b>								
Deferred amount on debt refundings	0	0	0	0	0	0	842,567	842,567
<b>Total assets and deferred outflows of resources</b>	<b>\$ 6,197,581</b>	<b>\$ 68,318</b>	<b>\$ 79,359</b>	<b>\$ 2,944,923</b>	<b>\$ 512,459</b>	<b>\$ 9,802,640</b>	<b>\$ 31,608,881</b>	<b>\$ 41,411,521</b>

**Brazoria County Municipal Utility District No. 21**  
**Statement of Net Position and Governmental Funds Balance Sheet (Continued)**  
**August 31, 2018**

	General Fund	Joint Water Plant	Joint Wastewater Treatment Plant	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Liabilities</b>								
Accounts payable	\$ 106,890	\$ 8,676	\$ 20,459	\$ 1,248	\$ 2,972	\$ 140,245	\$ -	\$ 140,245
Retainage payable	3,000	-	-	-	14,150	17,150	-	17,150
Customer deposits	163,700	-	-	-	-	163,700	-	163,700
Operating deposits	-	5,964	5,890	-	-	11,854	-	11,854
Interfund payable	44,451	-	-	5,695	-	50,146	(50,146)	-
Due to others	14,976	-	-	-	-	14,976	-	14,976
Long-term liabilities:								
Due within one year	-	-	-	-	-	-	1,515,000	1,515,000
Due after one year	-	-	-	-	-	-	30,722,677	30,722,677
Total liabilities	<u>333,017</u>	<u>14,640</u>	<u>26,349</u>	<u>6,943</u>	<u>17,122</u>	<u>398,071</u>	<u>32,187,531</u>	<u>32,585,602</u>
<b>Deferred Inflows of Resources</b>								
Deferred property tax revenues	<u>17,991</u>	<u>0</u>	<u>0</u>	<u>35,895</u>	<u>0</u>	<u>53,886</u>	<u>(53,886)</u>	<u>0</u>

**Brazoria County Municipal Utility District No. 21**  
**Statement of Net Position and Governmental Funds Balance Sheet (Continued)**  
**August 31, 2018**

	General Fund	Joint Water Plant	Joint Wastewater Treatment Plant	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Fund Balances/Net Position</b>								
Fund balances:								
Nonspendable, prepaid expenditures	\$ 9,160	\$ -	\$ -	\$ -	\$ -	\$ 9,160	\$ (9,160)	\$ -
Restricted:								
Unlimited tax bonds	-	-	-	2,902,085	-	2,902,085	(2,902,085)	-
Water, sewer and drainage	-	-	-	-	495,337	495,337	(495,337)	-
Committed:								
Water production and distribution facilities	-	53,678	-	-	-	53,678	(53,678)	-
Wastewater collection and treatment facilities	-	-	53,010	-	-	53,010	(53,010)	-
Assigned, special projects	3,343,963	-	-	-	-	3,343,963	(3,343,963)	-
Unassigned	2,493,450	-	-	-	-	2,493,450	(2,493,450)	-
<b>Total fund balances</b>	<b>5,846,573</b>	<b>53,678</b>	<b>53,010</b>	<b>2,902,085</b>	<b>495,337</b>	<b>9,350,683</b>	<b>(9,350,683)</b>	<b>0</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 6,197,581</b>	<b>\$ 68,318</b>	<b>\$ 79,359</b>	<b>\$ 2,944,923</b>	<b>\$ 512,459</b>	<b>\$ 9,802,640</b>		
Net position:								
Net investment in capital assets							(2,648,056)	(2,648,056)
Restricted for plant operations							106,688	106,688
Restricted for debt service							2,961,311	2,961,311
Restricted for capital projects							24,752	24,752
Unrestricted							8,381,224	8,381,224
<b>Total net position</b>							<b>\$ 8,825,919</b>	<b>\$ 8,825,919</b>

**Brazoria County Municipal Utility District No. 21**  
**Statement of Activities and Governmental Funds Revenues,**  
**Expenditures and Changes in Fund Balances**  
**Year Ended August 31, 2018**

	General Fund	Joint Water Plant	Joint Wastewater Treatment Plant	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>								
Property taxes	\$ 1,416,061	\$ -	\$ -	\$ 2,622,772	\$ -	\$ 4,038,833	\$ 7,665	\$ 4,046,498
Water service	520,994	-	-	-	-	520,994	-	520,994
Sewer service	679,284	-	-	-	-	679,284	-	679,284
Fire protection	323,673	-	-	-	-	323,673	-	323,673
Service to other districts	-	269,245	309,627	-	-	578,872	(423,819)	155,053
Penalty and interest	30,735	-	-	19,417	-	50,152	5,181	55,333
Tap connection and inspection fees	19,125	-	-	-	-	19,125	-	19,125
Investment income	62,010	60	78	41,424	2,197	105,769	-	105,769
Other income	311,740	-	-	-	-	311,740	-	311,740
<b>Total revenues</b>	<b>3,363,622</b>	<b>269,305</b>	<b>309,705</b>	<b>2,683,613</b>	<b>2,197</b>	<b>6,628,442</b>	<b>(410,973)</b>	<b>6,217,469</b>
<b>Expenditures/Expenses</b>								
Service operations:								
Purchased services	419,844	-	-	-	-	419,844	(419,844)	-
Groundwater conservation district fee	3,975	2,662	-	-	-	6,637	(3,975)	2,662
Professional fees	188,948	10,035	37,148	5,695	-	241,826	27,570	269,396
Contracted services	834,138	27,060	32,100	47,505	-	940,803	-	940,803
Utilities	94,835	85,367	76,225	-	-	256,427	-	256,427
Repairs and maintenance	429,886	128,356	141,318	-	-	699,560	-	699,560
Other expenditures	121,318	15,825	22,914	4,726	268	165,051	-	165,051
Tap connections	8,200	-	-	-	-	8,200	-	8,200
Capital outlay	90,838	-	-	-	333,413	424,251	(424,251)	-
Depreciation	-	-	-	-	-	-	610,639	610,639
Debt service:								
Principal retirement	-	-	-	1,465,000	-	1,465,000	(1,465,000)	-
Interest and fees	-	-	-	1,145,681	-	1,145,681	(54,670)	1,091,011
<b>Total expenditures/expenses</b>	<b>2,191,982</b>	<b>269,305</b>	<b>309,705</b>	<b>2,668,607</b>	<b>333,681</b>	<b>5,773,280</b>	<b>(1,729,531)</b>	<b>4,043,749</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>1,171,640</b>	<b>0</b>	<b>0</b>	<b>15,006</b>	<b>(331,484)</b>	<b>855,162</b>	<b>1,318,558</b>	

**Brazoria County Municipal Utility District No. 21**  
**Statement of Activities and Governmental Funds Revenues,**  
**Expenditures and Changes in Fund Balances (Continued)**  
**Year Ended August 31, 2018**

	General Fund	Joint Water Plant	Joint Wastewater Treatment Plant	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Other Financing Sources (Uses)</b>								
Interfund transfers in (out)	\$ (15,225)	\$ 15,225	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
<b>Excess (Deficiency) of Revenues and Transfers In Over Expenditures and Transfers Out</b>	1,156,415	15,225	-	15,006	(331,484)	855,162	(855,162)	
<b>Change in Net Position</b>							2,173,720	\$ 2,173,720
<b>Fund Balances/Net Position</b>								
Beginning of year	4,690,158	38,453	53,010	2,887,079	826,821	8,495,521	-	6,652,199
End of year	<u>\$ 5,846,573</u>	<u>\$ 53,678</u>	<u>\$ 53,010</u>	<u>\$ 2,902,085</u>	<u>\$ 495,337</u>	<u>\$ 9,350,683</u>	<u>\$ 0</u>	<u>\$ 8,825,919</u>

# **Brazoria County Municipal Utility District No. 21**

## **Notes to Financial Statements**

**August 31, 2018**

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

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

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

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

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

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

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

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



**Brazoria County Municipal Utility District No. 21**  
**Notes to Financial Statements**  
**August 31, 2018**

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

The District presents the following major governmental funds:

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

The District has two special revenue funds as follows:

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

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

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

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

***Fund Balances – Governmental Funds***

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

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

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

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

# **Brazoria County Municipal Utility District No. 21**

## **Notes to Financial Statements**

### **August 31, 2018**

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

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

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

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

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

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

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

##### **Fund Financial Statements**

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

# **Brazoria County Municipal Utility District No. 21**

## **Notes to Financial Statements**

**August 31, 2018**

income. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

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

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

### ***Interfund Transactions***

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

### ***Pension Costs***

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

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

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

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

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

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

**Brazoria County Municipal Utility District No. 21**  
**Notes to Financial Statements**  
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***Property Taxes***

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

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended August 31, 2018, include collections during the current period or within 60 days of year-end related to the 2017 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended August 31, 2018, the 2017 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

***Capital Assets***

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

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

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

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

**Brazoria County Municipal Utility District No. 21**  
**Notes to Financial Statements**  
**August 31, 2018**

***Deferred Amount on Debt Refundings***

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

***Debt Issuance Costs***

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

***Long-term Obligations***

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

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

***Net Position/Fund Balances***

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

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

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

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

**Brazoria County Municipal Utility District No. 21**  
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Capital assets used in governmental activities are not financial resources and are not reported in the funds.	\$ 28,279,469
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	53,886
Penalty and interest on delinquent taxes is not receivable in the current period and is not reported in the funds.	23,331
Deferred amount on debt refundings for governmental activities are not financial resources and are not reported in the funds.	842,567
Amounts due from others that is not receivable in the current period and is not reported in the funds.	2,513,660
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(32,237,677)</u>
Adjustment to fund balances to arrive at net position.	<u><u>\$ (524,764)</u></u>

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

Change in fund balances.	\$ 855,162
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation and noncapitalized costs exceeded capital outlay expenditures in the current period.	(213,958)
Governmental funds report principal payments on debt as expenditures. For the statement of activities, these transactions do not have any effect on net position.	1,465,000
Revenues that do not provide current financial resources are not reported as revenues in the funds, but are reported as revenues in the statement of activities.	12,846
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>54,670</u>
Change in net position of governmental activities.	<u><u>\$ 2,173,720</u></u>

**Brazoria County Municipal Utility District No. 21**  
**Notes to Financial Statements**  
**August 31, 2018**

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

***Deposits***

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

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

At August 31, 2018, none of the District's bank balances were exposed to custodial credit risk.

***Investments***

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

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

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

At August 31, 2018, the District had the following investments and maturities.

# Brazoria County Municipal Utility District No. 21

## Notes to Financial Statements

August 31, 2018

Type	Maturities in Years				
	Amortized Cost	Less Than 1	1-5	6-10	More Than 10
TexSTAR	<u>\$ 4,513,973</u>	<u>\$ 4,513,973</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

**Credit Risk.** Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At August 31, 2018, the District's investments in TexSTAR was rated "AAAm" by Standard & Poor's.

### **Summary of Carrying Values**

The carrying values of deposits and investments shown previously are included in the balance sheet at August 31, 2018, as follows:

Carrying value:	
Deposits	\$ 5,037,024
Investments	<u>4,513,973</u>
Total	<u>\$ 9,550,997</u>

Included in the following statement of net position captions:

Cash	\$ 4,386,971
Certificates of deposit	650,053
Short-term investments	<u>4,513,973</u>
Total	<u>\$ 9,550,997</u>

### **Investment Income**

Investment income of \$105,769 for the year ended August 31, 2018, consisted of interest income.



**Brazoria County Municipal Utility District No. 21**  
**Notes to Financial Statements**  
**August 31, 2018**

**Note 3: Capital Assets**

A summary of changes in capital assets for the year ended August 31, 2018, is presented below.

<b>Governmental Activities</b>	<b>Balances, Beginning of Year</b>	<b>Additions</b>	<b>Reclassi- fications</b>	<b>Balances, End of Year</b>
Capital assets, non-depreciable:				
Land and improvements	\$ 5,116,375	\$ -	\$ -	\$ 5,116,375
Construction in progress	3,352,076	306,332	(1,085,920)	2,572,488
Total capital assets, non-depreciable	<u>8,468,451</u>	<u>306,332</u>	<u>(1,085,920)</u>	<u>7,688,863</u>
Capital assets, depreciable:				
Water production and distribution facilities	7,223,380	154,289	737,629	8,115,298
Wastewater collection and treatment facilities	7,831,187	19,997	348,291	8,199,475
Drainage facilities	12,686,479	-	-	12,686,479
Total capital assets, depreciable	<u>27,741,046</u>	<u>174,286</u>	<u>1,085,920</u>	<u>29,001,252</u>
Less accumulated depreciation:				
Water production and distribution facilities	(2,294,730)	(181,133)	-	(2,475,863)
Wastewater collection and treatment facilities	(2,363,199)	(160,073)	-	(2,523,272)
Drainage facilities	(3,142,078)	(269,433)	-	(3,411,511)
Total accumulated depreciation	<u>(7,800,007)</u>	<u>(610,639)</u>	<u>0</u>	<u>(8,410,646)</u>
Total governmental activities, net	<u>\$ 28,409,490</u>	<u>\$ (130,021)</u>	<u>\$ 0</u>	<u>\$ 28,279,469</u>

The District capitalizes interest costs as a component of construction in progress based on the weighted-average rates paid for long-term borrowing. Total interest incurred was as follows.

**Brazoria County Municipal Utility District No. 21**  
**Notes to Financial Statements**  
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Interest costs capitalized	\$ 83,937
Interest costs charged to expense	<u>1,091,011</u>
Total interest incurred	<u><u>\$ 1,174,948</u></u>

**Note 4: Long-term Liabilities**

Changes in long-term liabilities for the year ended August 31, 2018, were as follows.

Governmental Activities	Balances, Beginning of Year	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:				
General obligation bonds	\$ 32,490,000	\$ 1,465,000	\$ 31,025,000	\$ 1,515,000
Less discounts on bonds	180,478	8,884	171,594	-
Add premiums on bonds	<u>564,767</u>	<u>31,763</u>	<u>533,004</u>	<u>-</u>
	32,874,289	1,487,879	31,386,410	1,515,000
Due to developer	<u>851,267</u>	<u>-</u>	<u>851,267</u>	<u>-</u>
Total governmental activities long-term liabilities	<u><u>\$ 33,725,556</u></u>	<u><u>\$ 1,487,879</u></u>	<u><u>\$ 32,237,677</u></u>	<u><u>\$ 1,515,000</u></u>

**General Obligation Bonds**

	Series 2008	Series 2010
Amounts outstanding, August 31, 2018	\$115,000	\$1,980,000
Interest rates	5.50%	3.250% to 5.125%
Maturity dates, serially beginning/ending	September 1, 2019	September 1, 2019/2035
Interest payment dates	March 1/ September 1	March 1/ September 1
Callable dates*	September 1, 2018	September 1, 2020

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

**Brazoria County Municipal Utility District No. 21**  
**Notes to Financial Statements**  
**August 31, 2018**

	<b>Series 2013</b>	<b>Refunding Series 2013</b>
Amounts outstanding, August 31, 2018	\$2,595,000	\$6,035,000
Interest rates	3.00% to 4.25%	3.00% to 4.25%
Maturity dates, serially beginning/ending	September 1, 2019/2037	September 1, 2019/2029
Interest payment dates	March 1/ September 1	March 1/ September 1
Callable dates*	September 1, 2021	September 1, 2022
	<b>Series 2014</b>	<b>Refunding Series 2015</b>
Amounts outstanding, August 31, 2018	\$7,490,000	\$3,845,000
Interest rates	3.00% to 4.00%	2.00% to 4.00%
Maturity dates, serially beginning/ending	September 1, 2019/2039	September 1, 2019/2030
Interest payment dates	March 1/ September 1	March 1/ September 1
Callable dates*	September 1, 2022	September 1, 2024
	<b>Refunding Series 2016</b>	<b>Series 2016A</b>
Amounts outstanding, August 31, 2018	\$5,210,000	\$3,755,000
Interest rates	2.00% to 4.00%	1.00% to 3.00%
Maturity dates, serially beginning/ending	September 1, 2019/2033	September 1, 2019/2040
Interest payment dates	March 1/ September 1	March 1/ September 1
Callable dates*	September 1, 2023	September 1, 2024

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

**Brazoria County Municipal Utility District No. 21**  
**Notes to Financial Statements**  
**August 31, 2018**

***Annual Debt Service Requirements***

The District has been paying the amount due September 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in future years. The schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at August 31, 2018.

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 1,515,000	\$ 1,096,575	\$ 2,611,575
2020	1,575,000	1,049,189	2,624,189
2021	1,645,000	1,003,655	2,648,655
2022	1,710,000	954,431	2,664,431
2023	1,775,000	903,536	2,678,536
2024-2028	10,100,000	3,517,452	13,617,452
2029-2033	7,095,000	1,760,971	8,855,971
2034-2038	4,545,000	674,088	5,219,088
2039-2040	1,065,000	45,400	1,110,400
Total	<u>\$ 31,025,000</u>	<u>\$ 11,005,297</u>	<u>\$ 42,030,297</u>

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

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

***Due to Developer***

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

**Brazoria County Municipal Utility District No. 21**  
**Notes to Financial Statements**  
**August 31, 2018**

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

The Bond Resolutions require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended August 31, 2018, the District levied an ad valorem debt service tax at the rate of \$0.7400 per \$100 of assessed valuation, which resulted in a tax levy of \$2,629,244 on the taxable valuation of \$355,303,208 for the 2017 tax year. The interest and principal requirements paid from the tax revenues were \$2,606,982.

**Note 6: Maintenance Taxes**

At an election held August 11, 2001, voters authorized a maintenance tax not to exceed \$1.50 per \$100 valuation on all property within the District subject to taxation. During the year ended August 31, 2018, the District levied an ad valorem maintenance tax at the rate of \$0.4000 per \$100 of assessed valuation, which resulted in a tax levy of \$1,421,213 on the taxable valuation of \$355,303,208 for the 2017 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

**Note 7: Joint Facilities/Cost Sharing Agreement**

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

The districts acknowledge and agree that the District owns legal title to the joint water supply, sewage treatment plant and drainage facilities (the Facilities) for the benefit of both districts. Each district owns capacity and has an equitable interest in the Facilities according to their pro rata shares. In prior years, the District funded the construction of the Facilities and District No. 22 began reimbursing for its pro rata shares of the Facilities. As of August 31, 2018, District No. 22 has reimbursed the District \$1,210,315 and has a remaining balance owed of \$2,513,660.

The agreement was first amended on August 18, 2015, whereas the District was allocated an additional 471 ESFCs in the water supply facilities and 481 ESFCs in the wastewater supply facilities. The following table shows each district's current share in the wastewater treatment plant, water plant and remote water well No. 1.

**Brazoria County Municipal Utility District No. 21**  
**Notes to Financial Statements**  
**August 31, 2018**

	<b>ESFCs</b>	<b>Percentage</b>
The District	1,846	52.38%
District No. 22	1,678	47.62%
	3,524	100.00%

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

	<b>The District</b>	<b>District No. 22</b>	<b>Totals</b>
Due from participants, beginning of year	\$ 22,958	\$ 12,016	\$ 34,974
Current year billings	197,253	71,992	269,245
Current year collections	(193,602)	(77,344)	(270,946)
Due from participants, end of year	\$ 26,609	\$ 6,664	\$ 33,273

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

	<b>The District</b>	<b>District No. 22</b>	<b>Totals</b>
Due from participants, beginning of year	\$ 17,536	\$ 11,676	\$ 29,212
Current year billings	226,566	83,061	309,627
Current year collections	(226,306)	(87,080)	(313,386)
Due from participants, end of year	\$ 17,796	\$ 7,657	\$ 25,453

The District and District No. 22 have deposited \$53,678 and \$5,964 in the joint water plant fund and \$53,010 and \$5,890 in the joint wastewater treatment plant fund as an operating reserve, respectively.

**Note 8: Strategic Partnership Agreement**

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

**Brazoria County Municipal Utility District No. 21**  
**Notes to Financial Statements**  
**August 31, 2018**

**Note 9: Fire Protection/Emergency Medical Services Agreement**

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

During a prior year, the District funded the construction of the fire station. In accordance with the Joint Agreement, District No. 22 will reimburse the District \$500,000 (adjusted for inflation) with proceeds from the sale of bonds. During the current year, District No. 22 made an initial payment of \$250,000 per the Joint Agreement.

**Note 10: Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past three fiscal years.

## **Required Supplementary Information**



**Brazoria County Municipal Utility District No. 21**  
**Budgetary Comparison Schedule – General Fund**  
**Year Ended August 31, 2018**

	<b>Original Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Property taxes	\$ 1,220,000	\$ 1,416,061	\$ 196,061
Water service	555,000	520,994	(34,006)
Sewer service	680,000	679,284	(716)
Fire protection	280,000	323,673	43,673
Penalty and interest	36,500	30,735	(5,765)
Tap connection and inspection fees	1,000	19,125	18,125
Investment income	10,000	62,010	52,010
Other income	5,000	311,740	306,740
	<u>2,787,500</u>	<u>3,363,622</u>	<u>576,122</u>
<b>Expenditures</b>			
Service operations:			
Purchased services	462,195	419,844	42,351
Regional water fee	8,000	3,975	4,025
Professional fees	193,000	188,948	4,052
Contracted services	827,236	834,138	(6,902)
Utilities	80,000	94,835	(14,835)
Repairs and maintenance	530,000	429,886	100,114
Other expenditures	116,080	121,318	(5,238)
Tap connections	-	8,200	(8,200)
Capital outlay	-	90,838	(90,838)
	<u>2,216,511</u>	<u>2,191,982</u>	<u>24,529</u>
<b>Excess of Revenues Over Expenditures</b>	570,989	1,171,640	600,651
<b>Other Financing Uses</b>			
Interfund transfers out	-	(15,225)	(15,225)
<b>Excess of Revenues and Transfers In Over Expenditures and Transfers Out</b>	570,989	1,156,415	585,426
<b>Fund Balance, Beginning of Year</b>	<u>4,690,158</u>	<u>4,690,158</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u>\$ 5,261,147</u>	<u>\$ 5,846,573</u>	<u>\$ 585,426</u>

**Brazoria County Municipal Utility District No. 21**  
**Budgetary Comparison Schedule – Joint Water Plant**  
**Year Ended August 31, 2018**

	<b>Original Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Service to other districts	\$ 256,350	\$ 269,245	\$ 12,895
Investment income	-	60	60
<b>Total revenues</b>	<b>256,350</b>	<b>269,305</b>	<b>12,955</b>
<b>Expenditures</b>			
Service operations:			
Regional water fee	10,000	2,662	7,338
Professional fees	21,000	10,035	10,965
Contracted services	32,100	27,060	5,040
Utilities	87,500	85,367	2,133
Repairs and maintenance	87,000	128,356	(41,356)
Other expenditures	18,750	15,825	2,925
<b>Total expenditures</b>	<b>256,350</b>	<b>269,305</b>	<b>(12,955)</b>
<b>Excess of Revenues Over Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other Financing Sources</b>			
Interfund transfers in	-	15,225	15,225
<b>Excess of Revenues and Transfers In Over Expenditures and Transfers Out</b>	<b>-</b>	<b>15,225</b>	<b>15,225</b>
<b>Fund Balance, Beginning of Year</b>	<b>38,453</b>	<b>38,453</b>	<b>-</b>
<b>Fund Balance, End of Year</b>	<b>\$ 38,453</b>	<b>\$ 53,678</b>	<b>\$ 15,225</b>

**Brazoria County Municipal Utility District No. 21**  
**Budgetary Comparison Schedule – Joint Wastewater Treatment Plant**  
**Year Ended August 31, 2018**

	<b>Original Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Service to other districts	\$ 353,400	\$ 309,627	\$ (43,773)
Investment income	-	78	78
<b>Total revenues</b>	<u>353,400</u>	<u>309,705</u>	<u>(43,695)</u>
<b>Expenditures</b>			
Service operations:			
Professional fees	21,000	37,148	(16,148)
Contracted services	23,600	32,100	(8,500)
Utilities	85,000	76,225	8,775
Repairs and maintenance	193,500	141,318	52,182
Other expenditures	30,300	22,914	7,386
<b>Total expenditures</b>	<u>353,400</u>	<u>309,705</u>	<u>43,695</u>
<b>Excess of Revenues Over Expenditures</b>	-	-	-
<b>Fund Balance, Beginning of Year</b>	<u>53,010</u>	<u>53,010</u>	-
<b>Fund Balance, End of Year</b>	<u>\$ 53,010</u>	<u>\$ 53,010</u>	<u>\$ 0</u>

**Brazoria County Municipal Utility District No. 21**  
**Notes to Required Supplementary Information**  
**August 31, 2018**

***Budgets and Budgetary Accounting***

Annual operating budgets are prepared for the general fund, joint water plant and joint wastewater treatment plant by the District's consultants. The budgets reflect resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budgets prior to the start of its fiscal year. The budgets are not a spending limitation (a legally restricted appropriation). The original budgets of the general fund, the joint water plant and joint wastewater treatment plant were not amended during fiscal 2018.

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

## **Other Information**

**Brazoria County Municipal Utility District No. 21**  
**Other Schedules Included Within This Report**  
**August 31, 2018**

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

- [X] Notes Required by the Water District Accounting Manual  
See "Notes to Financial Statements," Pages 14-29
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedule of Long-term Debt Service Requirements by Years
- [X] Changes in Long-term Bonded Debt
- [X] Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund –  
Five Years
- [X] Board Members, Key Personnel and Consultants

# Brazoria County Municipal Utility District No. 21

## Schedule of Services and Rates

### Year Ended August 31, 2018

1. Services provided by the District:

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

2. Retail service providers

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate Per 1,000 Gallons Over Minimum</u>	<u>Usage Levels</u>
Water:	\$ 17.25	5,000	N	\$ 2.70	5,001 to 10,000
				\$ 3.00	10,001 to 20,000
				\$ 3.15	20,001 to 50,000
				\$ 3.30	50,001 to 75,000
				\$ 3.60	75,001 to No Limit
Wastewater:	\$ 31.03	5,000	N	\$ 2.25	5,001 to No Limit
Regional water fee	\$ 0.03	1	N	\$ 0.03	1 to No Limit
Fire service:	\$ 16.73	0	Y		

Does the District employ winter averaging for wastewater usage?

Yes  No

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

Water \$ 31.05

Wastewater \$ 42.28

b. Water and wastewater retail connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC*</u>
Unmetered	-	-	x1.0	-
≤ 3/4"	1,489	1,480	x1.0	1,480
1"	136	136	x2.5	340
1 1/2"	3	3	x5.0	15
2"	11	11	x8.0	88
3"	-	-	x15.0	-
4"	-	-	x25.0	-
6"	1	1	x50.0	50
8"	1	1	x80.0	80
10"	-	-	x115.0	-
Total water	1,641	1,632		2,053
Total wastewater	1,613	1,604	x1.0	1,604

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

Gallons pumped into the system:

269,597

Gallons billed to customers:

255,814

Water accountability ratio (gallons billed/gallons pumped):

94.89%

\*"ESFC" means equivalent single-family connections

**Brazoria County Municipal Utility District No. 21**  
**Schedule of General Fund Expenditures**  
**Year Ended August 31, 2018**

<b>Personnel (including benefits)</b>		\$	-
<b>Professional Fees</b>			
Auditing	\$	18,500	
Legal		156,087	
Engineering		14,361	
Financial advisor		-	188,948
		<hr/>	
<b>Purchased Services for Resale</b>			
Bulk water and wastewater service purchases			419,844
<b>Groundwater Conservation District Fee</b>			3,975
<b>Contracted Services</b>			
Bookkeeping		22,462	
General manager		-	
Appraisal district		-	
Tax collector		-	
Security		87,039	
Other contracted services		86,081	195,582
		<hr/>	
<b>Utilities</b>			94,835
<b>Repairs and Maintenance</b>			429,886
<b>Administrative Expenditures</b>			
Directors' fees		28,550	
Office supplies		30,119	
Insurance		12,782	
Other administrative expenditures		49,867	121,318
		<hr/>	
<b>Capital Outlay</b>			
Capitalized assets		90,838	
Expenditures not capitalized		-	90,838
		<hr/>	
<b>Tap Connection Expenditures</b>			8,200
<b>Solid Waste Disposal</b>			314,396
<b>Fire Protection</b>			324,160
<b>Parks and Recreation</b>			-
<b>Other Expenditures</b>			-
			<hr/>
Total expenditures		<u>\$</u>	<u>2,191,982</u>



**Brazoria County Municipal Utility District No. 21**  
**Schedule of Temporary Investments**  
**August 31, 2018**

	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Face Amount</b>	<b>Accrued Interest Receivable</b>
<b>General Fund</b>				
Certificate of Deposit				
No. 6750714062	2.38%	07/16/19	\$ 506,425	\$ 1,519
TexSTAR	1.92%	Demand	<u>2,014,082</u>	<u>-</u>
			<u>2,520,507</u>	<u>1,519</u>
<b>Debt Service Fund</b>				
Certificate of Deposit				
No. 1002076924	1.80%	04/07/19	143,628	1,036
TexSTAR	1.92%	Demand	<u>2,424,871</u>	<u>-</u>
			<u>2,568,499</u>	<u>1,036</u>
<b>Capital Projects Fund</b>				
TexSTAR	1.92%	Demand	<u>75,020</u>	<u>0</u>
Totals			<u><u>\$ 5,164,026</u></u>	<u><u>\$ 2,555</u></u>

**Brazoria County Municipal Utility District No. 21**  
**Analysis of Taxes Levied and Receivable**  
**Year Ended August 31, 2018**

	<b>Maintenance Taxes</b>	<b>Debt Service Taxes</b>
<b>Receivable, Beginning of Year</b>	\$ 13,995	\$ 32,226
Additions and corrections to prior years' taxes	(1,156)	(2,803)
Adjusted receivable, beginning of year	12,839	29,423
 <b>2017 Original Tax Levy</b>	 1,368,406	 2,531,551
Additions and corrections	52,807	97,693
Adjusted tax levy	1,421,213	2,629,244
Total to be accounted for	1,434,052	2,658,667
Tax collections: Current year	(1,410,693)	(2,609,783)
Prior years	(5,368)	(12,989)
Receivable, end of year	\$ 17,991	\$ 35,895
 <b>Receivable, by Years</b>		
2017	\$ 10,520	\$ 19,461
2016	3,509	8,523
2015	1,947	4,172
2014	652	1,291
2013	719	1,117
2008	644	1,331
Receivable, end of year	\$ 17,991	\$ 35,895

**Brazoria County Municipal Utility District No. 21**  
**Analysis of Taxes Levied and Receivable (Continued)**  
**Year Ended August 31, 2018**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Property Valuations</b>				
Land	\$ 48,624,885	\$ 48,622,314	\$ 48,083,464	\$ 46,899,034
Improvements	317,462,021	313,949,825	271,593,821	223,182,717
Personal property	6,836,380	5,332,610	4,417,280	3,716,380
Exemptions	<u>(17,620,078)</u>	<u>(26,625,824)</u>	<u>(17,208,362)</u>	<u>(6,991,181)</u>
Total property valuations	<u>\$ 355,303,208</u>	<u>\$ 341,278,925</u>	<u>\$ 306,886,203</u>	<u>\$ 266,806,950</u>
<b>Tax Rates per \$100 Valuation</b>				
Debt service tax rates	\$ 0.7400	\$ 0.8500	\$ 0.9000	\$ 0.9300
Maintenance tax rates*	<u>0.4000</u>	<u>0.3500</u>	<u>0.4200</u>	<u>0.4700</u>
Total tax rates per \$100 valuation	<u>\$ 1.1400</u>	<u>\$ 1.2000</u>	<u>\$ 1.3200</u>	<u>\$ 1.4000</u>
<b>Tax Levy</b>	<u>\$ 4,050,457</u>	<u>\$ 4,095,347</u>	<u>\$ 4,050,999</u>	<u>\$ 3,735,389</u>
<b>Percent of Taxes Collected to Taxes Levied**</b>	<u>99%</u>	<u>99%</u>	<u>99%</u>	<u>99%</u>

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

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

**Brazoria County Municipal Utility District No. 21**  
**Schedule of Long-term Debt Service Requirements by Years**  
**August 31, 2018**

<b>Due During Fiscal Years Ending August 31</b>	<b>Series 2008</b>		
	<b>Principal Due September 1</b>	<b>Interest Due March 1, September 1</b>	<b>Total</b>
2019	<u>\$ 115,000</u>	<u>\$ 6,325</u>	<u>\$ 121,325</u>

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

**Brazoria County Municipal Utility District No. 21**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**August 31, 2018**

Due During Fiscal Years Ending August 31	Series 2010		
	Principal Due September 1	Interest Due March 1, September 1	Total
2019	\$ 70,000	\$ 96,325	\$ 166,325
2020	75,000	93,350	168,350
2021	80,000	90,068	170,068
2022	85,000	86,568	171,568
2023	90,000	82,849	172,849
2024	95,000	78,687	173,687
2025	100,000	74,293	174,293
2026	105,000	69,668	174,668
2027	110,000	64,813	174,813
2028	120,000	59,313	179,313
2029	125,000	53,313	178,313
2030	135,000	47,063	182,063
2031	140,000	40,313	180,313
2032	150,000	33,313	183,313
2033	160,000	25,625	185,625
2034	165,000	17,425	182,425
2035	175,000	8,969	183,969
Totals	\$ 1,980,000	\$ 1,021,955	\$ 3,001,955

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

**Brazoria County Municipal Utility District No. 21**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**August 31, 2018**

Due During Fiscal Years Ending August 31	Series 2013		
	Principal Due September 1	Interest Due March 1, September 1	Total
2019	\$ 90,000	\$ 85,869	\$ 175,869
2020	95,000	83,169	178,169
2021	100,000	80,318	180,318
2022	105,000	76,818	181,818
2023	110,000	73,668	183,668
2024	115,000	70,368	185,368
2025	115,000	66,919	181,919
2026	120,000	63,469	183,469
2027	125,000	59,869	184,869
2028	135,000	56,119	191,119
2029	140,000	51,731	191,731
2030	145,000	47,181	192,181
2031	150,000	42,288	192,288
2032	155,000	37,225	192,225
2033	165,000	31,800	196,800
2034	170,000	26,025	196,025
2035	180,000	20,075	200,075
2036	185,000	13,775	198,775
2037	195,000	7,069	202,069
Totals	\$ 2,595,000	\$ 993,755	\$ 3,588,755

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

**Brazoria County Municipal Utility District No. 21**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**August 31, 2018**

Due During Fiscal Years Ending August 31	Refunding Series 2013		
	Principal Due September 1	Interest Due March 1, September 1	Total
2019	\$ 455,000	\$ 244,038	\$ 699,038
2020	475,000	225,838	700,838
2021	500,000	206,838	706,838
2022	525,000	186,838	711,838
2023	550,000	165,838	715,838
2024	575,000	143,837	718,837
2025	600,000	120,837	720,837
2026	635,000	96,837	731,837
2027	665,000	71,437	736,437
2028	695,000	44,837	739,837
2029	360,000	15,300	375,300
Totals	\$ 6,035,000	\$ 1,522,475	\$ 7,557,475

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

**Brazoria County Municipal Utility District No. 21**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**August 31, 2018**

Due During Fiscal Years Ending August 31	Series 2014		
	Principal Due September 1	Interest Due March 1, September 1	Total
2019	\$ 220,000	\$ 273,125	\$ 493,125
2020	230,000	266,525	496,525
2021	240,000	259,625	499,625
2022	255,000	252,425	507,425
2023	265,000	244,775	509,775
2024	275,000	236,825	511,825
2025	290,000	228,575	518,575
2026	300,000	218,425	518,425
2027	315,000	207,925	522,925
2028	330,000	196,900	526,900
2029	345,000	185,350	530,350
2030	360,000	173,275	533,275
2031	375,000	160,675	535,675
2032	395,000	146,613	541,613
2033	410,000	131,800	541,800
2034	430,000	115,400	545,400
2035	450,000	98,200	548,200
2036	470,000	80,200	550,200
2037	490,000	61,400	551,400
2038	510,000	41,800	551,800
2039	535,000	21,400	556,400
Totals	\$ 7,490,000	\$ 3,601,238	\$ 11,091,238

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



**Brazoria County Municipal Utility District No. 21**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**August 31, 2018**

Due During Fiscal Years Ending August 31	Refunding Series 2015		
	Principal Due September 1	Interest Due March 1, September 1	Total
2019	\$ 270,000	\$ 113,037	\$ 383,037
2020	275,000	107,638	382,638
2021	285,000	102,137	387,137
2022	285,000	96,438	381,438
2023	295,000	90,737	385,737
2024	310,000	81,150	391,150
2025	320,000	70,300	390,300
2026	335,000	57,500	392,500
2027	350,000	44,100	394,100
2028	360,000	33,600	393,600
2029	375,000	22,800	397,800
2030	385,000	11,550	396,550
Totals	\$ 3,845,000	\$ 830,987	\$ 4,675,987

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

**Brazoria County Municipal Utility District No. 21**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**August 31, 2018**

Due During Fiscal Years Ending August 31	Refunding Series 2016		
	Principal Due September 1	Interest Due March 1, September 1	Total
2019	\$ 200,000	\$ 177,500	\$ 377,500
2020	325,000	173,500	498,500
2021	335,000	167,000	502,000
2022	340,000	160,300	500,300
2023	345,000	153,500	498,500
2024	350,000	146,600	496,600
2025	370,000	132,600	502,600
2026	385,000	117,800	502,800
2027	400,000	102,400	502,400
2028	415,000	86,400	501,400
2029	430,000	69,800	499,800
2030	450,000	52,600	502,600
2031	470,000	34,600	504,600
2032	195,000	15,800	210,800
2033	200,000	8,000	208,000
Totals	\$ 5,210,000	\$ 1,598,400	\$ 6,808,400

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

**Brazoria County Municipal Utility District No. 21**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**August 31, 2018**

Due During Fiscal Years Ending August 31	Series 2016A		
	Principal Due September 1	Interest Due March 1, September 1	Total
2019	\$ 95,000	\$ 100,356	\$ 195,356
2020	100,000	99,169	199,169
2021	105,000	97,669	202,669
2022	115,000	95,044	210,044
2023	120,000	92,169	212,169
2024	125,000	89,169	214,169
2025	130,000	86,043	216,043
2026	135,000	83,119	218,119
2027	145,000	80,081	225,081
2028	150,000	76,637	226,637
2029	160,000	73,075	233,075
2030	165,000	69,075	234,075
2031	175,000	64,950	239,950
2032	185,000	60,356	245,356
2033	195,000	55,500	250,500
2034	205,000	49,650	254,650
2035	215,000	43,500	258,500
2036	225,000	37,050	262,050
2037	235,000	30,300	265,300
2038	245,000	23,250	268,250
2039	260,000	15,900	275,900
2040	270,000	8,100	278,100
Totals	\$ 3,755,000	\$ 1,430,162	\$ 5,185,162

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

**Brazoria County Municipal Utility District No. 21**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**August 31, 2018**

Due During Fiscal Years Ending August 31	Annual Requirements for All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2019	\$ 1,515,000	\$ 1,096,575	\$ 2,611,575
2020	1,575,000	1,049,189	2,624,189
2021	1,645,000	1,003,655	2,648,655
2022	1,710,000	954,431	2,664,431
2023	1,775,000	903,536	2,678,536
2024	1,845,000	846,636	2,691,636
2025	1,925,000	779,567	2,704,567
2026	2,015,000	706,818	2,721,818
2027	2,110,000	630,625	2,740,625
2028	2,205,000	553,806	2,758,806
2029	1,935,000	471,369	2,406,369
2030	1,640,000	400,744	2,040,744
2031	1,310,000	342,826	1,652,826
2032	1,080,000	293,307	1,373,307
2033	1,130,000	252,725	1,382,725
2034	970,000	208,500	1,178,500
2035	1,020,000	170,744	1,190,744
2036	880,000	131,025	1,011,025
2037	920,000	98,769	1,018,769
2038	755,000	65,050	820,050
2039	795,000	37,300	832,300
2040	270,000	8,100	278,100
Totals	\$ 31,025,000	\$ 11,005,297	\$ 42,030,297

**Brazoria County Municipal Utility District No. 21**  
**Changes in Long-term Bonded Debt**  
**Year Ended August 31, 2018**

	<b>Bond</b>			
	<b>Series 2008</b>	<b>Series 2010</b>	<b>Series 2013</b>	<b>Refunding Series 2013</b>
Interest rates	5.50%	3.250% to 5.125%	3.00% to 4.25%	3.00% to 4.25%
Dates interest payable	March 1/ September 1	March 1/ September 1	March 1/ September 1	March 1/ September 1
Maturity dates	September 1, 2019	September 1, 2019/2035	September 1, 2019/2037	September 1, 2019/2029
Bonds outstanding, beginning of current year	\$ 220,000	\$ 2,045,000	\$ 2,685,000	\$ 6,470,000
Retirements, principal	105,000	65,000	90,000	435,000
Bonds outstanding, end of current year	\$ 115,000	\$ 1,980,000	\$ 2,595,000	\$ 6,035,000
Interest paid during current year	\$ 11,969	\$ 98,925	\$ 88,794	\$ 261,437

Paying agent's name and address:

**Series 2008** - Wells Fargo Bank Texas, N.A., Houston, Texas

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

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

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

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

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

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

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

Bond authority:

	<b>Tax Bonds</b>	<b>Park Bonds</b>	<b>Fire Facilities Bonds</b>	<b>Refunding Bonds</b>
Amount authorized by voters	\$ 50,000,000	\$ 4,500,000	\$ 1,000,000	\$ 32,500,000
Amount issued	\$ 40,850,000	\$ -	\$ -	\$ 1,013,951
Remaining to be issued	\$ 9,150,000	\$ 4,500,000	\$ 1,000,000	\$ 31,486,049

Debt service fund cash and temporary investment balances as of August 31, 2018:

\$ 2,907,946

Average annual debt service payment (principal and interest) for remaining term of all debt:

\$ 1,910,468

**Issues**

<b>Series 2014</b>	<b>Refunding Series 2015</b>	<b>Refunding Series 2016</b>	<b>Series 2016A</b>	<b>Totals</b>
3.00% to 4.00%	2.00% to 4.00%	2.00% to 4.00%	1.00% to 3.00%	
March 1/ September 1	March 1/ September 1	March 1/ September 1	March 1/ September 1	
September 1, 2019/2039	September 1, 2019/2030	September 1, 2019/2033	September 1, 2019/2040	
\$ 7,705,000	\$ 4,110,000	\$ 5,405,000	\$ 3,850,000	\$ 32,490,000
<u>215,000</u>	<u>265,000</u>	<u>195,000</u>	<u>95,000</u>	<u>1,465,000</u>
<u>\$ 7,490,000</u>	<u>\$ 3,845,000</u>	<u>\$ 5,210,000</u>	<u>\$ 3,755,000</u>	<u>\$ 31,025,000</u>
<u>\$ 279,575</u>	<u>\$ 118,338</u>	<u>\$ 181,400</u>	<u>\$ 101,544</u>	<u>\$ 1,141,982</u>

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

	Amounts				
	2018	2017	2016	2015	2014
<b>General Fund</b>					
<b>Revenues</b>					
Property taxes	\$ 1,416,061	\$ 1,188,505	\$ 1,288,103	\$ 1,258,361	\$ 1,285,181
Water service	520,994	536,052	541,013	541,109	520,503
Sewer service	679,284	673,144	675,385	642,240	485,871
Fire protection	323,673	291,370	288,020	285,392	225,473
Penalty and interest	30,735	38,178	42,518	38,957	35,479
Tap connection and inspection fees	19,125	-	64,415	21,960	116,000
Investment income	62,010	8,994	6,328	5,161	4,361
Other income	311,740	32,332	52,079	35,307	73,825
Total revenues	<u>3,363,622</u>	<u>2,768,575</u>	<u>2,957,861</u>	<u>2,828,487</u>	<u>2,746,693</u>
<b>Expenditures</b>					
Service operations:					
Purchased services	419,844	372,750	336,745	213,007	-
Regional water fee	3,975	5,581	4,637	5,313	8,324
Professional fees	188,948	190,179	187,918	145,406	185,188
Contracted services	834,138	789,454	774,806	774,843	560,358
Utilities	94,835	82,598	69,895	159,149	190,091
Repairs and maintenance	429,886	569,983	426,630	429,996	448,201
Other expenditures	121,318	109,806	102,293	114,455	121,036
Tap connections	8,200	1,200	60,700	6,300	48,910
Capital outlay	90,838	426,560	280,726	179,636	-
Total expenditures	<u>2,191,982</u>	<u>2,548,111</u>	<u>2,244,350</u>	<u>2,028,105</u>	<u>1,562,108</u>
<b>Excess of Revenues Over Expenditures</b>	1,171,640	220,464	713,511	800,382	1,184,585
<b>Other Financing Sources (Uses)</b>					
Interfund transfers in (out)	(15,225)	215,359	-	(71,631)	24,985
<b>Excess of Revenues and Transfers In Over Expenditures and Transfers Out</b>	1,156,415	435,823	713,511	728,751	1,209,570
<b>Fund Balance, Beginning of Year</b>	<u>4,690,158</u>	<u>4,254,335</u>	<u>3,540,824</u>	<u>2,812,073</u>	<u>1,602,503</u>
<b>Fund Balance, End of Year</b>	<u>\$ 5,846,573</u>	<u>\$ 4,690,158</u>	<u>\$ 4,254,335</u>	<u>\$ 3,540,824</u>	<u>\$ 2,812,073</u>
<b>Total Active Retail Water Connections</b>	<u>1,632</u>	<u>1,607</u>	<u>1,621</u>	<u>1,615</u>	<u>1,595</u>
<b>Total Active Retail Wastewater Connections</b>	<u>1,604</u>	<u>1,603</u>	<u>1,615</u>	<u>1,614</u>	<u>1,574</u>

**Percent of Fund Total Revenues**

<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
42.1 %	42.9 %	43.6 %	44.5 %	46.8 %
15.5	19.4	18.3	19.1	18.9
20.2	24.3	22.8	22.7	17.7
9.6	10.5	9.7	10.1	8.2
0.9	1.4	1.4	1.4	1.3
0.6	-	2.2	0.8	4.2
1.8	0.3	0.2	0.2	0.2
9.3	1.2	1.8	1.2	2.7
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
12.5	13.4	11.4	7.5	-
0.1	0.2	0.1	0.2	0.3
5.6	6.9	6.4	5.1	6.7
24.8	28.5	26.2	27.4	20.4
2.8	3.0	2.4	5.6	6.9
12.8	20.6	14.4	15.2	16.3
3.6	4.0	3.5	4.1	4.4
0.2	0.0	2.0	0.2	1.8
2.7	15.4	9.5	6.4	-
<u>65.1</u>	<u>92.0</u>	<u>75.9</u>	<u>71.7</u>	<u>56.8</u>
<u>34.9 %</u>	<u>8.0 %</u>	<u>24.1 %</u>	<u>28.3 %</u>	<u>43.2 %</u>



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

	Amounts				
	2018	2017	2016	2015	2014
<b>Debt Service Fund</b>					
<b>Revenues</b>					
Property taxes	\$ 2,622,772	\$ 2,884,515	\$ 2,760,662	\$ 2,487,546	\$ 1,998,764
Penalty and interest	19,417	14,323	27,175	20,197	13,510
Investment income	41,424	13,520	9,072	8,734	8,588
Other income	-	20	-	-	-
Total revenues	<u>2,683,613</u>	<u>2,912,378</u>	<u>2,796,909</u>	<u>2,516,477</u>	<u>2,020,862</u>
<b>Expenditures</b>					
Current:					
Professional fees	5,695	12,931	3,951	340	3,354
Contracted services	47,505	49,593	49,958	46,463	43,850
Other expenditures	4,726	2,855	15,407	6,508	12,608
Debt service:					
Principal retirement	1,465,000	1,395,000	1,340,000	1,205,000	875,000
Interest and fees	1,145,681	1,185,456	1,080,862	1,200,464	1,132,828
Debt issuance costs	-	-	230,168	167,282	-
Total expenditures	<u>2,668,607</u>	<u>2,645,835</u>	<u>2,720,346</u>	<u>2,626,057</u>	<u>2,067,640</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>15,006</u>	<u>266,543</u>	<u>76,563</u>	<u>(109,580)</u>	<u>(46,778)</u>
<b>Other Financing Sources (Uses)</b>					
General obligation bonds issued	-	-	5,715,000	4,710,000	-
Deposit with escrow agent	-	-	(5,827,292)	(4,651,763)	-
Premium on debt issued	-	-	340,626	114,817	-
Total other financing sources	<u>0</u>	<u>0</u>	<u>228,334</u>	<u>173,054</u>	<u>0</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	15,006	266,543	304,897	63,474	(46,778)
<b>Fund Balance, Beginning of Year</b>	<u>2,887,079</u>	<u>2,620,536</u>	<u>2,315,639</u>	<u>2,252,165</u>	<u>2,298,943</u>
<b>Fund Balance, End of Year</b>	<u>\$ 2,902,085</u>	<u>\$ 2,887,079</u>	<u>\$ 2,620,536</u>	<u>\$ 2,315,639</u>	<u>\$ 2,252,165</u>

**Percent of Fund Total Revenues**

<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
97.7 %	99.0 %	98.7 %	98.9 %	98.9 %
0.7	0.5	1.0	0.8	0.7
1.6	0.5	0.3	0.3	0.4
-	0.0	-	-	-
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
0.2	0.4	0.2	0.0	0.2
1.7	1.7	1.8	1.9	2.1
0.2	0.1	0.6	0.3	0.6
54.6	47.9	47.9	47.9	43.3
42.7	40.7	38.6	47.7	56.1
-	-	8.2	6.6	-
<u>99.4</u>	<u>90.8</u>	<u>97.3</u>	<u>104.4</u>	<u>102.3</u>
<u>0.6 %</u>	<u>9.2 %</u>	<u>2.7 %</u>	<u>(4.4) %</u>	<u>(2.3) %</u>

**Brazoria County Municipal Utility District No. 21**  
**Board Members, Key Personnel and Consultants**  
**Year Ended August 31, 2018**

Complete District mailing address:	Brazoria County Municipal Utility District No. 21 c/o Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, Texas 77027		
District business telephone number:	713.860.6400		
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	May 16, 2018		
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200		

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
Rena Medlock	Elected 05/16- 05/20	\$ 7,100	\$ 2,957	President
Fatiyauh Jones	Elected 05/16- 05/20	7,200	2,930	Vice President
Kiesha Curtis-Baker	Elected 05/18- 05/22	900	131	Secretary
John Cacolice	Elected 05/18- 05/22	4,800	1,731	Assistant Vice President
Noel DSouza	Appointed 06/17- 05/20	3,150	1,159	Assistant Secretary
Delores Jenkins	Elected 05/14- 05/18	5,400	1,387	Term Expired

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

**Brazoria County Municipal Utility District No. 21**  
**Board Members, Key Personnel and Consultants (Continued)**  
**Year Ended August 31, 2018**

<b>Consultants</b>	<b>Date Hired</b>	<b>Fees and Expense Reimbursements</b>	<b>Title</b>
Allen Boone Humphries Robinson LLP	07/28/03	\$ 187,033	General Counsel
Assessments of the Southwest, Inc.	07/19/01	22,401	Tax Assessor/ Collector
BKD, LLP	08/06/02	20,500	Auditor
Brazoria County Appraisal District	Legislative Action	26,838	Appraiser
Environmental Development Partners, L.L.C.	06/01/12	536,749	Operator
LJA Engineering & Surveying, Inc.	07/19/10	113,296	Engineer
Myrtle Cruz, Inc.	07/19/01	39,930	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	04/18/02	5,695	Delinquent Tax Attorney
RBC Capital Markets, LLC	07/21/03	0	Financial Advisor
<b>Investment Officer</b>			
Mary Jarmon	11/15/01	N/A	Bookkeeper