

OFFICIAL STATEMENT DATED APRIL 17, 2023

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF THE DISTRICT. IN THE OPINION OF SPECIAL TAX COUNSEL INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION, SUBJECT TO THE MATTERS DESCRIBED UNDER "TAX MATTERS" HEREIN SEE "LEGAL MATTERS" AND "TAX EXEMPTION" HEREIN FOR A DISCUSSION OF THE OPINIONS OF BOND COUNSEL AND SPECIAL TAX COUNSEL, INCLUDING THE ALTERNATIVE MINIMUM TAX ON CERTAIN CORPORATIONS.

The Bonds are not "qualified tax-exempt obligations" for financial institutions.

NEW ISSUE - Book-Entry Only

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

**\$5,240,000
GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
(A Political Subdivision of the State of Texas located within Fort Bend County, Texas)
UNLIMITED TAX BONDS, SERIES 2023**

Dated Date: Date of Delivery

Due: September 1, as shown on inside cover

Interest to Accrue from: Date of Delivery

Principal of the above bonds (the "Bonds") is payable to the registered owner thereof (the "Registered Owner") at the principal payment office of the paying agent/registrars, initially, The Bank of New York Mellon Trust Company, N. A., currently in Dallas, Texas, or any successor paying agent/registrars (the "Paying Agent," "Registrar" or "Paying Agent/Registrar"). Interest on the Bonds accrues from the date of initial delivery (expected May 11, 2023) (the "Date of Delivery"), and is payable on March 1, 2024, and on each September 1 and March 1 thereafter until the earlier of maturity or redemption. The Bonds are issued in denominations of \$5,000 or any integral multiple thereof.

The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. See "THE BONDS - Book-Entry- Only System."

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



See Maturity Schedule on the inside cover

If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of the Bonds to be redeemed shall be selected by the District in integral multiples of \$5,000 within any one maturity. If fewer than all of the Bonds of any given maturity are to be redeemed at any time, the particular Bonds to be redeemed shall be selected by such method of random selection as determined by the Registrar (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Registrar for payment of the redemption price on the portion of the Bond so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

The Bonds constitute the tenth series of unlimited tax bonds issued by the District for the purpose of acquiring and constructing a waterworks, sanitary sewer and storm drainage system (the "System") to serve the District. Following the issuance of the Bonds, the total of the District's direct bonded indebtedness, consisting of the Outstanding Bonds (defined in this Official Statement under the caption "THE BONDS - Outstanding Bonds and Payment Record") and the Bonds, will be \$45,295,000. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. SEE "INVESTMENT CONSIDERATIONS." Voters in the District authorized a total of \$52,650,000 principal amount of bonds for the purpose of acquiring and constructing the System, an amount equal to one and one-half times the amount of bonds outstanding for refunding purposes (\$78,975,000) and \$8,030,000 principal amount of bonds for recreational facilities. Following the issuance of the Bonds, \$4,215,000 in bonds for waterworks, sanitary sewer, and drainage facilities, \$78,750,000 for refunding purposes and \$8,030,000 principal amount of bonds for recreational facilities will remain authorized but unissued. See "THE BONDS - Issuance of Additional Debt." The Bonds, when issued, constitute valid and legally binding obligations of the District, payable from the proceeds of an ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS - Source of Payment."

The Bonds are offered when, as and if issued by the District and accepted by the Underwriter, subject among other things to the approval of the Attorney General of Texas; Coats Rose, P.C., Houston, Texas, Bond Counsel; and McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Special Tax Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about May 11, 2023.

MATURITY SCHEDULE
CUSIP Prefix: 91529N(a)

\$985,000 Serial Bonds

<u>Principal Amount</u>	<u>Maturity (Due September 1)</u>	<u>Interest Rate</u>	<u>Initial Reoffering Yield (b)</u>	<u>CUSIP Suffix (a)</u>
\$80,000	2026	5.750%	3.00%	LW8
85,000	2027	5.750	3.00	LX6
90,000	2028	5.750	3.00	LY4
****	****			
95,000	2032(c)	3.250	3.30	MC1
100,000	2033(c)	3.250	3.40	MD9
105,000	2034(c)	3.375	3.55	ME7
105,000	2035(c)	3.500	3.65	MF4
105,000	2036(c)	4.000	3.70	MG2
110,000	2037(c)	4.000	3.80	MH0
110,000	2038(c)	4.000	3.90	MJ6

\$285,000 Term Bonds, Due September 1, 2031(c)(d), CUSIP Suffix MB3 (a), Interest Rate 5.75% (Yield 3.00%)(b)
\$235,000 Term Bonds, Due September 1, 2040(c)(d), CUSIP Suffix ML1 (a), Interest Rate 4.00% (Yield 4.00%)(b)
\$375,000 Term Bonds, Due September 1, 2043(c)(d), CUSIP Suffix MP2 (a), Interest Rate 4.00% (Yield 4.082%)(b)
\$255,000 Term Bonds, Due September 1, 2045(c)(d), CUSIP Suffix MR8 (a), Interest Rate 4.00% (Yield 4.103%)(b)
\$265,000 Term Bonds, Due September 1, 2047(c)(d), CUSIP Suffix MT4 (a), Interest Rate 4.00% (Yield 4.131%)(b)
\$280,000 Term Bonds, Due September 1, 2049(c)(d), CUSIP Suffix MV9 (a), Interest Rate 4.00% (Yield 4.141%)(b)
\$2,560,000 Term Bonds, Due September 1, 2051(c)(d), CUSIP Suffix MX5 (a), Interest Rate 4.00% (Yield 4.151%)(b)

- (a) CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the District (hereinafter defined), the Financial Advisor (defined herein), nor the Underwriter (defined herein) take any responsibility for the accuracy of CUSIP numbers.
- (b) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriter. Initial reoffering yields represent the initial offering price to the public which has been established by the Underwriter for public offerings, and which subsequently may be changed.
- (c) The Bonds, including the Term Bonds, maturing on and after September 1, 2031, are subject to redemption prior to maturity at the option of Grand Mission Municipal Utility District No. 2 (the "District"), as a whole or in part, on September 1, 2028, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption.
- (d) Subject to mandatory sinking fund redemption by lot or other customary method of random selection on September 1 in the years and in the amounts set forth herein under the caption "THE BONDS – Redemption Provisions – Mandatory Redemption."

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

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

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

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net interest cost to the District, which was tendered by SAMCO Capital Markets, Inc. (referred to herein as the “Underwriter” or the “Initial Purchaser”) to purchase the Bonds bearing the interest rates shown under “MATURITY SCHEDULE” at a price of 97.004897% of the principal amount thereof, which resulted in a net effective interest rate of 4.160821%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriter on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity have been sold to the public. For this purpose the term “public” shall not include any person who is a bond house, broker or similar person acting in the capacity of underwriter or wholesaler. The District has no control over trading of the Bonds after a bona fide offering of the Bonds is made by the Underwriter at the yields specified on the cover page. Information concerning reoffering yields or prices is the responsibility of the Underwriter.

The District has no control over the reoffering yields or prices of the Bonds or 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 prices of the Bonds may be greater than the difference between the bid and asked prices of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold, or traded in the secondary market.

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

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

Securities Laws

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

BOND INSURANCE

Bond Insurance Policy

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

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

Build America Mutual Assurance Company

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2022 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$490.7 million, \$207.3 million and \$283.4 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

BOND INSURANCE RISK FACTORS

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the Policy for such payments.

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

The long-term ratings on the Bonds are dependent in part on the financial strength of the Insurer and its claim paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Insurer and of the ratings on the Bonds insured by the Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See "BOND INSURANCE" and "RATINGS" herein. As is stated in this Official Statement under the caption "LEGAL MATTERS - No Material Adverse Change," the rating of the Insurer's creditworthiness by any rating agency does not in any manner affect the District's financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not constitute a change, material or otherwise, in the District's financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligation to take up and pay for the Bonds.

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

Neither the District, nor to the knowledge of the District, 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 the principal of and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment. See "BOND INSURANCE" herein for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

RATINGS

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

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

The District is not aware of any ratings assigned the Bonds other than the ratings of S&P and Moody’s. See “BOND INSURANCE” and “BOND INSURANCE RISK FACTORS.”

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

The Issuer..... Grand Mission Municipal Utility District No. 2 (the “District”), a political subdivision of the State of Texas, is located in Fort Bend County, Texas. See “THE DISTRICT.”

The Issue Grand Mission Municipal Utility District No. 2 Unlimited Tax Bonds, Series 2023, in the aggregate principal amount of \$5,240,000. An aggregate of \$985,000 of the Bonds are issued as serial bonds maturing on September 1 in each of the years 2026 through 2028, inclusive, and 2032 through 2038, inclusive, in the principal amounts set forth on the inside cover page of this Official Statement. An aggregate of \$4,255,000 of the Bonds are issued as term bonds (collectively, the “Term Bonds”), maturing on September 1 in each of the years 2031, 2040, 2043, 2045, 2047 2049 and 2051, in the principal amounts set forth on the inside cover page of this Official Statement. The Bonds are issued in fully registered form and will be issued in denominations of \$5,000 of principal amount or integral multiples thereof. The Bonds are dated, and interest on the Bonds accrues from the Date of Delivery (as defined herein), with interest payable on March 1, 2024, at the rates set forth on the inside cover page of the Official Statement, and on each September 1 and March 1 thereafter until maturity or prior redemption. The Bonds, including the Term Bonds, maturing on and after September 1, 2031, are subject to optional redemption, in whole or from time to time in part, on September 1, 2028, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. In addition to being subject to optional redemption, the Term Bonds are also subject to mandatory sinking fund redemption on September 1 in the years and in the amounts as is more completely described in this Official Statement under the caption “THE BONDS - Redemption Provisions - Mandatory Redemption.” See “THE BONDS - General” and - “Redemption Provisions.”

Book-Entry-Only System..... The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “THE BONDS - Book-Entry-Only System”).

Source of Payment The Bonds are payable from an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See “THE BONDS - Source of Payment.”

Principal Use of Proceeds

Proceeds of the sale of the Bonds will be used to (i) finance the District's cost of acquisition or construction of (a) water, wastewater, and drainage facilities serving Grand Mission Estates, Sections 28 through 32; and (b) lift station No. 1 rehabilitation and generator; (ii) finance the retirement of the District's \$2,225,000 Bond Anticipation Note, Series 2022 (the "BAN"), the proceeds of the sale of which the District utilized to interim finance a portion of the aforementioned items; (iii) pay engineering and testing costs associated with the design and construction of such facilities; (iv) pay interest on funds advanced on the District's behalf; and (v) pay issuance costs, legal fees, fiscal agent's fees, a fee to the Texas Commission on Environmental Quality (the "TCEQ"), a fee to the Attorney General of Texas, and certain financing costs related to the issuance of the BAN and the Bonds. See "THE BONDS - Use and Distribution of Bond Proceeds."

Outstanding Bonds and Payment Record

The Bonds constitute the tenth series of unlimited tax bonds issued by the District for the purpose of acquiring and constructing the System. The District has previously issued Unlimited Tax Bonds, Series 2008 (the "Series 2008 Bonds"), Unlimited Tax Bonds, Series 2009 (the "Series 2009 Bonds"), Unlimited Tax Bonds, Series 2010 (the "Series 2010 Bonds"), Unlimited Tax Bonds, Series 2015 (the "Series 2015 Bonds"), Unlimited Tax Refunding Bonds, Series 2015 (the "Series 2015 Refunding Bonds"), Unlimited Tax Bonds, Series 2016 (the "Series 2016 Bonds"), Unlimited Tax Bonds, Series 2017 (the "Series 2017 Bonds"), Unlimited Tax Bonds, Series 2018 (the "Series 2018 Bonds"), Unlimited Tax Bonds, Series 2020 (the "Series 2020 Bonds"), and Unlimited Tax Bonds, Series 2021 (the "Series 2021 Bonds"). Collective reference is made in this Official Statement to all of such previously issued bonds as the "Prior Bonds." As of the date of issuance of the Bonds, the aggregate principal amount of the Prior Bonds that had not been previously retired by the District will be \$40,055,000 (the "Outstanding Bonds"), and the total of the District's direct bonded indebtedness, including the Bonds, will be \$45,295,000. The District has timely paid all principal of and interest on its Prior Bonds when due. In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with the proceeds of the sale of the Bonds, the District expects to finance additional components of the System with the proceeds of the sale of bonds, if any, that the District expects to issue in the future. See "THE BONDS - Issuance of Additional Debt" and - "Use and Distribution of Bond Proceeds, "THE SYSTEM" and "INVESTMENT CONSIDERATIONS - Future Debt."

Authorized but Unissued Bonds

Voters in the District have authorized a total of \$52,650,000 principal amount of bonds for the purpose of acquiring and constructing the System, an amount equal to one and one-half times the amount of bonds outstanding for refunding purposes (\$78,975,000), and \$8,030,000 principal amount of bonds for recreational facilities. \$4,215,000 bonds for waterworks, sanitary sewer, and drainage facilities, \$78,750,000 bonds for refunding purposes, and \$8,030,000 principal amount of bonds for

recreational facilities will remain authorized but unissued after issuance of the Bonds. See “THE BONDS - Issuance of Additional Debt” and “INVESTMENT CONSIDERATIONS - Future Debt.”

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

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

NOT Qualified Tax-Exempt Obligations..... The District has not designated the Bonds as “qualified tax-exempt obligations” pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended.

Legal Opinions Coats Rose PC, Houston, Texas, Bond Counsel (see “LEGAL MATTERS”) and McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Special Tax Counsel (see “TAX EXEMPTION”).

THE DISTRICT

Description..... Grand Mission Municipal Utility District No. 2, a political subdivision of the State of Texas, was created by the Texas Water Commission, predecessor to the TCEQ, on September 9, 2005. The District contains approximately 688.4 acres of land. The District is located entirely within the extraterritorial jurisdiction of the City of Houston, Texas, approximately 23 miles west of the central business district of Houston, Texas, in the northeastern portion of Fort Bend County, Texas. The District is located within the Fort Bend Independent School District. See “THE DISTRICT - Authority” and - “Description,” “AERIAL PHOTOGRAPH OF THE DISTRICT,” and “APPENDIX A LOCATION MAP.” The District is located north of Morton Road, south of FM 1093 and west of Harlem Road. The entirety of the District is located within the boundaries of Fort Bend County Levee Improvement District No. 12 (the “Levee District”), which provides major outfall drainage and flood protection for approximately 4,045 acres of land, and thus is subject to taxation by the Levee District. The Levee District has issued bonds to finance certain drainage improvements which benefit the District and may issue additional bonds in the future. See “District Tax Levy and Overlapping District Taxes and Functions” below, and “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.”

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

Development of the District

As of March 1, 2023, the District contained a total of 1,639 fully developed single-family residential lots, 1,491 homes, including 2 homes under construction, and 148 vacant fully developed single-family residential lots. The District contains approximately 688.4 acres of land. The development of approximately 582.85 acres in the District is complete. Of such acres, approximately 515.85 acres have been subdivided into the total of 1,639 fully developed single-family residential lots that are located in the residential subdivisions platted as Grand Mission Estates, Sections 1 through 19, 21 through 30, and 32. In addition, the development of Grand Mission Estates, Section 31 (51 single-family residential lots on approximately 8.30 acres) is underway, with completion, including street paving expected in approximately December 2024. Approximately 37.60 acres located within the District have been developed for future commercial usage, on which The Haven at Bellaire, a 297-unit apartment complex on approximately 11.3 acres, an approximately 5,800 square foot Exxon gas station on approximately 1.71 acres, an approximately 14,166 square foot retail store on approximately 1.98 acres and Ivy Point - Richmond, a 136-unit active adult facility on approximately 6.49 acres. In addition, the Fort Bend Independent School District has constructed the Crockett Middle School on an approximately 29.4 acre tract located within the District. Such land and improvements owned by the Fort Bend Independent School District are not subject to taxation by the District. Approximately 4.58 currently undeveloped acres located within the District are available for future development as described below.

688 Development, Inc. ("688"), a developer of land located within the District (defined below under the caption "Developer"), purchased approximately 560.1 acres of land located within the District from a related entity, 688 Partners, L.P. ("688LP"), which is also described below under such caption. 688 has completed the development of the 1,206 single-family residential lots located in Grand Mission Estates, Sections 1 through 7, 18, 19, 21 through 30 and 32 (approximately 384.59 total acres) to provide building sites on which DFH Coventry, LLC, doing business as Coventry Homes, has constructed and is constructing homes for sale. See "Builder" below. 688 has initiated the development of Grand Mission Estates, Section 31 as described above. 688LP owns approximately 4.6 acres of currently undeveloped land located within the District. The developable portions of such approximately 4.6 acres owned by 688LP are currently expected to be developed for future commercial usage.

688LP has sold 37.6 acres of currently developed land located in the District expected to be utilized for future multi-family residential and commercial development to five separate entities. All of such 37.6 acres are served by trunk underground water distribution, wastewater collection and storm drainage facilities that have been constructed to the perimeter of such tract. Construction of above-ground improvements have been completed on an aggregate of approximately 21.48 acres of such 37.6 acres of land located in the District, consisting of The Haven at Bellaire, a 297-unit apartment complex on approximately 11.30 acres, an approximately 5,800 square foot Exxon gas station on

approximately 1.71 acres, an approximately 14,166 square foot retail store on approximately 1.98 acres and Ivy Point - Richmond, a 136-unit active adult facility on approximately 6.49 acres. The District cannot represent whether or when any above-ground or commercial improvements might be constructed on the remaining approximately 16.12 acres.

Because no party, including 688 or 688LP, has any obligation to the District to undertake the development of any of the currently undeveloped land located within the District, or to complete any development that is underway, the District cannot represent that any development will occur in the District in addition to the development that has been undertaken therein to date or that any development that is currently underway will be completed. See "FUTURE DEVELOPMENT."

The balance of the land that is located within the District, including portions of certain of the sections of single-family residential lots that have been developed within the District, is contained within road rights of way, easements, District plant sites; is devoted to park, recreational or open space usage; or is otherwise not available for development.

The District financed its cost of construction or acquisition of water distribution, wastewater collection, and storm drainage facilities that serve the lots in Grand Mission Estates, Sections 1 through 19, 21 through 27, and along Lakehead Lane, Beechnut Street and Mason Road, a detention pond, Water Plant No. 1 Phases I through III expansions, Water Plant No. 2, Water Plant No. 3 Phase I, wastewater treatment package plant Phases I and II expansions and lift station, regional detention facilities, Phases II and IIIA, drainage facilities along Bellaire Boulevard, Water Plant expansion, regional detention Phase I, lift station No. 2 and force main, Mason Road Drainage Facilities serving Grand Mission Estates Section 22, Beechnut Drainage Facilities, storm water pollution prevention plans for Grand Mission Estates, Sections 26 and 27, and other facilities with the proceeds of the Prior Bonds. The District will finance its cost of construction or acquisition of water distribution, wastewater collection, and storm drainage facilities that serve the lots in Grand Mission Estates, Sections 28 through 32, lift station No. 1 rehabilitation and generator, and other facilities, as is enumerated in this Official Statement under the caption "THE BONDS - Use and Distribution of Bond Proceeds," with proceeds of the Bonds. The District expects to finance the acquisition or construction of additional components of the System with the proceeds of the sale of bonds, if any, that the District expects to issue in the future. See "THE BONDS - Issuance of Additional Debt," "THE SYSTEM" and "INVESTMENT CONSIDERATIONS - Future Debt."

Developer.....

The developer of land located within the District is 688 Development, Inc., a Texas corporation ("688") (the "Developer") whose sole shareholder is Frank McGuyer. 688 purchased approximately 560.1 acres of land located within the District from a related entity, 688 Partners, L.P., a Texas limited partnership ("688LP") whose general partner is 688GP, LLC, a Texas limited liability company owned by parties related to MHI,

and whose limited partners are Frank McGuyer; MKL Partners No. 1, LP; Plandome Partners; and MHI Land Investment 2004 Ltd. 688 has completed the development of the 1,206 single-family residential lots located in Grand Mission Estates, Sections 1 through 7, 18, 19, 21 through 30 and 32 (approximately 384.59 total acres) to provide building sites on which DFH Coventry, LLC, doing business as Coventry Homes, has constructed and is constructing homes for sale. See “BUILDER” below. 688 has initiated the development of Grand Mission Estates, Section 31 (51 single-family residential lots on approximately 8.3 acres), with completion, including street paving expected in approximately December 2024. 688LP owns approximately 4.6 acres of currently undeveloped land located within the District. The developable portions of such approximately 4.6 acres owned by 688LP are currently expected to be developed for future commercial usage.

688LP has sold 37.6 acres of currently developed land located in the District expected to be utilized for future multi-family residential and commercial development to five separate entities. All of such 37.6 acres are served by trunk underground water distribution, wastewater collection and storm drainage facilities that have been constructed to the perimeter of such tract. Construction of above-ground improvements have been completed on an aggregate of approximately 21.48 acres of such 37.6 acres of land located in the District, consisting of The Haven at Bellaire, a 297-unit apartment complex on approximately 11.30 acres, an approximately 5,800 square foot Exxon gas station on approximately 1.71 acres, an approximately 14,166 square foot retail store on approximately 1.98 acres and Ivy Point - Richmond, a 136-unit active adult facility on approximately 6.49 acres. The District cannot represent whether or when any above-ground or commercial improvements might be constructed on the remaining approximately 16.12 acres.

Because no party, including 688 or 688LP, has any obligation to the District to undertake the development of any of the currently undeveloped land located within the District, or to complete any development that is underway, the District cannot represent that any development will occur in the District in addition to the development that has been undertaken therein to date or that any development that is currently underway will be completed. See “FUTURE DEVELOPMENT.”

The balance of the land that is located within the District, including portions of certain of the sections of single-family residential lots that have been developed within the District, is contained within road rights of way, easements, District plant sites; is devoted to park, recreational or open space usage; or is otherwise not available for development. See “DEVELOPMENT OF THE DISTRICT,” “FUTURE DEVELOPMENT,” “TAX DATA - Principal 2022 Taxpayers” and “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments” and - “Principal Land Owners’ Obligations to the District.”

Builder.....

DFH Coventry, LLC, doing business as Coventry Homes, is currently constructing homes in the District that range in size from approximately 1,054 to 3,536 square feet of living area and in sales price from approximately \$299,990 to \$645,990.

Collective reference is made in this Official Statement to DFH Coventry, LLC, doing business as Coventry Homes, as the "Builder." Although the Developer has represented that the descriptions of the homes that the Builder is currently constructing within the District are accurate as of the date of this Official Statement, the Builder may change the types, sizes and sales prices of the homes which it chooses to construct within the District wholly within its discretion, or may suspend home construction activity entirely.

District Tax Levy and Overlapping
District Taxes and Functions.....

As is stated above, the entirety of the District is located within the Levee District. The Levee District, which covers approximately 4,045 acres of land, has issued bonds to finance the acquisition or construction of drainage improvements to provide major outfall drainage and flood protection to areas which lie within the Levee District. See "THE SYSTEM." The Levee District levies a tax on the land located in the Levee District, which includes the entirety of the District, which tax is in addition to the tax levied by the District. The Levee District has levied a tax of \$0.065 per \$100 of Assessed Valuation for 2020, \$0.030 per \$100 of Assessed Valuation of which is a maintenance tax. As is stated in this Official Statement under the captions "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and - "District Tax Levy and Overlapping District Taxes and Functions," the District has levied a total tax of \$0.87 per \$100 of Assessed Valuation for 2022, consisting of a debt service tax rate of \$0.45 per \$100 of Assessed Valuation, plus a maintenance tax of \$0.42 per \$100 of Assessed Valuation. Moreover, as is described in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the tax levies of all units of government which levy taxes against the property located within the District for 2022 is \$2.601882 per \$100 of Assessed Valuation, which aggregate levy is higher than the aggregate of the tax levies of some municipal utility districts located in the Houston metropolitan area, although such aggregate levy is within the range of the aggregate of the tax rates levied by municipal utility districts which are in stages of development comparable with the District. One must consider the total tax burden of all overlapping jurisdictions imposed upon property located within the District as contrasted with property located in comparable real estate developments to gauge the relative tax burden on property within the District. The tax rate necessary to service the debt issued or to be issued by the District and the Levee District, and the tax rates levied by other overlapping jurisdictions, are subject to numerous uncertainties and variables, and thus the District can give no assurance that the composite tax rates imposed by overlapping jurisdictions, plus the District's tax rate, will be competitive with the tax rates of competing projects. To the extent that the District's composite tax rates are not competitive with competing developments, the

growth of property tax values in the District and the investment quality or security of the Bonds could be adversely affected.

Infectious Disease Outbreak (COVID-19).....

The purchase and ownership of the Bonds is subject to certain investment considerations, including certain factors related to the current COVID-19 pandemic. See “INVESTMENT CONSIDERATIONS – Infectious Disease Outbreak (COVID-19).”

INVESTMENT CONSIDERATIONS

THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS AS SET FORTH IN THIS OFFICIAL STATEMENT. PROSPECTIVE PURCHASERS SHOULD CAREFULLY EXAMINE THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING THEIR INVESTMENT DECISIONS, ESPECIALLY THE PORTION OF THE OFFICIAL STATEMENT ENTITLED “INVESTMENT CONSIDERATIONS.”

SELECTED FINANCIAL INFORMATION
(Unaudited)

2022 Assessed Valuation..... (As of January 1, 2022) See "TAX DATA" and "TAXING PROCEDURES"	\$ 540,909,116 (a)
Estimated Valuation at February 15, 2023 See "TAX DATA" and "TAXING PROCEDURES"	\$ 581,099,790 (b)
Direct Debt:	
Outstanding Bonds.....	\$ 40,055,000
The Bonds	<u>5,240,000</u>
Total	\$ 45,295,000 (c)
Estimated Overlapping Debt	\$ <u>23,760,542</u>
Total Direct and Estimated Overlapping Debt	\$ <u>69,055,542</u>
Direct Debt Ratios	
: as a percentage of 2022 Assessed Valuation	8.37 %
: as a percentage of Estimated Valuation at February 15, 2023	7.79 %
Direct and Overlapping Debt Ratios	
: as a percentage of 2022 Assessed Valuation	12.77 %
: as a percentage of Estimated Valuation at February 15, 2023	11.88 %
Debt Service Fund Balance as of March 20, 2023	\$ 4,248,730 (d)
General Fund Balance as of March 20, 2023.....	\$ 8,161,843
2022 Tax Rate per \$100 of Assessed Valuation	
The District	
Debt Service Tax.....	\$0.45
Maintenance Tax.....	<u>0.42</u>
District Total	\$ 0.870 (e)
Fort Bend County Levee Improvement District No. 12	\$ <u>0.065</u> (e)
Total	\$ 0.935 (e)
Average Percentage of Total Tax Collections (2012-2021) as of February 28, 2023.....	99.96 %
Percentage of Tax Collections (2022) as of February 28, 2023 (In process of collection.).....	95.98 %
Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2023-2051).....	\$ 2,472,674
Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2051)	\$ 2,511,600
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2023-2051) at 95% Tax Collections	
Based Upon 2022 Assessed Valuation.....	\$ 0.49
Based Upon Estimated Valuation at February 15, 2023	\$ 0.45

Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2051) at 95% Tax Collections

Based Upon 2022 Assessed Valuation.....	\$	0.49
Based Upon Estimated Valuation at February 15, 2023	\$	0.46

Number of Single-Family Residences (including 2 residences under construction) as of March 1, 2023..... 1,489

- (a) As of January 1, 2022, and comprises the District's 2022 tax roll. All property located in the District is valued on the tax rolls by the Fort Bend Central Appraisal District (the "Appraisal District") at 100% of assessed value as of January 1 of each year. The District's tax roll is certified by the Fort Bend County Appraisal Review Board (the "Appraisal Review Board"). See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the value of all taxable property located within the District as of February 15, 2023, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2022, through February 14, 2023. The ultimate Assessed Valuation of any improvements added from January 1, 2022, through December 31, 2022, was not included on the District's 2022 tax roll but will be placed on the District's 2023 tax roll, and may vary significantly from such estimate once the Appraisal Review Board certifies the value thereof in 2023. Moreover, the ultimate Assessed Valuation of any improvements added from January 1, 2023, through February 14, 2023, will be placed on the District's 2024 tax roll, and may vary significantly from such estimate once the Appraisal Review Board certifies the value thereof in 2024.
- (c) See "DISTRICT DEBT." In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with the proceeds of the sale of the Bonds, the District expects to finance additional components of the System with the proceeds of the sale of bonds, if any, that the District expects to issue in the future. See "THE BONDS - Issuance of Additional Debt," and - "Use and Distribution of Bond Proceeds," "THE SYSTEM" and "INVESTMENT CONSIDERATIONS - Future Debt."
- (d) Neither Texas law nor the Bond Resolution requires the District to maintain any particular sum in the Debt Service Fund. Such fund balance reflects the timely payment by the District of its debt service requirements on the Outstanding Bonds that were due on March 1, 2023. The District's remaining debt service payments for 2023, which are due on September 1, 2023, total \$1,443,051, and consist of the payment of principal of and interest on the Outstanding Bonds. The District's initial debt service payment on the Bonds, which consists of an interest payment, is due on March 1, 2024.
- (e) The District levied a debt service tax rate for 2022 of \$0.45 per \$100 of Assessed Valuation, plus a maintenance tax of \$0.42 per \$100 of Assessed Valuation, for a total 2022 tax rate of \$0.87 per \$100 of Assessed Valuation. The District's 2022 tax rate of \$0.87 per \$100 of Assessed Valuation plus the Levee District's 2022 tax rate of \$0.065 per \$100 of Assessed Valuation is \$0.935 per \$100 of Assessed Valuation, and, as is described in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2022 tax levies of all units of government which levy taxes against the property located within the District for 2022 is \$2.601882 per \$100 of Assessed Valuation, which aggregate levy is higher than the aggregate of the tax levies of some municipal utility districts located within the Houston metropolitan area, although such aggregate levy is within the range of the aggregate of the tax rates levied by municipal utility districts which are in stages of development comparable with the District. One must consider the total tax burden of all overlapping jurisdictions imposed upon property located within the District as contrasted with property located in comparable real estate developments to gauge the relative tax burden on property within the District. The tax rate necessary to service the debt issued or to be issued by the District and the Levee District, and the tax rates levied by other overlapping jurisdictions, are subject to numerous uncertainties and variables, and thus the District can give no assurance that the composite tax rates imposed by overlapping jurisdictions, plus the District's tax rate, will be competitive with the tax rates of competing projects. To the extent that the District's composite tax rates are not competitive with competing developments, the growth of property tax values in the District and the investment quality or security of the Bonds could be adversely affected. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and - "District Tax Levy and Overlapping District Taxes and Functions."

\$5,240,000
GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
UNLIMITED TAX BONDS
SERIES 2023

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Grand Mission Municipal Utility District No. 2 (the “District”) of its Unlimited Tax Bonds, Series 2023 (the “Bonds”).

There follow in this Official Statement descriptions of the Bonds, the intended use of the proceeds of the sale of the Bonds, and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District upon request and payment of the costs for duplication thereof. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Resolution (hereinafter defined), except as otherwise indicated herein.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the resolution (the “Bond Resolution”) of the Board of Directors of the District (the “Board”) authorizing the issuance of the Bonds. A copy of the Bond Resolution may be obtained from the District upon written request made to the District's Financial Advisor, Rathmann & Associates, L.P., 8584 Katy Freeway, Suite 250, Houston, Texas 77024.

The Bonds are dated and interest accrues from the date of initial delivery (the “Date of Delivery”), at the rates shown on the inside cover page hereof, with interest payable on March 1, 2024, and on each September 1 and March 1 thereafter until the earlier of stated maturity or redemption. An aggregate of \$985,000 of the Bonds are issued as serial bonds maturing on September 1 in each of the years 2026 through 2028, inclusive, and 2032 through 2038, inclusive, in the principal amounts set forth on the inside cover page of this Official Statement. An aggregate of \$4,255,000 of the Bonds are issued as term bonds (collectively, the “Term Bonds”), maturing on September 1 in each of the years 2031, 2040, 2043, 2045, 2047 2049 and 2051, in the principal amounts set forth on the inside cover page of this Official Statement. The Bonds are issued in fully registered form and will be issued in denominations of \$5,000 of principal amount or integral multiples thereof. Principal of the Bonds will be payable to the registered owners (the “Registered Owners”) at maturity or redemption upon presentation to the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A., in Dallas, Texas, or any successor paying agent/registrar (the “Paying Agent,” “Registrar” or “Paying Agent/Registrar”). Interest on the Bonds is based on a 360-day year of twelve 30-day months. The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described below under “Book-Entry-Only System.”

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York, (“DTC”) while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor believe the source of such information to be reliable, but neither the District or the Financial Advisor takes any responsibility for the accuracy or completeness thereof.

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

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

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect

to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

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

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

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or 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 to DTC.

Use of Certain Terms in Other Sections of this Official Statement

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

Record Date

The record date for payment of the interest on any regularly scheduled interest payment date is defined as the 15th day of the month (whether or not a business day) preceding such interest payment date.

Assignments, Transfers and Exchanges

In the event the book-entry-only system is discontinued, the Bonds may be transferred, registered and assigned only on the registration books of the Registrar, and such registration and transfer shall be without expense or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Registrar. At any time after the date of delivery of the Bonds to the Initial Purchaser (the "Initial Delivery"), any Bond may be transferred or exchanged upon its presentment and surrender at the office of the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the owner in not more than three business days after the receipt of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in denominations of \$5,000 or any integral multiple thereof for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. Neither the District nor the Registrar is required

(1) to transfer or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding interest payment date, or (2) to transfer or exchange any Bond selected for redemption in whole or in part within forty-five (45) calendar days of the redemption date. The District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, or on receipt of satisfactory evidence of such destruction, loss or theft and receipt by the District and the Registrar of security or indemnity to keep them harmless. The District will require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Redemption Provisions

Mandatory Redemption

The Term Bonds maturing on September 1 in each of the years 2031, 2040, 2043, 2045, 2047 2049 and 2051, shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption, on September 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District’s reserved right of optional redemption or prior cancellation, as provided under “Optional Redemption” below).

\$285,000 Term Bonds Maturing on September 1, 2031

<u>Mandatory Redemption Dates</u>	<u>Principal Amount</u>
September 1, 2029	\$90,000
September 1, 2030	95,000
September 1, 2031 (maturity)	100,000

\$235,000 Term Bonds Maturing on September 1, 2040

<u>Mandatory Redemption Dates</u>	<u>Principal Amount</u>
September 1, 2039	\$115,000
September 1, 2040 (maturity)	120,000

\$375,000 Term Bonds Maturing on September 1, 2043

<u>Mandatory Redemption Dates</u>	<u>Principal Amount</u>
September 1, 2041	\$125,000
September 1, 2042	125,000
September 1, 2043 (maturity)	125,000

\$255,000 Term Bonds Maturing on September 1, 2045

<u>Mandatory Redemption Dates</u>	<u>Principal Amount</u>
September 1, 2044	\$125,000
September 1, 2045 (maturity)	130,000

\$265,000 Term Bonds Maturing on September 1, 2047

<u>Mandatory Redemption Dates</u>	<u>Principal Amount</u>
September 1, 2046	\$135,000
September 1, 2047 (maturity)	130,000

\$280,000 Term Bonds Maturing on September 1, 2049

<u>Mandatory Redemption Dates</u>	<u>Principal Amount</u>
September 1, 2048	\$140,000
September 1, 2049 (maturity)	140,000

\$2,560,000 Term Bonds Maturing on September 1, 2051

<u>Mandatory Redemption Dates</u>	<u>Principal Amount</u>
September 1, 2050	\$145,000
September 1, 2051 (maturity)	2,415,000

Notice of the mandatory redemption of Term Bonds will be provided at least thirty (30) calendar days prior to the date fixed for redemption, with the particular portions of the Term Bonds to be redeemed to be selected by lot or other customary method in accordance with the procedures of DTC so long as the Bonds are registered in accordance with the Book-Entry-Only System. See "BOOK-ENTRY-ONLY SYSTEM."

Optional Redemption

The District reserves the right, at its option, to redeem the Bonds, including the Term Bonds, maturing on and after September 1, 2031, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 2028, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by DTC in accordance with its procedures, so long as the Bonds are registered in accordance with the Book-Entry-Only System. See "BOOK- ENTRY-ONLY SYSTEM." If less than all of the entire outstanding principal amount of a Term Bond is to be redeemed, the District will notify the Paying Agent/Registrar of the reductions in the remaining mandatory redemption amounts to result from the optional redemption or prior cancellation. Notice of each exercise of the reserved right of optional redemption shall be given at least thirty (30) calendar days prior to the date fixed for redemption, in the manner specified in the Bond Order.

Effects of Redemption

By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the principal of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Replacement of Registrar

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

Authority for Issuance

At elections held within the District on November 7, 2006, the voters of the District authorized \$52,650,000 unlimited tax bonds for construction purposes, an amount equal to one and one-half times the amount of bonds outstanding for refunding purposes (\$78,975,000), and \$8,030,000 in bonds for recreational facilities. Following the issuance of the Bonds, a total of \$4,215,000 principal amount of unlimited tax bonds for construction, \$78,750,000 bonds for refunding purposes, and \$8,030,000 principal amount of bonds for recreational facilities will remain authorized but unissued. See “Issuance of Additional Debt” below.

The Bonds are issued pursuant to the Bond Resolution, Chapters 49 and 54 of the Texas Water Code, and Article XVI, Section 59 of the Texas Constitution. Issuance of the Bonds has been further authorized by the Texas Commission on Environmental Quality (the “TCEQ” or the “Commission”).

Outstanding Bonds and Payment Record

The Bonds constitute the tenth series of unlimited tax bonds issued by the District for the purpose of acquiring and constructing the System. The District has previously issued Unlimited Tax Bonds, Series 2008 (the “Series 2008 Bonds”), Unlimited Tax Bonds, Series 2009 (the “Series 2009 Bonds”), Unlimited Tax Bonds, Series 2010 (the “Series 2010 Bonds”), Unlimited Tax Bonds, Series 2015 (the “Series 2015 Bonds”), Unlimited Tax Refunding Bonds, Series 2015 (the “Series 2015 Refunding Bonds”), Unlimited Tax Bonds, Series 2016 (the “Series 2016 Bonds”), Unlimited Tax Bonds, Series 2017 (the “Series 2017 Bonds”), Unlimited Tax Bonds, Series 2018 (the “Series 2018 Bonds”), Unlimited Tax Bonds, Series 2020 (the “Series 2020 Bonds”), and Unlimited Tax Bonds, Series 2021 (the “Series 2021 Bonds”). Collective reference is made in this Official Statement to all of such previously issued bonds as the “Prior Bonds.” As of the date of issuance of the Bonds, the aggregate principal amount of the Prior Bonds that had not been previously retired by the District will be \$40,055,000 (the “Outstanding Bonds”), and the total of the District’s direct bonded indebtedness, including the Bonds, will be \$45,295,000. The District has timely paid all principal of and interest on its Prior Bonds when due. In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with the proceeds of the sale of the Bonds, the District expects to finance additional components of the System with the proceeds of the sale of bonds, if any, that the District expects to issue in the future. See “THE BONDS - Issuance of Additional Debt” and - “Use and Distribution of Bond Proceeds,” “THE SYSTEM” and “INVESTMENT CONSIDERATIONS - Future Debt.”

Source of Payment

The Bonds, together with the Outstanding Bonds and any additional bonds payable in whole or in part from taxes, are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Resolution, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, Registrar fees and Appraisal District fees. Tax proceeds, after deduction for collection costs, will be placed in the debt service fund and used solely to pay principal of and interest on the Outstanding Bonds, the Bonds, and on additional bonds payable from taxes which may be issued, and Paying Agent/Registrar fees.

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

Issuance of Additional Debt

With the approval of the TCEQ, the District may issue additional bonds necessary to provide improvements and facilities consistent with the purposes for which the District was created. The District’s voters have authorized the issuance of \$52,650,000 unlimited tax bonds for construction purposes, \$78,975,000 bonds for refunding purposes, and \$8,030,000 principal amount of bonds for recreational facilities. Following the issuance of the Bonds, \$4,215,000 unlimited tax bonds for construction, an amount equal to one and one-half times the amount of bonds outstanding for refunding purposes (\$78,750,000), and \$8,030,000 principal amount of bonds for recreational facilities will remain authorized but unissued. The Bond Resolution imposes no limitation on the amount of additional parity bonds which

may be issued by the District (if authorized by the District's voters and approved by the Board and the TCEQ). In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with the proceeds of the sale of the Bonds, the District expects to finance additional components of the System with the proceeds of the sale of bonds, if any, that the District expects to issue in the future. See - "Use and Distribution of Bond Proceeds," "THE SYSTEM" and "INVESTMENT CONSIDERATIONS - Future Debt."

Based on present engineering cost estimates and on development plans supplied by the Developer, in the opinion of the District's consulting engineer, Quiddity Engineering, LLC (the "Engineer"), the \$4,215,000 authorized but unissued bonds will be adequate to finance the extension of water, wastewater and storm drainage facilities and services to serve all of the remaining undeveloped portions of the District. In the event that the remaining authorized but unissued bonds are insufficient to complete the development of the District, the voters of the District would have to approve additional bonds at an election held for such purpose for the District to be able to issue such bonds. See "DEVELOPMENT OF THE DISTRICT," "FUTURE DEVELOPMENT," and "THE SYSTEM."

The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (b) approval of the master plan and bonds by the TCEQ; and (c) approval of bonds by the Attorney General of Texas. The Board has not considered calling an election at this time for such purposes. If additional debt obligations are issued in the future by the District, such issuance may increase gross debt/property ratios and might adversely affect the investment security of the Bonds. See "INVESTMENT CONSIDERATIONS - Future Debt."

The District is authorized by statute to develop recreational facilities, including the issuing of bonds payable from taxes for such purpose. Voters of the District approved the issuance of \$8,030,000 unlimited tax bonds for recreational facilities on November 7, 2006. Before the District may issue unlimited tax bonds for recreational facilities payable from taxes, the following actions would be required: (a) approval of the recreational facilities project and bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. When the District issues unlimited tax bonds for recreational facilities, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District at the time of issuance unless the District meets certain feasibility requirements under TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent but not three percent of the value of taxable property in the District.

Under certain circumstances the District also is authorized to construct roads. It is not anticipated at this time that the District will participate in such activities.

No Arbitrage

The District certifies that based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed thereunder. Furthermore, all officers, employees and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District are authorized to certify to the facts and circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District covenants that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds and take such other and further actions and follow such procedures, including, without limitation, calculating the yield on the Bonds, as may be required so that the Bonds shall not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

Annexation and Consolidation

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District must conform to a City of Houston consent ordinance. Generally, the District may be annexed by the City of Houston without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District; however, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement between the City and the District specifying the procedures for full purpose annexation of all or a portion of the District. At this time, there is no existing Strategic Partnership Agreement between the City and the District.

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

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water and wastewater system with the water and wastewater systems of the district or districts with which it is consolidating, subject to voter approval. In their consolidating agreement, the consolidating districts may agree to assume each other's bonds, notes and other obligations. If each district assumes the other's bonds, note and other obligations, taxes may be levied uniformly on all taxable property within the consolidated district in payment of same. If the districts do not assume each other's bonds, notes and other obligations, each district's taxes are levied on property in each of the original districts to pay said debts created by the respective original district as if no consolidation had taken place. No representation is made concerning whether the District will consolidate with any other district, but the District currently has no plans to do so.

Registered Owners' Remedies

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

Except for the remedy of mandamus, the Bond Resolution does not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Even if the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay the principal of or interest on the Bonds. In addition, certain traditional legal remedies also may not be available. The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners. See "Bankruptcy Limitation to Registered Owners' Rights" below and "INVESTMENT CONSIDERATIONS - Registered Owners' Remedies and Bankruptcy."

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. §§901-946, if the District: (1) is generally authorized to file for federal bankruptcy protection by State law; (2) is insolvent or unable to meet its debts as they mature; (3) desires to effect a plan to adjust such debts; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, a municipal utility district such as the District must obtain the approval of the TCEQ prior to filing for bankruptcy. The TCEQ must investigate the financial condition of the District and will authorize the District to proceed only if the TCEQ determines that the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

If the District decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the District would develop and file a plan for the adjustment of its debts and the Bankruptcy Court would confirm the District's plan if: (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code; (2) all payments to be made in connection with the plan are fully disclosed and reasonable; (3) the District is not prohibited by law from taking any action necessary to carry out the plan; (4) administrative expenses are paid in full; and (5) the plan is in the best interests of creditors and is feasible. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a Registered Owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Registered Owner's claim against the District.

The District may not be placed into bankruptcy involuntarily.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

The Bond Resolution provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, or with a commercial bank or trust company designated in the proceedings authorizing such discharge, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by 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) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book entry form and shall 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. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Resolution.

Upon such deposit as described above, such Bonds shall no longer be regarded as outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

There is no assurance that the current law will not be changed in the future in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Resolution does not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality of those currently permitted under Texas law.

Use and Distribution of Bond Proceeds

Proceeds of the sale of the Bonds will be used to (i) finance the District's cost of acquisition or construction of (a) water, wastewater, and drainage facilities serving Grand Mission Estates, Sections 28 through 32; and (b) lift station No. 1 rehabilitation and generator; (ii) finance the retirement of the District's \$2,225,000 Bond Anticipation Note, Series 2022 (the "BAN"), the proceeds of the sale of which the District utilized to interim finance a portion of the aforementioned items; (iii) pay engineering and testing costs associated with the design and construction of such facilities; (iv) pay interest on funds advanced on the District's behalf; and (v) pay issuance costs, legal fees, fiscal agent's fees, a fee to the TCEQ, a fee to the Attorney General of Texas, and certain financing costs related to the issuance of the BAN and the Bonds.

I. Construction Costs	<u>District's Share</u>
A. Developer Contribution Items (a)	
1. Grand Mission Estates, Sections 28 and 30 - Water, Wastewater and Drainage	\$1,614,677
2. Grand Mission Estates, Sections 29 and 32 - Water, Wastewater and Drainage	1,063,651
3. Grand Mission Estates, Section 31 - Water, Wastewater and Drainage	480,400
4. Engineering and Testing	<u>449,945</u>
Total Developer Contribution Items	\$3,608,673
B. District Items	
1. Lift Station No. 1 Rehabilitation and Generator	\$658,000
2. Engineering and Testing	<u>135,500</u>
Total District Items	<u>\$793,500</u>
TOTAL CONSTRUCTION COSTS	<u>\$4,402,173</u>
II. Non-Construction Costs	
1. Legal Fees	\$157,200
2. Fiscal Agent Fees	104,800
3. Interest	
a. Developer Interest (b)	152,877
b. Bond Anticipation Note Interest	100,125
4. Bond Discount	156,944
5. Bond Issuance Expenses	33,981
6. Bond Application Report Costs	53,000
7. Bond Anticipation Note Issuance Expenses	60,304
8. Attorney General Fee	5,240
9. TCEQ Bond Issuance Fee	13,100
10. Contingency (c)	<u>256</u>
TOTAL NON-CONSTRUCTION COSTS	<u>\$837,827</u>
TOTAL BOND ISSUE REQUIREMENT	<u>\$5,240,000</u>

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

- (b) Represents interest owed on advances of construction costs and engineering fees made on the District's behalf. The actual amount of interest owed will be calculated at the lesser of (i) the net effective interest rate borne by the Bonds or (ii) the interest rate at which the party that is entitled to such payment has borrowed funds.
- (c) Represents funds which may be used by the District only upon approval of the TCEQ.

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

THE DISTRICT

Authority

The District is a municipal utility district created pursuant to an order of the TCEQ dated September 9, 2005. The District was created pursuant to the authority of Chapters 49 and 54, Texas Water Code, as amended, and Article XVI, Section 59 of the Texas Constitution. The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, particularly Chapters 49 and 54, Texas Water Code, as amended. 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, if approved by the voters within the District, the TCEQ, and other governmental entities having jurisdiction, may establish, operate, and maintain a fire department, independently or with one or more other conservation and reclamation districts, and provide such facilities and services to the customers of the District. Under certain limited circumstances the District also is authorized to construct, develop and maintain park and recreational facilities and to construct roads. The District is subject to the continuing supervision of the TCEQ in certain matters.

Description

The District contains approximately 688.4 acres of land. The District is located entirely within the extraterritorial jurisdiction of the City of Houston, Texas, approximately 23 miles west of the central business district of Houston, Texas, in the northeastern portion of Fort Bend County, Texas. The District is located within the Fort Bend Independent School District. See "AERIAL PHOTOGRAPH OF THE DISTRICT" and "APPENDIX A - LOCATION MAP." The District is located north of Morton Road, south of FM 1093 and west of Harlem Road. The entirety of the District is located within the boundaries of Fort Bend County Levee Improvement District No. 12 (the "Levee District"), which provides major outfall drainage and flood protection for approximately 4,045 acres of land, and thus is subject to taxation by the Levee District. The Levee District has issued bonds to finance certain drainage improvements which benefit the District and may issue additional bonds in the future. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and - "District Tax Levy and Overlapping District Taxes and Functions."

Management of the District

The District is governed by the Board of Directors, consisting of five directors. The Board of Directors has control over and management supervision of all affairs of the District. Directors serve four-year staggered terms, and elections are held within the District in May in even-numbered years. The current members and officers of the Board, along with their respective terms of office, are listed below. Director Ghani currently resides within the District. The remaining Directors own land subject to separate non-recourse notes and deeds of trust.

<u>Name</u>	<u>Position</u>	<u>Term Expires in May</u>
Jerry Ulke	President	2024
Tabinda Ghani	Vice President	2026
Frank W. Donnelly, III	Secretary/Treasurer	2024
Syed Shubair Jaffery	Assistant Vice President/ Assistant Secretary	2026
Aisha Amin Jangda	Assistant Secretary	2026

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

Tax Assessor/Collector

The District has engaged Tax Tech, Inc., Stafford, Texas, as the District's Tax Assessor/Collector. According to Tax Tech, Inc., it presently serves approximately 88 taxing units as tax assessor/collector. The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Fort Bend Central Appraisal District and bills and collects such levy.

Bookkeeper

The District's bookkeeper is Myrtle Cruz, Inc. According to Myrtle Cruz, Inc., it serves as bookkeeper for approximately 359 utility districts.

Operator

Municipal District Services, L.L.C. is the general operator of the System. According to Municipal District Services, L.L.C., it is currently engaged as utility system operator for approximately 72 utility districts.

Auditor

The District has employed McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, to audit its financial statements for the year ending June 30, 2022. A copy of the District's audit for the fiscal year ended June 30, 2022, is included as “APPENDIX B” to this Official Statement.

Engineer

The consulting engineer for the District in connection with the design and construction of the facilities for which the Bonds are being sold is Quiddity Engineering, LLC (the “Engineer”). The Engineer has also been employed by the Developer in connection with certain planning activities and the design of certain streets and related improvements within the District.

Attorney

The District has engaged Coats Rose, P.C., Houston, Texas, as general counsel to the District and as bond counsel (“Bond Counsel”) in connection with the issuance of the Bonds. The fees to be paid Bond Counsel in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued and sold. Therefore, the payment of such fees is contingent upon the sale and delivery of the Bonds. See “LEGAL MATTERS.”

Disclosure Counsel

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

Special Tax Counsel

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

Financial Advisor

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

DEVELOPMENT OF THE DISTRICT

As of March 1, 2023, the District contained a total of 1,639 fully developed single-family residential lots, 1,491 homes, including 2 homes under construction, and 148 vacant fully developed single-family residential lots. The District contains approximately 688.4 acres of land. The development of approximately 582.85 acres in the District is complete. Of such acres, approximately 515.85 acres have been subdivided into the total of 1,639 fully developed single-family residential lots that are located in the residential subdivisions platted as Grand Mission Estates, Sections 1 through 19, 21 through 30, and 32, as is enumerated in the chart that appears below. In addition, the development of Grand Mission Estates, Section 31 (51 single-family residential lots on approximately 8.30 acres) is underway, with completion, including street paving expected in approximately December 2024. Approximately 37.60 acres located within the District have been developed for future commercial usage, on which The Haven at Bellaire, a 297-unit apartment complex on approximately 11.3 acres, an approximately 5,800 square foot Exxon gas station on approximately 1.71 acres, an approximately 14,166 square foot retail store on approximately 1.98 acres and Ivy Point - Richmond, a 136-unit active adult facility on approximately 6.49 acres. In addition, the Fort Bend Independent School District has constructed the Crockett Middle School on an approximately 29.4 acre tract located within the District. Such land and improvements owned by the Fort Bend Independent School District are not subject to taxation by the District. Approximately 4.58 currently undeveloped acres located within the District are available for future development as described below.

688 Development, Inc. (“688”), a developer of land located within the District (defined below under the caption “DEVELOPER”), purchased approximately 560.1 acres of land located within the District from a related entity, 688 Partners, L.P. (“688LP”), which is also described below under such caption. 688 has completed the development of the 1,206 single-family residential lots located in Grand Mission Estates, Sections 1 through 7, 18, 19, 21 through 30

and 32 (approximately 384.59 total acres) to provide building sites on which DFH Coventry, LLC, doing business as Coventry Homes, has constructed and is constructing homes for sale. See “BUILDER” below. 688 has initiated the development of Grand Mission Estates, Section 31 as described above. 688LP owns approximately 4.6 acres of currently undeveloped land located within the District. The developable portions of such approximately 4.6 acres owned by 688LP are currently expected to be developed for future commercial usage.

688LP has sold 37.6 acres of currently developed land located in the District expected to be utilized for future multi-family residential and commercial development to five separate entities. All of such 37.6 acres are served by trunk underground water distribution, wastewater collection and storm drainage facilities that have been constructed to the perimeter of such tract. Construction of above-ground improvements have been completed on an aggregate of approximately 21.48 acres of such 37.6 acres of land located in the District, consisting of The Haven at Bellaire, a 297-unit apartment complex on approximately 11.30 acres, an approximately 5,800 square foot Exxon gas station on approximately 1.71 acres, an approximately 14,166 square foot retail store on approximately 1.98 acres and Ivy Point - Richmond, a 136-unit active adult facility on approximately 6.49 acres. The District cannot represent whether or when any above-ground or commercial improvements might be constructed on the remaining approximately 16.12 acres.

Because no party, including 688 or 688LP, has any obligation to the District to undertake the development of any of the currently undeveloped land located within the District, or to complete any development that is underway, the District cannot represent that any development will occur in the District in addition to the development that has been undertaken therein to date or that any development that is currently underway will be completed. See “FUTURE DEVELOPMENT.”

The balance of the land that is located within the District, including portions of certain of the sections of single-family residential lots that have been developed within the District, is contained within road rights of way, easements, District plant sites; is devoted to park, recreational or open space usage; or is otherwise not available for development.

The District financed its cost of construction or acquisition of water distribution, wastewater collection, and storm drainage facilities that serve the lots in Grand Mission Estates, Sections 1 through 19, 21 through 27, and along Lakehead Lane, Beechnut Street and Mason Road, a detention pond, Water Plant No. 1 Phases I through III expansions, Water Plant No. 2, Water Plant No. 3 Phase I, wastewater treatment package plant Phases I and II expansions and lift station, regional detention facilities, Phases II and IIIA, drainage facilities along Bellaire Boulevard, Water Plant expansion, regional detention Phase I, lift station No. 2 and force main, Mason Road Drainage Facilities serving Grand Mission Estates Section 22, Beechnut Drainage Facilities, storm water pollution prevention plans for Grand Mission Estates, Sections 26 and 27, and other facilities with the proceeds of the Prior Bonds. The District will finance its cost of construction or acquisition of water distribution, wastewater collection, and storm drainage facilities that serve the lots in Grand Mission Estates, Sections 28 through 32, lift station No. 1 rehabilitation and generator, and other facilities, as is enumerated in this Official Statement under the caption “THE BONDS - Use and Distribution of Bond Proceeds,” with proceeds of the Bonds. The District expects to finance the acquisition or construction of additional components of the System with the proceeds of the sale of bonds, if any, that the District expects to issue in the future. See “THE BONDS - Issuance of Additional Debt,” “THE SYSTEM” and “INVESTMENT CONSIDERATIONS - Future Debt.”

As of March 1, 2023, the status of residential lot development and home construction in the District was as follows:

<u>Subdivision</u>	<u>Lots</u>				<u>Homes</u>				<u>Totals</u>
	<u>Fully Developed</u>	<u>Acres</u>	<u>Under Development</u>	<u>Acres</u>	<u>Under Construction</u>		<u>Completed</u>		
					<u>Sold*</u>	<u>Unsold</u>	<u>Sold*</u>	<u>Unsold</u>	
Grand Mission Estates									
Section 1	111	68.62			0	0	111	0	111
Section 2	66	25.81			0	0	66	0	66
Section 3	51	15.52			0	0	51	0	51
Section 4	26	44.91			0	0	26	0	26
Section 5	52	14.17			0	0	48	0	48
Section 6	63	15.07			0	0	63	0	63
Section 7	74	16.86			0	0	74	0	74
Section 8	61	15.78			0	0	61	0	61
Section 9	40	28.16			0	0	40	0	40
Section 10	82	23.09			0	0	82	0	82
Section 11	34	9.35			0	0	34	0	34
Section 12	44	10.84			0	0	44	0	44
Section 13	46	12.33			0	0	46	0	46
Section 14	38	9.33			0	0	38	0	38
Section 15	26	7.46			0	0	26	0	26
Section 16	30	6.42			0	0	30	0	30
Section 17	32	8.50			0	0	32	0	32
Section 18	43	11.00			0	0	43	0	43
Section 19	67	14.38			0	0	67	0	67
Section 21	75	16.73			0	0	75	0	75
Section 22	50	15.49			0	0	50	0	50
Section 23	34	8.55			0	0	34	0	34
Section 24	64	12.77			0	0	64	0	64
Section 25	68	18.47			0	0	68	0	68
Section 26	77	19.97			0	0	77	0	77
Section 27	43	14.54			0	0	35	2	37
Section 28	79	13.43			2	0	50	7	59
Section 29	67	11.90			0	0	0	0	0
Section 30	53	12.71			0	0	42	3	45
Section 31			51	8.30	0	0	0	0	0
Section 32	43	10.38			0	0	0	0	0
TOTALS	1,639	515.85	51	8.30	2	0	1,477	12	1,491

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

DEVELOPER

The developer of land located within the District is 688 Development, Inc., a Texas corporation (“688”) (the “Developer”) whose sole shareholder is Frank McGuyer. 688 purchased approximately 560.1 acres of land located within the District from a related entity, 688 Partners, L.P., a Texas limited partnership (“688LP”) whose general partner is 688GP, LLC, a Texas limited liability company owned by parties related to MHI, and whose limited partners are Frank McGuyer; MKL Partners No. 1, LP; Plandome Partners; and MHI Land Investment 2004 Ltd. 688 has completed the development of the 1,206 single-family residential lots located in Grand Mission Estates, Sections 1 through 7, 18, 19, 21 through 30 and 32 (approximately 384.59 total acres) to provide building sites on which DFH Coventry, LLC, doing business as Coventry Homes, has constructed and is constructing homes for sale. See “BUILDER” below. 688 has initiated the development of Grand Mission Estates, Section 31 (51 single-family residential lots on approximately 8.3 acres), with completion, including street paving expected in approximately December 2024. 688LP owns approximately 4.6 acres of currently undeveloped land located within the District. The developable portions of such approximately 4.6 acres owned by 688LP are currently expected to be developed for future commercial usage.

688LP has sold 37.6 acres of currently developed land located in the District expected to be utilized for future multi-family residential and commercial development to five separate entities. All of such 37.6 acres are served by trunk underground water distribution, wastewater collection and storm drainage facilities that have been constructed to the perimeter of such tract. Construction of above-ground improvements have been completed on an aggregate of approximately 21.48 acres of such 37.6 acres of land located in the District, consisting of The Haven at Bellaire, a 297-unit apartment complex on approximately 11.30 acres, an approximately 5,800 square foot Exxon gas station on approximately 1.71 acres, an approximately 14,166 square foot retail store on approximately 1.98 acres and Ivy Point - Richmond, a 136-unit active adult facility on approximately 6.49 acres. The District cannot represent whether or when any above-ground or commercial improvements might be constructed on the remaining approximately 16.12 acres.

Because no party, including 688 or 688LP, has any obligation to the District to undertake the development of any of the currently undeveloped land located within the District, or to complete any development that is underway, the District cannot represent that any development will occur in the District in addition to the development that has been undertaken therein to date or that any development that is currently underway will be completed. See “FUTURE DEVELOPMENT.”

The balance of the land that is located within the District, including portions of certain of the sections of single-family residential lots that have been developed within the District, is contained within road rights of way, easements, District plant sites; is devoted to park, recreational or open space usage; or is otherwise not available for development. See “DEVELOPMENT OF THE DISTRICT,” “FUTURE DEVELOPMENT,” “TAX DATA - Principal 2022 Taxpayers” and “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments” and - “Principal Land Owners’ Obligations to the District.”

BUILDER

DFH Coventry, LLC, doing business as Coventry Homes, is currently constructing homes in the District that range in size from approximately 1,054 to 3,536 square feet of living area and in sales price from approximately \$299,990 to \$645,990.

Collective reference is made in this Official Statement to DFH Coventry, LLC, doing business as Coventry Homes, as the “Builder.” Although the Developer has represented that the descriptions of the homes that the Builder is currently constructing within the District are accurate as of the date of this Official Statement, the Builder may change the types, sizes and sales prices of the homes which it chooses to construct within the District wholly within its discretion, or may suspend home construction activity entirely.

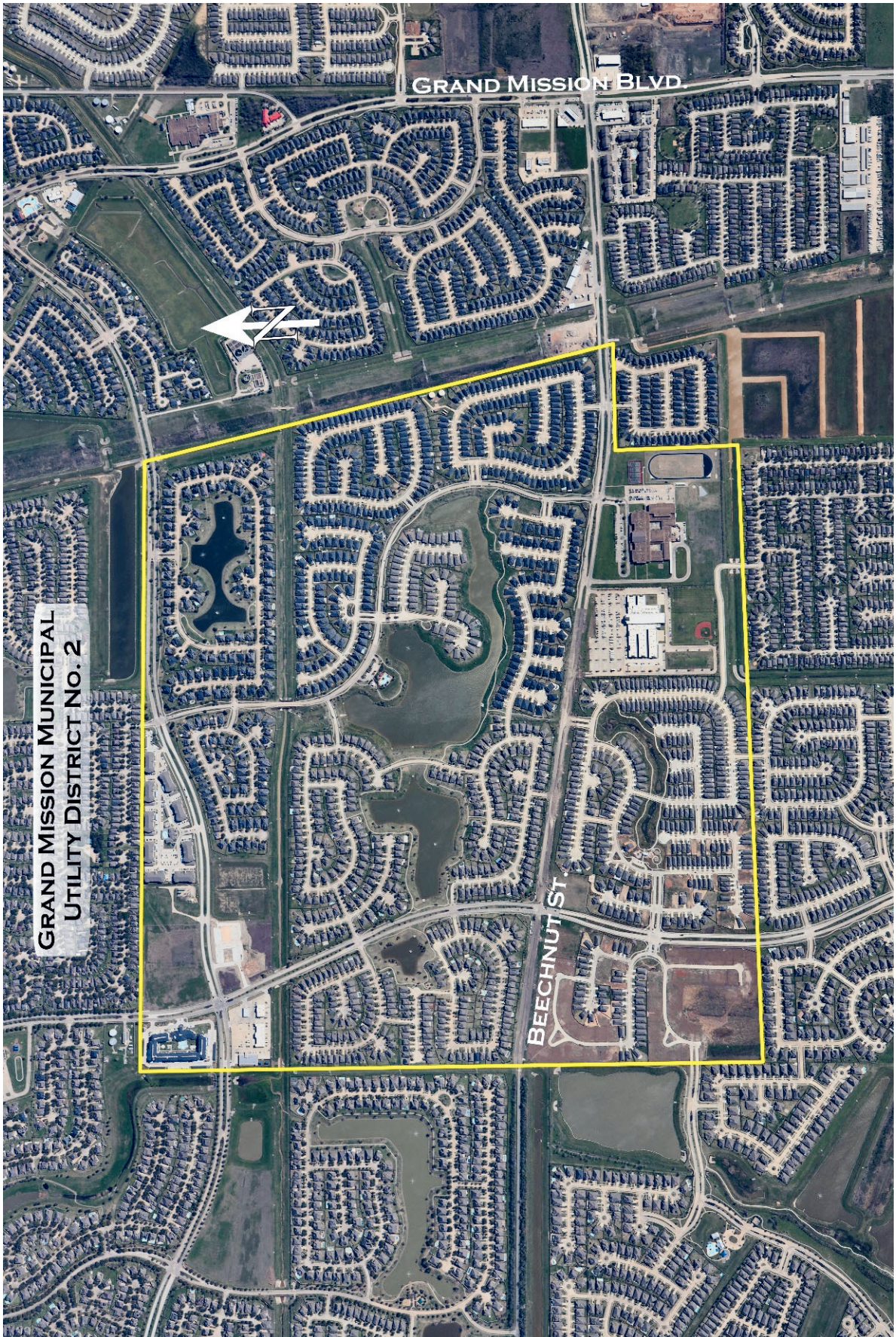
FUTURE DEVELOPMENT

688LP, an entity related to 688 (see “DEVELOPER” above), owns approximately 4.6 acres of currently undeveloped land located within the District. The developable portions of such approximately 4.6 acres owned by 688LP are currently expected to be developed for future commercial usage. 688LP has sold 37.6 acres of currently developed land located in the District expected to be utilized for future multi-family residential and commercial development to five separate entities. All of such 37.6 acres are served by trunk underground water distribution, wastewater collection and storm drainage facilities that have been constructed to the perimeter of such tract. Construction of above-ground improvements have been completed on an aggregate of approximately 21.48 acres of such 37.6 acres of land located in the District, consisting of The Haven at Bellaire, a 297-unit apartment complex on approximately 11.30 acres, an approximately 5,800 square foot Exxon gas station on approximately 1.71 acres, an approximately 14,166 square foot retail store on approximately 1.98 acres and Ivy Point - Richmond, a 136-unit active adult facility on approximately 6.49 acres. The District cannot represent whether or when any above-ground or commercial improvements might be constructed on the remaining approximately 16.12 acres.

Because no party, including 688 or 688LP, has any obligation to the District to undertake the development of any of the currently undeveloped land located within the District, or to complete any development that is underway, the District cannot represent that any development will occur in the District in addition to the development that has been undertaken therein to date or that any development that is currently underway will be completed. The balance of the land that is located within the District, including portions of certain of the sections of single-family residential lots that have been developed within the District, is contained within road rights of way, easements, District plant sites; is devoted to park, recreational or open space usage; or is otherwise not available for development.

Although the aforementioned undeveloped acres may be developed in the future, the initiation of any new development beyond that described in this Official Statement will be dependent on several factors including, to a great extent, the general and other economic conditions which would affect any party's ability to develop and sell lots and/or other property and of any home builder to sell completed homes described in this Official Statement under the caption “INVESTMENT CONSIDERATIONS.” If the undeveloped portion of the District is eventually developed, additions to the District's water, wastewater, and drainage systems required to service such undeveloped acreage may be financed by future issues (if any) of the District's bonds and developer contributions, if any, as required by the TCEQ. The District's Engineer estimates that the \$4,215,000 authorized bonds which will remain unissued after the sale of the Bonds will be adequate to finance the construction of such facilities to provide service to all of the undeveloped portions of the District. In the event that the remaining authorized but unissued bonds are insufficient to complete the development of the District, the voters of the District would have to approve additional bonds at an election held for such purpose for the District to be able to issue such bonds. See “THE BONDS - Issuance of Additional Debt” and “INVESTMENT CONSIDERATIONS - Future Debt.” No party is under any obligation to initiate development of any of the currently undeveloped land located within the District or to complete any development, if begun, and any party initiating any future development thereon could modify or discontinue development plans in its sole discretion. Accordingly, the District makes no representation that future development will occur. See “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.”

AERIAL PHOTOGRAPH OF THE DISTRICT
(taken March 2023)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken March 2023)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken March 2023)



DISTRICT DEBT

Debt Service Requirement Schedule

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

Year Ending December 31	Current Total Debt Service	Plus: The Bonds		New Total Debt Service
		Principal	Interest	
2023	\$2,166,285			\$2,166,285
2024	2,173,485		\$282,530	2,456,015
2025	2,175,220		216,406	2,391,626
2026	2,177,915	\$80,000	216,406	2,474,321
2027	2,178,975	85,000	211,806	2,475,781
2028	2,178,308	90,000	206,919	2,475,226
2029	2,180,903	90,000*	201,744	2,472,646
2030	2,185,803	95,000*	196,569	2,477,371
2031	2,184,558	100,000*	191,106	2,475,664
2032	2,191,888	95,000	185,356	2,472,244
2033	2,191,900	100,000	182,269	2,474,169
2034	2,196,425	105,000	179,019	2,480,444
2035	2,200,825	105,000	175,475	2,481,300
2036	2,203,700	105,000	171,800	2,480,500
2037	2,204,519	110,000	167,600	2,482,119
2038	2,210,563	110,000	163,200	2,483,763
2039	2,215,075	115,000*	158,800	2,488,875
2040	2,218,088	120,000*	154,200	2,492,288
2041	2,219,038	125,000*	149,400	2,493,438
2042	2,223,444	125,000*	144,400	2,492,844
2043	2,231,025	125,000*	139,400	2,495,425
2044	2,236,375	125,000*	134,400	2,495,775
2045	2,238,813	130,000*	129,400	2,498,213
2046	2,239,563	135,000*	124,200	2,498,763
2047	2,252,038	130,000*	118,800	2,500,838
2048	2,253,575	140,000*	113,600	2,507,175
2049	2,257,313	140,000*	108,000	2,505,313
2050	2,260,138	145,000*	102,400	2,507,538
2051		2,415,000*	96,600	2,511,600
	\$61,845,757	\$5,240,000	\$4,621,805	\$71,707,559

Average Annual Requirements: (2023-2051).....	\$2,472,674
Maximum Annual Requirement: (2051).....	\$2,511,600

* Represents mandatory sinking fund payments on Term Bonds.

Bonded Indebtedness

2022 Assessed Valuation..... (As of January 1, 2020) See "TAX DATA" and "TAXING PROCEDURES"	\$ 540,909,116 (a)
Estimated Valuation at February 15, 2023 See "TAX DATA" and "TAXING PROCEDURES"	\$ 581,099,790 (b)
Direct Debt:	
Outstanding Bonds.....	\$ 40,055,000
The Bonds	<u>5,240,000</u>
Total	\$ 45,295,000 (c)
Estimated Overlapping Debt	\$ <u>23,760,542</u>
Total Direct and Estimated Overlapping Debt	\$ <u>69,055,542</u>
Direct Debt Ratios	
: as a percentage of 2022 Assessed Valuation	8.37 %
: as a percentage of Estimated Valuation at February 15, 2023	7.79 %
Direct and Overlapping Debt Ratios	
: as a percentage of 2022 Assessed Valuation	12.77 %
: as a percentage of Estimated Valuation at February 15, 2023	11.88 %
Debt Service Fund Balance as of March 20, 2023	\$ 4,248,730 (d)
General Fund Balance as of March 20, 2023.....	\$ 8,161,843
2022 Tax Rate per \$100 of Assessed Valuation	
The District	
Debt Service Tax.....	\$0.45
Maintenance Tax.....	<u>0.42</u>
District Total	\$ 0.870 (e)
Fort Bend County Levee Improvement District No. 12.....	\$ <u>0.065</u> (e)
Total.....	\$ 0.935 (e)
Average Percentage of Total Tax Collections (2012-2021) as of February 28, 2023.....	99.96 %
Percentage of Tax Collections (2022) as of February 28, 2023 (In process of collection.).....	95.98 %

(a) As of January 1, 2022, and comprises the District's 2022 tax roll. All property located in the District is valued on the tax rolls by the Fort Bend Central Appraisal District (the "Appraisal District") at 100% of assessed value as of January 1 of each year. The District's tax roll is certified by the Fort Bend County Appraisal Review Board (the "Appraisal Review Board"). See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."

(b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the value of all taxable property located within the District as of February 15, 2023, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2022, through February 14, 2023. The ultimate Assessed Valuation of any improvements added from January 1, 2022, through December 31, 2022, was not included on the District's 2022 tax roll but will be placed on the District's 2023 tax roll, and may vary significantly

from such estimate once the Appraisal Review Board certifies the value thereof in 2023. Moreover, the ultimate Assessed Valuation of any improvements added from January 1, 2023, through February 14, 2023, will be placed on the District's 2024 tax roll, and may vary significantly from such estimate once the Appraisal Review Board certifies the value thereof in 2024.

- (c) In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with the proceeds of the sale of the Bonds, the District expects to finance additional components of the System with the proceeds of the sale of bonds, if any, that the District expects to issue in the future. See "THE BONDS - Issuance of Additional Debt," and - "Use and Distribution of Bond Proceeds," "THE SYSTEM" and "INVESTMENT CONSIDERATIONS - Future Debt."
- (d) Neither Texas law nor the Bond Resolution requires the District to maintain any particular sum in the Debt Service Fund. Such fund balance reflects the timely payment by the District of its debt service requirements on the Outstanding Bonds that were due on March 1, 2023. The District's remaining debt service payments for 2023, which are due on September 1, 2023, total \$1,443,051, and consist of the payment of principal of and interest on the Outstanding Bonds. The District's initial debt service payment on the Bonds, which consists of an interest payment, is due on March 1, 2024.
- (e) The District levied a debt service tax rate for 2022 of \$0.45 per \$100 of Assessed Valuation, plus a maintenance tax of \$0.42 per \$100 of Assessed Valuation, for a total 2022 tax rate of \$0.87 per \$100 of Assessed Valuation. The District's 2022 tax rate of \$0.87 per \$100 of Assessed Valuation plus the Levee District's 2022 tax rate of \$0.065 per \$100 of Assessed Valuation is \$0.935 per \$100 of Assessed Valuation, and, as is described in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2022 tax levies of all units of government which levy taxes against the property located within the District for 2022 is \$2.601882 per \$100 of Assessed Valuation, which aggregate levy is higher than the aggregate of the tax levies of some municipal utility districts located within the Houston metropolitan area, although such aggregate levy is within the range of the aggregate of the tax rates levied by municipal utility districts which are in stages of development comparable with the District. One must consider the total tax burden of all overlapping jurisdictions imposed upon property located within the District as contrasted with property located in comparable real estate developments to gauge the relative tax burden on property within the District. The tax rate necessary to service the debt issued or to be issued by the District and the Levee District, and the tax rates levied by other overlapping jurisdictions, are subject to numerous uncertainties and variables, and thus the District can give no assurance that the composite tax rates imposed by overlapping jurisdictions, plus the District's tax rate, will be competitive with the tax rates of competing projects. To the extent that the District's composite tax rates are not competitive with competing developments, the growth of property tax values in the District and the investment quality or security of the Bonds could be adversely affected. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and - "District Tax Levy and Overlapping District Taxes and Functions."

Estimated Direct and Overlapping Debt Statement

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in “Texas Municipal Reports,” published by the Municipal Advisory Council of Texas, or other available information. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot presently be determined. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

<u>Taxing Jurisdiction</u>	<u>Debt as of March 1, 2023</u>	<u>Estimated Overlapping Percent</u>	<u>Amount</u>
Fort Bend County	\$788,792,050	0.5491%	\$4,331,051
Fort Bend County Drainage District	24,530,000	0.5491%	134,688
Fort Bend Independent School District	1,536,300,000	1.1299%	17,358,903
Fort Bend County Levee Improvement District No. 12 ⁽ⁱ⁾	9,455,000	20.4749%	<u>1,935,900</u>
Total Estimated Overlapping Debt			\$23,760,542
Total Direct Debt (the District) ⁽ⁱⁱ⁾			<u>45,295,000</u>
Total Direct and Estimated Overlapping Debt			\$69,055,542

⁽ⁱ⁾ The entirety of the District is located within the boundaries of Fort Bend County Levee Improvement District No. 12 (the “Levee District”), which provides major outfall drainage and flood protection for approximately 4,045 acres of land, and thus is subject to taxation by the Levee District. The Levee District has issued bonds to finance certain drainage improvements which benefit the District and may issue additional bonds in the future. See “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.”

⁽ⁱⁱ⁾ After issuance of the Bonds. See “Bonded Indebtedness” above.

Under Texas law ad valorem taxes levied by each taxing authority other than the District create a lien which is on a parity with the lien in favor of the District on all taxable property within the District. In addition to the ad valorem taxes required to retire the foregoing direct and overlapping debt, the various taxing authorities mentioned above also are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administration and/or general revenue purposes. Certain of the jurisdictions have in the past levied such taxes. The District has the power to assess, levy and collect ad valorem taxes for operation and maintenance purposes in an unlimited amount, and such taxes have been authorized by the duly qualified voters of the District. See “TAX DATA - Maintenance Tax.” The District levied a maintenance tax for 2020 of \$0.42 per \$100 of Assessed Valuation.

Debt Ratios

	<u>% of 2022 Assessed Valuation</u>	<u>% of Estimated Valuation at February 15, 2023</u>
Direct Debt.....	8.37%	7.79%
Direct and Estimated Overlapping Debt ...	12.77%	11.88%

TAX DATA

Debt Service Tax

All taxable property within the District is subject to the assessment, levy and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds, the Outstanding Bonds and any future tax-supported bonds which may be issued from time to time as authorized. The Board of Directors of the District has in its Bond Resolution covenanted to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds when due (see "THE BONDS" and "INVESTMENT CONSIDERATIONS"). The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. The District levied a debt service tax for 2022 at a rate of \$0.45 per \$100 Assessed Valuation.

Tax Rate Limitation

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

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance tax is authorized by vote of the District's electors. On November 7, 2006, the Board was authorized by a vote of the District's electors to levy such maintenance tax at a rate not to exceed \$1.50 per \$100 of assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Outstanding Bonds and the Bonds and any parity bonds which may be issued in the future. The District levied a maintenance tax for 2022 of \$0.42 per \$100 of Assessed Valuation.

Historical Values and Tax Collection History

The following statement of tax collections sets forth, in condensed form, the historical Assessed Valuation and tax collections of the District. Such summary has been prepared for inclusion herein based upon information obtained from District records. Reference is made to such records, including the District's annual audited financial statements, for more complete information.

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate(a)</u>	<u>Total Adjusted Levy</u>	<u>% Collections</u>	
				<u>Current & Prior Years(b)</u>	<u>Year Ended 9/30</u>
2012	\$54,299,284	\$1.31	\$711,321	100.00	2013
2013	55,911,499	1.31	732,441	100.00	2014
2014	82,387,322	1.30	1,071,035	100.00	2015
2015	130,626,680	1.25	1,632,834	100.00	2016
2016	192,950,650	1.20	2,315,408	100.00	2017
2017	224,512,311	1.15	2,581,892	100.00	2018
2018	246,098,934	1.15	2,830,138	100.00	2019
2019	294,822,830	1.10	3,243,051	99.89	2020
2020	342,324,260	1.05	3,594,405	99.90	2021
2021	416,302,053	1.02	4,246,689	99.77	2022
2022	540,909,116	0.87	4,705,909	95.98(c)	2023

(a) Per \$100 of Assessed Valuation.

(b) Such percentages reflect cumulative total collections for each year from the time each respective annual tax was levied through February 28, 2023. The amount of tax collected for each levy on a current basis (by September 30 of the year following each respective levy) is not reflected in this statement.

(c) As of February 28, 2023. In process of collection.

Tax Rate Distribution

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Debt Service	\$0.45	\$0.60	\$0.63	\$0.63	\$0.65
Maintenance & Operations	<u>0.42</u>	<u>0.42</u>	<u>0.42</u>	<u>0.47</u>	<u>0.50</u>
Total	0.87	\$1.02	\$1.05	\$1.10	\$1.15

Analysis of Tax Base

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

<u>Type of Property</u>	<u>2022</u>		<u>2021</u>		<u>2020</u>	
	<u>Assessed Valuation</u>	<u>%</u>	<u>Assessed Valuation</u>	<u>%</u>	<u>Assessed Valuation</u>	<u>%</u>
Land	\$93,602,720	17.30%	\$83,705,690	20.11%	\$74,562,300	21.78%
Improvements	510,855,277	94.44%	387,211,531	93.01%	306,130,163	89.43%
Personal Property	2,292,860	0.42%	2,021,870	0.49%	1,251,150	0.37%
Auto/Other Value	402,320	0.07%	221,510	0.05%	172,920	0.05%
Exemptions	<u>(66,244,061)</u>	<u>(12.23)</u>	<u>(56,858,548)</u>	<u>(13.66)</u>	<u>(39,792,283)</u>	<u>(11.62)</u>
TOTAL	\$540,909,116	100.00%	\$416,302,053	100.00%	\$342,324,250	100.00%

<u>Type of Property</u>	<u>2019</u>		<u>2018</u>	
	<u>Assessed Valuation</u>	<u>%</u>	<u>Assessed Valuation</u>	<u>%</u>
Land	\$67,924,610	23.04%	\$55,053,460	22.37%
Improvements	262,447,060	89.02%	225,420,539	91.60%
Personal Property	1,122,450	0.38%	965,560	0.39%
Auto/Other Value	104,850	0.04%	115,980	0.05%
Exemptions	<u>(36,776,140)</u>	<u>(12.47)</u>	<u>(35,456,605)</u>	<u>(14.41)</u>
TOTAL	\$294,822,830	100.00%	\$246,098,934	100.00%

Tax Exemption

For the 2022 tax year, the District granted a \$10,000 exemption to persons who are over the age of 65 or are disabled.

Principal 2022 Taxpayers

Based upon information supplied by the District's Tax Assessor/Collector, the following table lists principal District taxpayers, type of property owned by such taxpayers, and the assessed valuation of such property as of January 1, 2022. The information reflects the composition of property ownership reflected on the District's 2022 tax roll.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>Assessed Valuation 2022 Tax Roll</u>	<u>% of 2022 Tax Roll</u>
Haven at Bellaire II LLC	Land and Improvements	\$37,500,000	6.93%
CD Richmond LLC	Land and Improvements	7,385,763	1.37%
Mason Bellaire Investment LLC	Land and Improvements	5,084,110	0.94%
Priya Texas II LLC	Land	2,564,760	0.47%
Smrat Capital Group LLC	Land and Improvements	1,849,999	0.34%
688 Development, Inc.	Land	1,790,300	0.33%
Centerpoint Energy Electric	Personal Property	1,753,450	0.32%
Ann Tran Investment LLC	Land and Improvements	1,182,310	0.22%
Alex Le Nguyen	Land and Improvements	1,105,720	0.20%
510 DFH I LLC	Land and Improvements	<u>1,022,890</u>	<u>0.19%</u>
		61,239,302	11.32%

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Assessed Valuation which would be required to meet certain debt service requirements if no growth in the District's tax base occurs beyond the 2022 Assessed Valuation or the Estimated Valuation at February 15, 2023. The calculations assume collection of 95% of taxes levied, no use of District funds on hand other than tax collections, and the sale of no bonds by the District except the Prior Bonds and the Bonds.

Average Annual Debt Service Requirements (2023-2051)	\$2,472,674
Tax Rate of \$0.49 on the 2022 Assessed Valuation (\$540,909,116) produces.....	\$2,517,932
Tax Rate of \$0.45 on the Estimated Valuation at February 15, 2023 (\$581,099,790) produces	\$2,484,202
Maximum Annual Debt Service Requirement (2051)	\$2,511,600
Tax Rate of \$0.49 on the 2022 Assessed Valuation (\$540,909,116) produces.....	\$2,517,932
Tax Rate of \$0.46 on the Estimated Valuation at February 15, 2023 (\$581,099,790) produces	\$2,539,406

The District levied a debt service tax for 2022 of \$0.45 per \$100 of Assessed Valuation, plus a maintenance tax of \$0.42 per \$100 of Assessed Valuation, for a total 2022 tax rate of \$0.87 per \$100 of Assessed Valuation. See "TAXING PROCEDURES" and "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments." As the above table indicates, the 2022 debt service tax rate is sufficient to pay the Average Annual Debt Service Requirements but not the Maximum Annual Debt Service Requirement of the Outstanding Bonds and the Bonds, assuming taxable values at the level of the Estimated Valuation at February 15, 2023, provided by the Appraisal District, assuming the District will have a tax collection rate of 95%, no use of other legally available District funds, and the issuance of no additional bonds by the District other than the Prior Bonds and the Bonds. However, as is illustrated above under the caption "Historical Values and Tax Collection History," as of February 28, 2023, the District had collected an average of 99.96% of its 2012 through 2021 tax levies, and had collected 95.98% of its 2022 tax levy, which is in the process of collection, as of such date. Moreover, the District's Debt Service Fund balance was \$4,248,730 as March 20, 2023. Although neither Texas law nor the Bond Resolution requires that any specific amount be retained in the Debt Service Fund at any time, the District expects to apply earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Bonds and the Outstanding Bonds. The District has in

the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Prior Bonds as is delineated in “APPENDIX B - ANNUAL FINANCIAL REPORT” that is appended to this Official Statement. Therefore, the District anticipates that it will be able to meet the debt service requirements on the Bonds and the Outstanding Bonds without increasing the tax rate for debt service above the debt service rate which the District levied for 2022 - \$0.45 per \$100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. See “TAXING PROCEDURES” and “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.” The District expects to finance the acquisition or construction of additional components of the System with the proceeds of the sale of bonds, if any, that the District expects to issue in the future. See “THE BONDS - Issuance of Additional Debt” and “INVESTMENT CONSIDERATIONS - Future Debt.”

Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions (see “DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement”), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below is an estimation of all taxes per \$100 of assessed valuation levied by such jurisdictions for 2022. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions.

<u>Taxing Jurisdiction</u>	<u>2022 Tax Rate Per \$100 of Assessed Valuation</u>
The District ⁽ⁱ⁾	\$0.870000
Fort Bend County	0.438300
Fort Bend County Drainage District	0.012900
Fort Bend Independent School District	1.134600
Harris-Fort Bend Emergency Service District #100	0.081082
Fort Bend County Levee Improvement District No. 12 ⁽ⁱⁱ⁾	<u>0.065000</u>
Estimated Total Tax Rate	\$2.601882

No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

⁽ⁱ⁾ The District has levied a total tax of \$0.87 per \$100 of Assessed Valuation for 2022, consisting of debt service and maintenance tax components of \$0.45 and \$0.42 per \$100 of Assessed Valuation, respectively.

⁽ⁱⁱ⁾ The Levee District levied a debt service tax for 2022 of \$0.035 per \$100 of Assessed Valuation, plus a maintenance tax of \$0.030 per \$100 of Assessed Valuation, for a total 2022 tax rate of \$0.065 per \$100 of Assessed Valuation.

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, against all taxable property within the District in sufficient amount to pay the principal of and interest on the Bonds, the Outstanding Bonds and any additional bonds payable from taxes which the District may hereafter issue and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully above under the caption "THE BONDS - Source of Payment." The Board is also authorized to levy and collect annual ad valorem taxes for the administration and maintenance of the District and the System and for the payment of certain contractual obligations if such taxes are authorized by vote of the District's electors at an election. The District's electors have authorized the levy of such a maintenance tax in an amount not to exceed \$1.50 per \$100 of Assessed Valuation. See "TAX DATA - Maintenance Tax."

Exempt Property

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt real property include: 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; nonprofit cemeteries; and certain property owned by qualified charitable, religious, veterans, fraternal, or educational organizations. Partially exempt to the maximum extent of between \$5,000 and \$12,000 of assessed value, depending upon the disability rating of the veteran, is property owned by a disabled veteran or by the spouse or certain children of a deceased disabled veteran or a veteran who died while on active duty. Totally exempt is property owned by a veteran who receives a disability rating of 100%. 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 (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or, (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of (i) a member of the armed forces, (ii) a first responder as defined under Texas law, 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. Also partially exempt, if approved by the Board or at an election called by the Board upon petition of at least 20% of the number of the qualified voters who voted in the District's preceding election, are residence homesteads of certain persons who are disabled or at least 65 years old to the extent of \$10,000 of appraised value or such higher amount as the Board or the District's voters may approve. The District's tax assessor 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.

The Board may exempt up to 20% of the market value of residential homesteads from ad valorem taxation. Such exemption would be in addition to any other applicable exemptions provided by law. However, if ad valorem taxes have previously been pledged for the payment of debt and the cessation of the levy would impair the obligation of the contract by which the debt was created, then the Board may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged. To date the Board has not voted to exempt any percentage of the market value of residential homesteads from ad valorem taxation, but no representation may be made that the Board will not determine to grant such exemption in the future.

A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less

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

Fort Bend County may designate all or part of the area within the District as a reinvestment zone, and Fort Bend County may thereafter enter into tax abatement agreements with owners of real property within the zone. The tax abatement agreements may exempt from ad valorem taxation by the applicable taxing jurisdiction, and by the District, for a period of up to 15 years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. None of the area within the District has been designated as a reinvestment zone to date.

County-Wide Appraisal District

The Texas Property Tax Code (the “Tax Code”) establishes an appraisal district and an appraisal review board in each county of the State of Texas. The appraisal district is governed by a board of directors elected by the governing bodies of cities, towns, school districts and, if entitled to vote, the conservation and reclamation districts that participate in the appraisal district and of the county. The District is entitled to vote upon and participate in the selection of members of the board of directors of the FBCAD. The board of directors selects a chief appraiser to manage the appraisal office of the appraisal district. All taxing units within Fort Bend County, including the District, are included in the FBCAD. FBCAD is responsible for appraising property within the District, subject to review by the Fort Bend County Appraisal Review Board (the “Appraisal Review Board”). The appraisal roll as approved by the Appraisal Review Board must be used by the District in establishing its tax rolls and tax rate. The valuation and assessment of taxable property within the District is governed by the Tax Code.

Under current Texas law, the District is responsible for the levy and collection of its taxes and will continue to be so responsible unless the Board of Directors of the District, or the qualified voters of the District or of Fort Bend County at an election held for such purpose, determines to transfer such functions to the FBCAD or another taxing unit.

Assessment and Levy

Generally, all taxable property in the District (other than any qualifying agricultural and timberland) must be appraised at 100% of market value as of January 1 of each tax year, subject to review and approval by the Appraisal Review Board. However, houses held for sale by a developer or builder which remain unoccupied, are not leased or rented and produce no income, are required to be assessed at the price for which they would sell as a unit to a purchaser who would continue the owner's business. See “TAX DATA - Principal 2022 Taxpayers.” The Tax Code requires each appraisal district to implement a plan providing for reappraisal of all real property in the appraisal district at least once every three years. It is not known what frequency of reappraisal will be utilized by the FBCAD or whether reappraisals will be conducted on a zone or county-wide basis.

The Tax Code permits land designated for agricultural use 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. Provisions of the Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use designation must apply for the designation, and the appraiser is required by the Tax Code to act on each claimant's right to the designation individually. If a claimant receives the 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 for three years for agricultural use and for five years for open space and timberland, prior to the loss of the designation.

The chief appraiser must give written notice on May 15, or as soon thereafter as practicable, to each owner if the appraised value of his property is greater than it was in the preceding year, if the appraised value of the property is greater than the value rendered by the property owner, or if the property was not on the appraisal roll in the preceding year. In addition, the chief appraiser must give written notice to each property owner whose property was reappraised in the current year or if ownership of the property changed during the preceding year. The Appraisal Review Board has the ultimate responsibility for determining the value of all taxable property within the District; however, any owner who has timely filed notice with the Appraisal Review Board may appeal the final determination by the Appraisal Review Board by filing suit in Texas district court. Prior to such appeal and prior to the delinquency date, however, the owner must pay the tax due on the amount of value of the property involved that is not in dispute or the amount of tax paid in the prior year, whichever is greater, or the amount of tax due under the order from which the appeal is taken. In the event of such suit, the value of the property is determined by the court, or a jury if requested by any party. Additionally, the District is entitled to challenge certain matters before the Appraisal Review Board, including the level of appraisals of a certain category of property, the exclusion of property from the appraisal records, or the grant in whole or in part of a partial exemption. The District may not, however, protest a valuation of individual property.

After the District receives the certified appraisal roll, the rate of taxation is set by the Board based upon the assessed valuation of property within the District as of the preceding January 1 and the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a petition for review in Texas state district court within forty-five (45) days after notice is received that a final order has been entered. In such event, the property value in question may 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 Tax Code.

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

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 "Low Tax Rate Districts." 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 are classified herein as "Other 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.

Low Tax Rate Districts

Low Tax Rate Districts 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 a rollback 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 Low Tax Rate District is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a resident homestead in the district in that year, subject to certain homestead exemptions.

Developed Districts

Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold a rollback election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.035 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions, plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor 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 Low Tax Rate District and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Low Tax Rate Districts.

Other Districts

Districts that do not meet the classification of a Low Tax Rate District or a Developed District are classified as Other Districts. The qualified voters of these districts, upon the Other 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 a rollback election is called and passes, the total tax rate for Other Districts is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a resident homestead in the district in that year, subject to certain homestead exemptions.

The District

A determination as to a district's status as a Low Tax Rate District, Developed District or Other District will be made on an annual basis, at the time a district sets its 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 rollback election calculation. For the 2022 tax rate year, a determination has been made by the District's Board of Directors that the District is a Developing District.

Collection

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due on receipt of the tax bill and become delinquent after January 31 of the following year. The date of the delinquency may be postponed if the tax bills are mailed after September 30 (if the Board has authorized discounts for early payment) or otherwise after January 10. Further, a person who is 65 years of age or older or disabled is entitled by law to pay current taxes on his residential homestead in installments or to receive a deferral

or abatement of delinquent taxes without penalty during the time he owns or occupies his property as his residential homestead. So long as the Board has not transferred responsibility for collection of the taxes to another taxing unit or the Appraisal District, the Board may permit payment without penalty or interest of the final tax installment by July 1, if one-half of taxes assessed for the current year are paid prior to December 1. The Board may approve a 3% discount for taxes paid in October, 2% for November and 1% for December. Delinquent taxes are subject to a 6% penalty for the first month of delinquency, 1% for each month thereafter to July 1 and 12% total if any taxes are unpaid on July 1. Delinquent taxes also accrue interest at the rate of 1% per month during the period they remain outstanding. In addition, the Board may impose a further penalty on all taxes, penalties, and interest unpaid on July 1 which is used to defray the cost of engaging an attorney for collection of delinquent taxes.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the person who owns or acquires the property on January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year upon the property. The District's tax lien is on a parity with the tax liens of the other jurisdictions levying taxes on property within the District. 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. In the absence of such federal law, the District's tax lien takes priority over a lien of the United States. In the event a taxpayer fails to make timely payment of taxes due the District, the District may file suit at any time after taxes become delinquent to foreclose its lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may also be adversely affected by the amount of taxes owed to other taxing jurisdictions, by the effects of market conditions on the foreclosure sales price, by the taxpayer's redemption rights (a taxpayer may redeem property within two (2) years for residence homesteads or land designated for agricultural use and within six (6) months for all other types of real property after the purchaser's deed issued at the foreclosure sale is filed in the county records), or by bankruptcy proceedings which restrain or stay the collection of a taxpayer's debts. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court. See "INVESTMENT CONSIDERATIONS - Principal Land Owners' Obligations to the District."

Reappraisal of Property after Disaster

The Texas Tax Code provides that the governing body of a taxing unit located within an area declared to be a disaster area by the governor of the State of Texas may authorize reappraisal of all property damaged in the disaster at its market value immediately after the disaster. For reappraised property, the taxes are pro rated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1 of that year. Beginning on the date of the disaster and for the remainder of the year, the taxing unit assesses taxes on the reappraised market value of the property. The District did not authorize a reappraisal following Hurricane Harvey.

Tax Payment Installments after Disaster

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.

THE SYSTEM

Regulation

According to the Engineer, the District's water supply and distribution, wastewater collection and treatment, and storm drainage facilities (collectively, the "System") have been designed in accordance with accepted engineering practices and the requirements of various agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities. The construction and operation of the System must be accomplished in accordance with the standards and specifications of such entities and are subject to inspection by each such entity. The TCEQ exercises continuing supervisory authority over the District. Discharge of treated sewage is subject to the regulatory authority of the TCEQ and the U.S. Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of the Fort Bend County Subsidence District, Fort Bend County, Fort Bend County Drainage District, and, in some instances, Fort Bend County Levee Improvement District No. 12, the TCEQ and the U.S. Army Corps of Engineers. Fort Bend County and the City of Houston also exercise regulatory jurisdiction over the District's System. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision. According to the District's Engineer, the total number of equivalent single-family connections ("ESFCs") projected for the District at the full development of its approximate 688.4 acres is 1,869 with a total estimated population of 5,070. A description of portions of the System follows and is based upon information supplied by the District's Engineer.

Description

The District financed its cost of construction or acquisition of water distribution, wastewater collection, and storm drainage facilities that serve the lots in Grand Mission Estates, Sections 1 through 19, 21 through 27, and along Lakehead Lane, Beechnut Street and Mason Road, a detention pond, Water Plant No. 1 Phases I through III expansions, Water Plant No. 2, Water Plant No. 3 Phase I, wastewater treatment package plant Phases I and II expansions and lift station, regional detention facilities, Phases II and IIIA, drainage facilities along Bellaire Boulevard, Water Plant expansion, regional detention Phase I, lift station No. 2 and force main, Mason Road Drainage Facilities serving Grand Mission Estates Section 22, Beechnut Drainage Facilities, storm water pollution prevention plans for Grand Mission Estates, Sections 26 and 27, and other facilities with the proceeds of the Prior Bonds. The District will finance its cost of construction or acquisition of water distribution, wastewater collection, and storm drainage facilities that serve the lots in Grand Mission Estates, Sections 28 through 32, lift station No. 1 rehabilitation and generator, and other facilities, as is enumerated in this Official Statement under the caption "THE BONDS - Use and Distribution of Bond Proceeds," with proceeds of the Bonds. The District expects to finance the acquisition or construction of additional components of the System with the proceeds of the sale of bonds, if any, that the District expects to issue in the future. See "THE BONDS - Issuance of Additional Debt," and "INVESTMENT CONSIDERATIONS - Future Debt."

- Water Supply -

The District jointly owns water supply facilities with Grand Mission Municipal Utility District No. 1 ("GMMUD No. 1"), Fort Bend County Municipal Utility District No. 143 ("FB No. 143") and Fort Bend County Municipal Utility District No. 165 ("FB No. 165"). Such water supply facilities consist of two (2) 1,500 gallons-per-minute ("gpm") water wells, a total of 3,385,000 gallons of ground storage tank capacity, four (4) 15,000 gallon hydropneumatic tanks, two (2) 30,000 gallon hydropneumatic tanks, two (2) 20,000 gallon hydropneumatic tanks, booster pumps totaling 15,500 gpm of capacity, two auxiliary power generators and related appurtenances. The District's share of the water plant capacity, which was financed in part with portions of the proceeds of the sale of the Prior Bonds, is sufficient to provide service to 2,235 ESFCs. GMMUD No. 1's share is sufficient to provide service to 2,492 ESFCs, FB No. 143's share is sufficient to provide service to 2,054 ESFCs and FB No. 165's share is sufficient to provide service to 1,469 ESFCs. GMMUD No. 1 has constructed emergency water interconnection lines with the adjacent Fort Bend County Municipal Utility District Nos. 118, 122, 123 and 143 to provide emergency sources of water for the districts.

- Wastewater Treatment -

Wastewater treatment is provided to the District by a 2,110,000 gallon per day (“gpd”) wastewater treatment plant that the District shares with FB No. 143, GMMUD No. 1 and FB No. 165. The District is entitled to 565,373 gpd of the capacity in the facility, which, according to the District’s Engineer, is sufficient to serve 2,174 ESFCs at 260 gpd/ESFC. GMMUD No. 1 is entitled to 642,420 gpd, FB No. 143 is entitled to 529,233 gpd, and FB No. 165 is entitled to 372,973 gpd of the capacity in the facility.

- Storm Drainage -

Storm water drainage within the District is collected in the District’s underground storm sewer system and conveyed to either the detention basin north of Long Point Slough or the detention basin south of Long Point Slough and then conveyed to Long Point Slough. See “100-Year Flood Plain” below. The District plans to finance additional drainage facilities, including storm sewers within Grand Mission Estates, Sections 28 through 32, with the proceeds of the sale of the Bonds.

The entirety of the District is located within the boundaries of the Levee District, which provides major outfall drainage and flood protection for approximately 4,045 acres of land, and thus is subject to taxation by the Levee District. The Levee District has issued bonds to finance certain drainage improvements which benefit the District and may issue additional bonds in the future. See “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments” and - “District Tax Levy and Overlapping District Taxes and Functions.”

- 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 not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100 year flood plain have flooded multiple times in the last several years.

According to the District's Engineer, the Federal Emergency Management Agency Flood Hazard Boundary Map currently in effect which covers the land located in the District indicates that no portion of the District (except the storm water detention ponds that have been constructed within the District) is located in the 100-year flood plain of Long Point Slough, which 100-year flood plain is contained within the banks of Long Point Slough as a consequence of improvements constructed by the Levee District.

- Subsidence and Conversion to Surface Water Supply -

The District is within the boundaries of the Fort Bend Subsidence District (the “Subsidence District”), which regulates groundwater withdrawal. The District’s authority to pump groundwater is subject to an annual consolidated permit issued by the Subsidence District to the Authority on behalf of its participants. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in certain areas within the Subsidence District's jurisdiction, including the area within the District.

The Subsidence District's regulations require the District, individually or collectively with other water users, to: (i) have prepared a groundwater reduction plan (“GRP”) and obtain certification of the GRP from the Subsidence District by 2008; (ii) have limited groundwater withdrawals to no more than 70% of the total water demand of the water users within the GRP, beginning January 2014 and (iii) limit groundwater withdrawals to no more than 40% of the total water demand of the water users within the GRP, beginning January 2025.

In 2005, the Texas legislature created the North Fort Bend Water Authority (the "Authority") to, among other things, reduce groundwater usage in, and to provide surface water to, the northern portion of Fort Bend County (including the District) and a small portion of Harris County. The District has chosen to participate in the Authority and thereby comply with the above Subsidence District regulations, collectively, with the other water users within the Authority. The Authority, among other powers, has the power to: (i) establish fees (including fees imposed on the District for groundwater pumped by the District and surface water received by the District), user fees, rates, charges and special assessments as necessary to accomplish its purposes; (ii) issue debt supported by the revenues pledged for the payment of its obligations; and (iii) mandate water users, including the District, to convert from groundwater to surface water. In March 2008, the Authority adopted a GRP in which the District is a participant. The Authority is delivering surface water to Water Plant No. 1 and Water Plant No. 2 and it is anticipated that the Authority will provide the District with enough water for the average daily demand. The District will utilize its existing water wells as necessary to meet peak demands that exceed the amount of water supplied by the Authority. The Authority currently charges the District, and other major groundwater users, a fee of \$4.55 per 1,000 gallons of groundwater pumped and \$4.90 per 1,000 gallons of surface water received. Said fees may be increased by the Authority at any time. The Authority currently has \$1,138,525,000 of revenue bonds outstanding and anticipates issuing substantial amounts of additional revenue bonds in the future to finance the Authority's project costs.

If the Authority fails to comply with the above Subsidence District regulations, the District will be subject to a disincentive fee penalty imposed by the Subsidence District for any groundwater withdrawn in excess of the then-current limit. If the District fails to comply with surface water conversion requirements when and if mandated by the Authority, the District would be subject to monetary or other penalties imposed by the Authority.

The District cannot predict the amount or level of fees and charges which may be due the Authority in the future, but anticipates the need to pass such fees through to its customers: (i) through higher water rates and/or (ii) with portions of maintenance tax proceeds, if any. No representation is made that the Authority: (i) will continue to comply with the GRP, (ii) will build the necessary facilities to meet the requirements of the Subsidence District for conversion to surface water, or (iii) will comply with the Subsidence District's surface water conversion requirements.

The District receives surface water from the Authority.

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and not of the State of Texas, Fort Bend County, Texas, the City of Houston, Texas, or any political subdivision other than the District, are secured by an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property located within the District. See "THE BONDS - Source of Payment." The ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below.

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The land located within the District which has been developed to date has been developed primarily for single-family residential purposes. Therefore, the rate of development of the District is directly related to the vitality of the residential housing industry. New residential housing construction can be significantly affected by factors such as interest rates, credit availability, construction costs, energy costs and availability and the prosperity and demographic characteristics of the urban center toward which the marketing of homes and commercial enterprises is directed. Recent changes in federal tax law limiting deductions for ad valorem taxes may adversely affect the demand for housing and the prices thereof. Further fluctuation in the

price of oil could adversely affect job stability, wages and salaries, thereby negatively affecting the demand for housing as well as the value of existing homes (see “Potential Effects of Oil Price Fluctuations on the Houston Area” herein). Were the District to experience a significant number of residential foreclosures, the value of all homes within the District could be adversely affected. Decreased levels of home construction activity would restrict the growth of property values in the District. Although development in the District has occurred as is described in this Official Statement under the captions “DEVELOPMENT OF THE DISTRICT,” the District cannot predict the pace or magnitude of any future development or home construction in the District other than that which has been undertaken to date. See “TAXING PROCEDURES.”

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

Credit Markets and Liquidity in the Financial Markets: Interest rates and the availability of mortgage and development funding have a direct impact on development and homebuilding activity, particularly short-term interest rates at which developers are able to obtain financing for development costs and at which homebuilders are able to finance the construction of new homes for sale. Interest rate levels may affect the ability of a developer with undeveloped property to undertake and complete development activities within the District and of homebuilders to initiate the construction of new homes for sale. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued development and/or home construction within the District. In addition, because the District is located approximately 23 miles west of the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston and further decline in real estate and financial markets in the United States could adversely affect development and homebuilding plans in the District and restrain the growth of the District’s property tax base.

Vacant Developed Lots: As of April 1, 2023, approximately 148 developed lots within the District remained available for construction. Failure of the Developers and/or builders to construct taxable improvements on developed lots could result in substantial increases in the rate of taxation by the District during the term of the Bonds to pay debt service on the Bonds and any other tax supported debt of the District issued in the future. Future increases in value will result primarily from the construction of homes by builders. The District makes no representation that the lot sales and building program will be successful.

Principal Land Owners’ Obligations to the District

The ability of any principal land owner 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. The District’s largest taxpayer in 2022, as reflected on the District’s 2022 tax roll, Haven at Bellaire LLC (“HAB”). The 2022 Assessed Valuation of the property owned by HAB comprised approximately 6.89% of the District’s total taxable assessed valuation. No other party owns property the 2022 Assessed Valuation of which exceeds 1.36% of the District’s total 2022 Assessed Valuation. The development of approximately 515.85 of the approximately 688.4 acres of land located in the District has been completed by 688 and another developer into 1,639 fully developed single-family residential lots as is described in this Official Statement under the caption “DEVELOPMENT OF THE DISTRICT.” In addition, the development of Grand Mission Estates, Section 31 (51 single-family residential lots on approximately 13.43 acres) is underway, with completion, including street paving expected in approximately December 2024. 688LP owns approximately 4.6 acres of currently undeveloped land located within the District. The developable portions of such approximately 4.6 acres owned by 688LP are currently expected to be developed for future commercial usage.

There is no commitment by or legal requirement of 688, 688LP or any other party to the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of any home building company, including the Builder that is currently constructing homes located in the District, to proceed at any particular pace with the construction of homes in the District, and there is no restriction on any landowner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of home construction activity in the District.

Maximum Impact on District Tax Rates

The value of the land and improvements currently located within the District will be a major determinant of the ability of the District to collect, and the willingness of District property owners to pay, ad valorem taxes levied by the District. The District's 2022 Assessed Valuation is \$540,909,116. After issuance of the Bonds, the Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds will be \$2,511,600 (2051) and the Average Annual Debt Service Requirements will be \$2,472,674 (2023 through 2051, inclusive). Assuming no increase to nor decrease from the 2022 Assessed Valuation, no use of funds on hand, and the issuance of no additional bonds by the District, a tax rate of \$0.49 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively. The District's Estimated Valuation at February 15, 2023, is \$581,099,790. Assuming no increase to nor decrease from the Estimated Valuation at February 15, 2023, no use of funds on hand, and the issuance of no additional bonds by the District, tax rates of \$0.46 and \$0.45 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively. The District has levied a debt service tax for 2022 at a rate of \$0.45 per \$100 Assessed Valuation, plus a maintenance tax of \$0.42 per \$100 of Assessed Valuation. As the above calculation indicates, the 2022 debt service tax rate is sufficient to pay the Average Annual Debt Service Requirements but not the Maximum Annual Debt Service Requirement of the Outstanding Bonds and the Bonds, assuming taxable values at the level of the Estimated Valuation at February 15, 2023, provided by the Appraisal District, assuming the District will have a tax collection rate of 95%, no use of other legally available District funds, and the issuance of no additional bonds by the District other than the Prior Bonds and the Bonds. However, as is illustrated above under "TAX DATA - Historical Values and Tax Collection History," as of February 28, 2023, the District had collected an average of 99.96% of its 2012 through 2021 tax levies, and had collected 95.98% of its 2022 tax levy, which is in the process of collection, as of such date. Moreover, the District's Debt Service Fund balance was \$4,248,730 as of March 20, 2023. Although neither Texas law nor the Bond Resolution requires that any specific amount be retained in the Debt Service Fund at any time, the District expects to apply earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Bonds and the Outstanding Bonds. The District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Prior Bonds as is delineated in "APPENDIX B - ANNUAL FINANCIAL REPORT" that is appended to this Official Statement. Therefore, the District anticipates that it will be able to meet the debt service requirements on the Bonds and the Outstanding Bonds without increasing the tax rate for debt service above the debt service rate which the District levied for 2022 - \$0.45 per \$100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. See "TAXING PROCEDURES" and "Factors Affecting Taxable Values and Tax Payments" above. The District expects to finance the acquisition or construction of additional components of the System with the proceeds of the sale of bonds, if any, that the District expects to issue in the future. See "THE BONDS - Issuance of Additional Debt" and "Future Debt" below.

Increases in the District's tax rate to levels higher than the debt service rate of \$0.45 per \$100 of Assessed Valuation for debt service plus a maintenance tax of \$0.42 per \$100 of Assessed Valuation which the District has levied for 2022 may have an adverse impact upon future development within the District, the future construction of homes and other taxable improvements within the District, and the ability of the District to collect, and the willingness of owners of property located within the District to pay, ad valorem taxes levied by the District. In addition, the collection by the District of delinquent taxes owed to it and the enforcement by a Registered Owner of the District's obligations to collect sufficient taxes may be a costly and lengthy process. See "TAXING PROCEDURES - District's Rights in the Event of Tax Delinquencies."

District Tax Levy and Overlapping District Taxes and Functions

The entirety of the District is located within the Levee District. The Levee District, which covers approximately 4,045 acres of land, has issued bonds to finance the acquisition or construction of drainage improvements to provide major outfall drainage and flood protection to areas which lie within the Levee District. See "THE SYSTEM." The Levee District levies a tax on the land located in the Levee District, which includes the entirety of the District, which tax is in addition to the tax levied by the District. The Levee District has levied a tax of \$0.065 per \$100 of Assessed Valuation for 2020, \$0.030 per \$100 of Assessed Valuation of which is a maintenance tax. As is stated in this Official Statement under the captions "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and - "District Tax Levy and Overlapping District Taxes and Functions," the District has levied a total tax of \$0.87 per \$100 of Assessed Valuation for 2022, consisting of a debt service tax rate of \$0.45 per \$100 of Assessed Valuation, plus a maintenance tax of \$0.42 per \$100 of Assessed Valuation. Moreover, as is described in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the tax levies of all units of government which levy taxes against the property located within the District for 2022 is \$2.601882 per \$100 of Assessed Valuation, which aggregate levy is higher than the aggregate of the tax levies of some municipal utility districts located in the Houston metropolitan area, although such aggregate levy is within the range of the aggregate of the tax rates levied by municipal utility districts which are in stages of development comparable with the District. One must consider the total tax burden of all overlapping jurisdictions imposed upon property located within the District as contrasted with property located in comparable real estate developments to gauge the relative tax burden on property within the District. The tax rate necessary to service the debt issued or to be issued by the District and the Levee District, and the tax rates levied by other overlapping jurisdictions, are subject to numerous uncertainties and variables, and thus the District can give no assurance that the composite tax rates imposed by overlapping jurisdictions, plus the District's tax rate, will be competitive with the tax rates of competing projects. To the extent that the District's composite tax rates are not competitive with competing developments, the growth of property tax values in the District and the investment quality or security of the Bonds could be adversely affected.

Tax Collection Limitations

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

Registered Owners' Remedies and Bankruptcy

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

The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, a suit seeking the remedy of mandamus would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See “THE BONDS - Bankruptcy Limitation to Registered Owners' Rights.”

The District may not be placed into bankruptcy involuntarily.

Marketability

The District has no understanding (other than the initial reoffering yields) with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds in the secondary market. There is no assurance that a secondary market will be made for the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the bid and asked spread of other bonds generally bought, sold or traded in the secondary market. See “SALE AND DISTRIBUTION OF THE BONDS.”

Future Debt

The District has the right to issue the remaining \$4,215,000 authorized but unissued bonds for waterworks, wastewater and drainage facilities, an amount equal to one and one-half times the amount of bonds outstanding for refunding purposes (\$78,750,000), and \$8,030,000 principal amount of bonds for recreational facilities (see “THE BONDS - Issuance of Additional Debt”), and such additional bonds as may hereafter be approved by both the Board and voters of the District. The District also has the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Resolution. The issuance of the \$4,215,000 bonds for waterworks, wastewater and drainage facilities and \$8,030,000 bonds for recreational facilities is also subject to TCEQ authorization. All of the remaining \$4,215,000 bonds for waterworks, wastewater and drainage facilities which have heretofore been authorized by the voters of the District may be issued by the District from time to time as needed. In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with the proceeds of the sale of the Bonds, the District expects to finance additional components of the System with the proceeds of the sale of bonds, if any, that the District expects to issue in the future. See “THE BONDS - Issuance of Additional Debt,” and - “Use and Distribution of Bond Proceeds” and “THE SYSTEM.”

The District's Engineer estimates that the aforementioned \$4,215,000 authorized bonds which remain unissued will be adequate to finance the construction of all water, wastewater and drainage facilities to provide service to all of the currently undeveloped portions of the District. In the event that the remaining authorized but unissued bonds are insufficient to complete the development of the District, the voters of the District would have to approve additional bonds at an election held for such purpose for the District to be able to issue such bonds. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

Competitive Nature of Houston Residential Housing Market

The housing industry in the Houston area is very competitive, and the District can give no assurance that any future development or homebuilding activity within the District will occur. Any developer(s) or home builder(s) which might attempt future home building or development projects in the District in the sale of developed lots or in the construction and sale of single-family residential units are affected by most of the factors discussed in this section, and such competitive positions are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

Continuing Compliance with Certain Covenants

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

Approval of the Bonds

As required by law, engineering plans, specifications and estimates of construction costs for the facilities and services to be purchased or constructed by the District with the proceeds of the Bonds have been approved, subject to certain conditions, by the TCEQ. See “THE BONDS - Use and Distribution of Bond Proceeds.” In addition, the Attorney General of Texas must approve the legality of the Bonds prior to their delivery.

Neither the TCEQ nor the Attorney General of Texas passes upon or guarantees the security of the Bonds as an investment, nor have the foregoing authorities passed upon the adequacy or accuracy of the information contained in this Official Statement.

Environmental Regulations

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

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

Sanctions against a municipal utility district or other type of special purpose district for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements and issuance of injunctions to ensure future compliance. Environmental laws and compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Environmental laws can also inhibit growth and development within the District. Further, changes in regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

Air Quality Issues

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

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

Area under the revoked 1997 Ozone Standards, leaving the HGB Area subject only to the nonattainment area requirements under the 2008 Ozone Standard (and later, the 2015 Ozone Standard).

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

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

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

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

Water Supply & Discharge Issues

Water supply and discharge regulations that municipal utility districts, including the District, may be required to comply with involve: (1) groundwater well permitting and surface water appropriation; (2) public water supply systems; (3) wastewater discharges from treatment facilities; (4) storm water discharges; and (5) wetlands dredge and fill activities. Each of these is addressed below:

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

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

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

The District is subject to the TCEQ’s General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”), which was issued by the TCEQ on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The District has applied for coverage under the MS4 Permit and is awaiting final approval from the TCEQ. In order to maintain compliance with the MS4 Permit, the District continues to develop, implement, and maintain the required plans, as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Costs associated with these compliance activities could be substantial in the future.

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

In 2015, the EPA and USACE promulgated a rule known as the Clean Water Rule (“CWR”) aimed at redefining “waters of the United States” over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expanded the scope of the federal government’s CWA jurisdiction over intrastate water bodies and wetlands. 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 itself became the subject of litigation in multiple jurisdictions.

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule (“NWPR”), which contained a new definition of “waters of the United States.” The NWPR became effective June 22, 2020, and is the subject of ongoing litigation.

On June 9, 2021, the EPA and USACE announced plans to further revise the definition of “waters of the United States.” On August 30, 2021, the United States District Court for the District of Arizona issued an order vacating the NWPR while the EPA and USACE made plans to replace it. On November 18, 2021, the EPA and USACE issued a Notice of Proposed Rulemaking to put back into place the pre-2015 definition of “waters of the United States,” and on December 7, 2021, the proposed rule was published in the Federal Register, with the public comment period closing on February 7, 2022. On December 30, 2022, the EPA and USACE finalized the proposed rule, effective as of March 20, 2023, which vacates and remands the NWPR released in 2020 and interprets “waters of the United States” consistent with the pre-2015 regulatory regime. It is expected that there will be litigation challenging the validity and implementation of the rule. Due to existing and possible future litigation and regulatory action, there remains uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

Extreme Weather Events

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected.

The greater Houston area, including the District, has experienced multiple storms exceeding a 0.2% probability (i.e., “500 year flood” events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. However, according to the District's Operator and Engineer, the District's System did not sustain any material damage and there was no interruption of water and sewer service from Hurricane Harvey. Further, according to the District's Engineer, after investigation, although the District experienced street flooding, there was no apparent material wind or water damage to homes within the District.

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

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

Infectious Disease Outbreak (COVID-19)

In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus (“COVID-19”) to be a public health emergency. On March 13, 2020, the Governor of Texas (the “Governor”) declared a state of disaster for all counties in the State of Texas (the “State”) because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings, and other activities.

There are currently no COVID-19 related operating limits for any business or other establishment imposed by the State of Texas. The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this Official Statement.

The District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however, the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

Potential Effects of Oil Price Fluctuations on the Houston Area

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. The District cannot predict the impact that negative conditions in the oil industry could have on property values in the District.

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.

2023 Legislative Session

The 88th Regular Legislative Session convened on January 10, 2023 and will conclude on May 29, 2023. The Texas Legislature could enact laws that materially change current laws affecting ad valorem tax matters, election measures, and other matters which could adversely affect the marketability or market value of the Bonds. The District can make no representation regarding any actions the Texas Legislature may take or the effect of any such actions. While the enactment of future legislation in Texas could adversely affect the financial condition or operations of the District, the District does not anticipate that the security for payment of the Bonds, specifically, the District's obligation to levy an unlimited annual ad valorem tax, would be adversely affected by any such legislation.

LEGAL MATTERS

Legal Opinions

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of Texas as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, and all taxable property within the District is subject to the levy of ad valorem taxes to pay the same, without legal limitation as to rate or amount, based upon examination of a transcript of certified proceedings held incident to the issuance and authorization of the Bonds, and the approving legal opinion of Coats Rose, P.C., Houston, Texas, Bond Counsel for the District, to a like effect. Such opinions express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. Bond Counsel's opinion also will address the matters described below under "Tax Exemption."

Bond Counsel has reviewed the information appearing in this Official Statement under "THE BONDS" (except for information under the subheadings "Book-Entry-Only System" and "Use and Distribution of Bond Proceeds"), "THE DISTRICT - Management of the District - Attorney," "TAXING PROCEDURES," "LEGAL MATTERS - Legal Opinions," " - No Arbitrage," " - Tax Exemption," " - Tax Accounting Treatment of Discount and Premium on Certain Bonds," and " - Qualified Tax-Exempt Obligations" and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law, the provisions of the documents referred to therein and conforms to the provisions of the Order of the TCEQ approving the Bonds and to the requirements of the City of Houston with respect to the sale of the Bonds. 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, other than the matters discussed immediately above.

Coats Rose, P.C., 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.

No Arbitrage

The District will certify on 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, 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 Section 148 of the Internal Revenue Code of 1986, as amended (the “Code”), and the regulations prescribed from time to time 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 have been authorized to certify to the facts, 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 will covenant in the Bond Resolution that it will make such use of the proceeds of the Bonds, regulate investments of proceeds of the Bonds and take such other and further actions and follow such procedures, including without limitation, calculation of the yield on the Bonds, as may be required so that the Bonds will not become “arbitrage bonds” under the Code and the regulations prescribed from time to time thereunder.

No-Litigation Certificate

The District will furnish the Initial Purchaser a certificate, executed by the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, that to their knowledge, no litigation is pending or threatened affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

No Material Adverse Change

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

Tax Exemption

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Special Tax Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”), (1) interest on the Bonds for federal income tax purposes will be excludable from the “gross income” of the holders thereof and (2) the Bonds will not be treated as “specified private activity bonds” the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the “Code”). Except as stated above, Special Tax Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

In rendering its opinion, Special Tax Counsel will rely upon (a) the opinion of Coats Rose, P.C., Bond Counsel, that the Bonds are valid and binding obligations of the District payable from the proceeds of a generally-applicable ad valorem tax, (b) the District's federal tax certificate and any verification report prepared and (c) covenants of the District with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matter. Failure by the District to observe the aforementioned representations or covenants, could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Special Tax Counsel to

the District is conditioned on compliance by the District with the covenants and the requirements described in the preceding paragraph, and Bond Counsel to the District has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Special Tax Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Special Tax Counsel's opinion is not a guarantee of a result. The law upon which Special Tax Counsel has based its opinion is subject to change by Congress, administrative interpretation by the Department of the Treasury and to subsequent judicial interpretation. There can be no assurance that such law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of ownership of the Bonds.

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the facilities financed or refinanced with the proceeds of the Bonds. Special Tax Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the District that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Special Tax Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law which is subject to change or modification, retroactively.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences. The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds may be includable in certain corporation's "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

Tax Accounting Treatment of Original Issue Discount Bonds

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal or maturity amount thereof or one or more periods for the payment of interest on the bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bond"). The difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public 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 in the initial public offering of the Bonds. The "stated redemption price at maturity" means the sum of all payments to be made on the bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, 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. See "Tax Exemption" herein for a discussion of certain collateral federal tax consequences.

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 Original Issue Discount Bond was held by such initial owner) is includable in gross income.

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 date 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 Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the 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 and 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, 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 Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

State Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes

an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of foreign investors, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

NOT Qualified Tax-Exempt Obligations

The District has not designated the Bonds as "qualified tax-exempt obligations" with the meaning of Section 265(b) of the Code.

OFFICIAL STATEMENT

General

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

The District's audited financial statements for the fiscal year ended June 30, 2022, were prepared by McCall Gibson Swedlund Barfoot LLC, Certified Public Accountants, and have been included herein as "APPENDIX B." McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, has consented to the publication of such financial statements in this Official Statement.

Experts

The information contained in the Official Statement relating to engineering and to the description of the System, and, in particular, that engineering information included in the sections entitled "THE BONDS - Use and Distribution of Bond Proceeds," "THE DISTRICT" and "THE SYSTEM" has been provided by Quiddity Engineering, LLC and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning principal taxpayers, tax collection rates and valuations contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" has been provided by the Fort Bend Central Appraisal District and Tax Tech, Inc. The District has included certain information herein in reliance upon Tax Tech, Inc.'s authority as an expert in the field of tax assessing and real property appraisal.

Certification as to Official Statement

The District, acting by and through its Board of Directors in its official capacity and in reliance upon the experts listed above, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, descriptions and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof.

Updating of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings "DISTRICT DEBT" and "TAX DATA" and in "APPENDIX B" (the Audit). The District will update and provide this information within six months after the end of each fiscal year ending in or after 2023.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements, if the District's audit is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial statements within the required time, and audited financial statements when the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Resolution or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is June 30. Accordingly, it must provide updated information by the last day of December in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Event Notices

The District will provide timely notices of certain 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 determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of SEC Rule 15c2-12; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of SEC Rule 15c2-12 or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the SEC Rule 15c2-12, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, 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 within the meaning of the Rule, 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 within the meaning of the Rule, any of which reflect financial difficulties. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information

The District has agreed to provide the foregoing information only to the MSRB. Investors will be able to access, without charge from the MSRB, continuing disclosure information filed with the MSRB through its EMMA system at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of certain events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders or beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, change in law, or change in the identity, nature, status or operation of the District, but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with SEC Rule 15c2-12, taking into account any amendments and interpretations of such Rule to the date of such amendment as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions

of such Rule or a court of final jurisdiction determines that such provisions are invalid, but in either case only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described under “Annual Reports” an explanation in narrative form of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance With Prior Undertakings

During the last five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12, except (i) the filing of the District’s audit due on December 31, 2018 was not timely filed; (ii) the event notice relating to the incurrence of financial obligation relating to the District’s 2020 BAN was not timely filed; and (iii) the event notice relating to the incurrence of financial obligation relating to the District’s 2022 BAN was not timely filed. The District subsequently made such filings on March 12, 2020, June 1, 2021, and March 24, 2023, respectively, and has filed the appropriate notices of non-compliance. The District has implemented additional procedures to make filings under SEC Rule 15c2-12 timely in the future.

CONCLUDING STATEMENT

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

This Official Statement was approved by the Board of Directors of Grand Mission Municipal Utility District No. 2 as of the date shown on the first page hereof.

/s/ Jerry Ulke
President, Board of Directors
Grand Mission Municipal Utility District No. 2

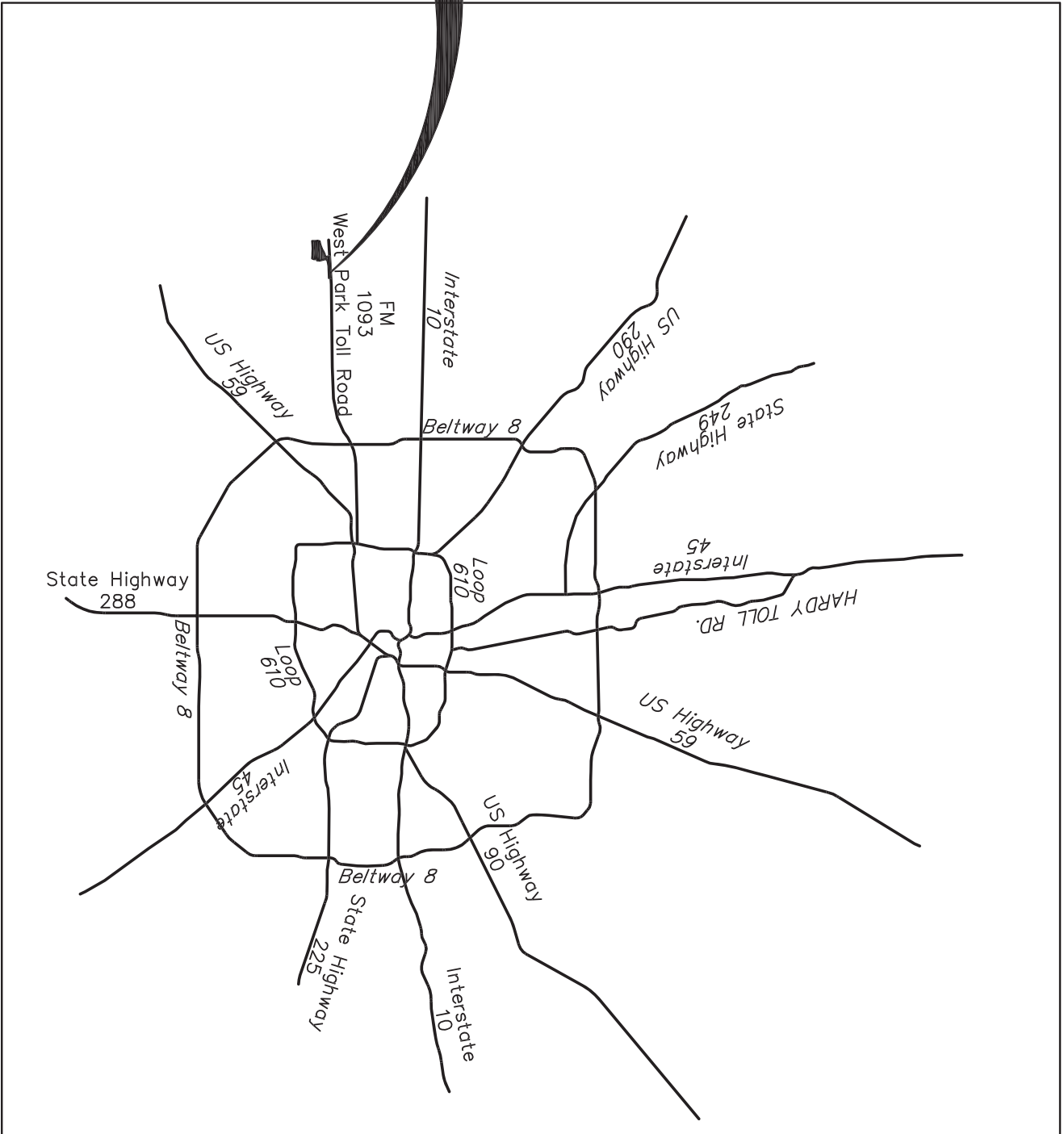
ATTEST:

/s/ Frank W. Donnelly, III
Secretary, Board of Directors
Grand Mission Municipal Utility District No. 2

APPENDIX A

LOCATION MAP

G.M.M.U.D.
No. 2



APPENDIX B

GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2

FORT BEND COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2022

GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2

FORT BEND COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2022

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2

FORT BEND COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Grand Mission Municipal
Utility District No. 2
Fort Bend County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Grand Mission Municipal Utility District No. 2 (the "District") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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.

Supplementary 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 an 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
Certified Public Accountants
Houston, Texas

October 17, 2022

**GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

Management’s discussion and analysis of the financial performance of Grand Mission Municipal Utility District No. 2 (the “District”) provides an overview of the District’s financial activities for the year ended June 30, 2022. 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, if applicable, 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 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 three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, operating costs and general expenditures. 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.

GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022

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 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”) and other supplementary information. A 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, assets and deferred outflows of resources exceeded liabilities by \$4,556,663 as of June 30, 2022. A portion of the District’s net position reflects its net investment in capital assets (land as well as water, wastewater and drainage facilities and the District’s capacity in the Grand Mission Municipal Utility District No. 1 joint facilities, less any debt used to acquire those assets that is still outstanding). The following is a comparative analysis of the changes in the Statement of Net Position as of June 30, 2022, and June 30, 2021.

GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2022	2021	Change Positive (Negative)
Current and Other Assets	\$ 12,838,560	\$ 10,835,227	\$ 2,003,333
Capital Assets (Net of Accumulated Depreciation)	<u>36,712,780</u>	<u>33,597,656</u>	<u>3,115,124</u>
Total Assets	<u>\$ 49,551,340</u>	<u>\$ 44,432,883</u>	<u>\$ 5,118,457</u>
Deferred Outflows of Resources	<u>\$ 170,982</u>	<u>\$ 183,881</u>	<u>\$ (12,899)</u>
Due to Developer	\$ 3,605,562	\$ 2,074,404	\$ (1,531,158)
Bonds Payable	40,362,749	36,000,153	(4,362,596)
Other Liabilities	<u>1,197,348</u>	<u>3,087,223</u>	<u>1,889,875</u>
Total Liabilities	<u>\$ 45,165,659</u>	<u>\$ 41,161,780</u>	<u>\$ (4,003,879)</u>
Net Position:			
Net Investment in Capital Assets	\$ (6,630,320)	\$ (5,906,933)	\$ (723,387)
Restricted	3,986,737	3,485,464	501,273
Unrestricted	<u>7,200,246</u>	<u>5,876,453</u>	<u>1,323,793</u>
Total Net Position	<u>\$ 4,556,663</u>	<u>\$ 3,454,984</u>	<u>\$ 1,101,679</u>

The following table provides a comparative analysis of the District's operations for the years ending June 30, 2022, and June 30, 2021.

	Summary of Changes in the Statement of Activities		
	2022	2021	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 4,233,805	\$ 3,610,012	\$ 623,793
Charges for Services	2,469,868	2,272,550	197,318
Other Revenues	<u>49,450</u>	<u>43,067</u>	<u>6,383</u>
Total Revenues	<u>\$ 6,753,123</u>	<u>\$ 5,925,629</u>	<u>\$ 827,494</u>
Expenses for Services	<u>5,651,444</u>	<u>4,506,103</u>	<u>(1,145,341)</u>
Change in Net Position	\$ 1,101,679	\$ 1,419,526	\$ (317,847)
Net Position, Beginning of Year	<u>3,454,984</u>	<u>2,035,458</u>	<u>1,419,526</u>
Net Position, End of Year	<u>\$ 4,556,663</u>	<u>\$ 3,454,984</u>	<u>\$ 1,101,679</u>

**GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

FINANCIAL ANALYSIS OF THE DISTRICT’S GOVERNMENTAL FUNDS

The District’s combined fund balances as of June 30, 2022, were \$12,121,736, an increase of \$1,787,627 from prior year.

The General Fund fund balance increased by \$1,349,568, primarily due to property tax revenues, service revenues and a transfer from the Capital Projects Fund exceeding operating, professional and administrative expenditures.

The Debt Service Fund fund balance increased by \$514,917, primarily due to the structure of the District’s outstanding debt.

The Capital Projects Fund fund balance decreased by \$76,858. The District sold its Series 2021 Bonds and used the proceeds to reimburse developers and retire its Series 2020 BAN (see Note 17).

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current fiscal year. Actual revenues were \$739,582 more than budgeted revenues, actual expenditures were \$397,032 more than budgeted expenditures and unbudgeted transfers in were \$55,585 which resulted in a total positive variance of \$398,135. See the budget to actual comparison for more information.

LONG-TERM DEBT ACTIVITY

As of June 30, 2022, the District had total bond debt payable of \$40,730,000. The changes in the debt position of the District during the fiscal year ended June 30, 2022, are summarized as follows:

Bond Debt Payable, July 1, 2021	\$ 36,340,000
Add: Bond Sale - Series 2021	5,035,000
Less: Bond Principal Paid	<u>645,000</u>
Bond Debt Payable, June 30, 2022	<u>\$ 40,730,000</u>

The District has an underlying rating of “Baa1” by Moody’s. The Series 2017, Series 2018, Series 2020 and Series 2021 Bonds carry insured ratings of “AA” and/or “A2” by virtue of bond insurance issued by Assured Guaranty Municipal Corp. Credit enhanced ratings provided through bond insurance policies are subject to change based on the rating of the insurer.

**GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

CAPITAL ASSETS

Capital assets total \$36,712,780 as of June 30, 2022, and include land as well as the water, wastewater and drainage systems and the District's capacity interest in the Grand Mission Municipal Utility District No. 1 joint facilities. The District reimbursed its Developer for various infrastructure through the issuance of its Series 2021 Bonds and, subsequent to year end, its Series 2022 BAN (see Notes 17 and 20).

Capital Assets At Year-End			
	2022	2021	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 1,978,681	\$ 1,978,681	\$
Construction in Progress	34,287	3,172,239	(3,137,952)
Capital Assets Subject to Depreciation:			
Water System	4,210,969	3,534,173	676,796
Wastewater System	8,835,135	7,868,061	967,074
Drainage System	18,894,319	16,743,011	2,151,308
Capacity Interest in Grand Mission Municipal Utility District No. 1:	8,863,859	5,701,129	3,162,730
Less Accumulated Depreciation	(6,104,470)	(5,399,638)	(704,832)
Total Net Capital Assets	\$ 36,712,780	\$ 33,597,656	\$ 3,115,124

Additional information on the District's capital assets can be found in Note 6 of this report.

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 Grand Mission Municipal Utility District No. 2, c/o Coats Rose, P.C., 9 Greenway Plaza, Suite 1000, Houston, Texas 77046.

GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2022

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 297,339	\$ 71,208
Investments	7,049,706	4,330,528
Receivables:		
Property Taxes	34,148	48,754
Penalty and Interest on Delinquent Taxes		
Service Accounts	485,614	
Accrued Interest	1,024	352
Due from Other Funds	23,671	
Due from Other Districts	1,934	
Advance for Water Facilities Operations	169,407	
Advance for Wastewater Treatment Facilities Operations	22,624	
Advance for Detention Facilities Operations	1,712	
Land		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 8,087,179	\$ 4,450,842
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ - 0 -	\$ - 0 -
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 8,087,179	\$ 4,450,842

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 263,399	\$ 631,946	\$	\$ 631,946
	11,380,234		11,380,234
	82,902		82,902
		10,697	10,697
	485,614		485,614
	1,376		1,376
	23,671	(23,671)	
50,114	52,048		52,048
	169,407		169,407
	22,624		22,624
	1,712		1,712
		1,978,681	1,978,681
		<u>34,699,812</u>	<u>34,699,812</u>
<u>\$ 313,513</u>	<u>\$ 12,851,534</u>	<u>\$ 36,699,806</u>	<u>\$ 49,551,340</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 170,982</u>	<u>\$ 170,982</u>
<u>\$ 313,513</u>	<u>\$ 12,851,534</u>	<u>\$ 36,870,788</u>	<u>\$ 49,722,322</u>

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

GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2022

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 302,463	\$ 8,008
Accrued Interest Payable		
Due to Other Funds		23,671
Security Deposits	312,754	
Due to Developers		
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 615,217	\$ 31,679
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 34,148	\$ 48,754
FUND BALANCES		
Nonspendable:		
For Water Facilities Operations	\$ 169,407	\$
For Wastewater Treatment Facilities Operations	22,624	
For Detention Facilities Operations	1,712	
Restricted for Authorized Construction		
Restricted for Debt Service		4,370,409
Unassigned	7,244,071	
TOTAL FUND BALANCES	\$ 7,437,814	\$ 4,370,409
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 8,087,179	\$ 4,450,842
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.

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$	\$ 310,471	\$ 131,000	\$ 441,471
		443,123	443,123
	23,671	(23,671)	
	312,754		312,754
		3,605,562	3,605,562
		675,000	675,000
		<u>39,687,749</u>	<u>39,687,749</u>
<u>\$ - 0 -</u>	<u>\$ 646,896</u>	<u>\$ 44,518,763</u>	<u>\$ 45,165,659</u>
<u>\$ - 0 -</u>	<u>\$ 82,902</u>	<u>\$ (82,902)</u>	<u>\$ - 0 -</u>
\$	\$ 169,407	\$ (169,407)	\$
	22,624	(22,624)	
	1,712	(1,712)	
313,513	313,513	(313,513)	
	4,370,409	(4,370,409)	
	<u>7,244,071</u>	<u>(7,244,071)</u>	
<u>\$ 313,513</u>	<u>\$ 12,121,736</u>	<u>\$ (12,121,736)</u>	<u>\$ - 0 -</u>
<u>\$ 313,513</u>	<u>\$ 12,851,534</u>		
		\$ (6,630,320)	\$ (6,630,320)
		3,986,737	3,986,737
		<u>7,200,246</u>	<u>7,200,246</u>
		<u>\$ 4,556,663</u>	<u>\$ 4,556,663</u>

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

GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2022

Total Fund Balances - Governmental Funds	\$ 12,121,736
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.	36,712,780
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Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow of resources in the governmental activities and systematically charged to interest expense over the remaining life of the new debt or the old debt, whichever is shorter.	170,982
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Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2021 and prior tax levies became part of recognized revenue in the governmental activities of the District.	93,599
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Long-term 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 Developer	\$ (3,605,562)	
Accounts Payable	(131,000)	
Accrued Interest Payable	(443,123)	
Bonds Payable	<u>(40,362,749)</u>	<u>(44,542,434)</u>

Total Net Position - Governmental Activities	<u>\$ 4,556,663</u>
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The accompanying notes to the financial statements are an integral part of this report.

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GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2022

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 1,734,452	\$ 2,477,128
Water Service	562,328	
Wastewater Service	542,308	
Water Authority Fees	1,098,336	
Penalty and Interest	25,504	56,483
Tap Connection and Inspection Fees	183,920	
Investment and Miscellaneous Revenues	39,237	8,294
TOTAL REVENUES	\$ 4,186,085	\$ 2,541,905
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 124,091	\$ 11,338
Contracted Services	585,087	65,195
Purchased Water Service	1,130,754	
Purchased Wastewater Service	193,278	
Detention Facilities Costs	4,550	
Repairs and Maintenance	522,351	
Depreciation		
Other	331,991	7,251
Capital Outlay		
Developer Interest		
Debt Service:		
Bond Anticipation Note Principal and Interest		
Debt Issuance Costs		
Bond Principal		645,000
Bond Interest		1,298,204
TOTAL EXPENDITURES/EXPENSES	\$ 2,892,102	\$ 2,026,988
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	\$ 1,293,983	\$ 514,917
OTHER FINANCING SOURCES (USES)		
Transfers In (Out)	\$ 55,585	\$
Bond Premium		
Bond Discount		
Proceeds from Issuance of Long-Term Debt		
TOTAL OTHER FINANCING SOURCES (USES)	\$ 55,585	\$ -0-
NET CHANGE IN FUND BALANCES	\$ 1,349,568	\$ 514,917
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JULY 1, 2021	6,088,246	3,855,492
FUND BALANCES/NET POSITION - JUNE 30, 2022	\$ 7,437,814	\$ 4,370,409

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 4,211,580	\$ 22,225	\$ 4,233,805
	562,328		562,328
	542,308		542,308
	1,098,336		1,098,336
	81,987	989	82,976
	183,920		183,920
1,919	49,450		49,450
<u>\$ 1,919</u>	<u>\$ 6,729,909</u>	<u>\$ 23,214</u>	<u>\$ 6,753,123</u>
\$	\$ 135,429	\$ 35,000	\$ 170,429
	650,282		650,282
	1,130,754	(34,287)	1,096,467
	193,278		193,278
	4,550		4,550
	522,351	21,794	544,145
		704,832	704,832
722	339,964		339,964
2,276,303	2,276,303	(2,276,303)	
193,998	193,998		193,998
2,154,397	2,154,397	(2,145,000)	9,397
398,941	398,941		398,941
	645,000	(645,000)	
	1,298,204	46,957	1,345,161
<u>\$ 5,024,361</u>	<u>\$ 9,943,451</u>	<u>\$ (4,292,007)</u>	<u>\$ 5,651,444</u>
<u>\$ (5,022,442)</u>	<u>\$ (3,213,542)</u>	<u>\$ 4,315,221</u>	<u>\$ 1,101,679</u>
\$ (55,585)	\$ 40,863	\$ (40,863)	\$
40,863	40,863	(40,863)	
(74,694)	(74,694)	74,694	
5,035,000	5,035,000	(5,035,000)	
<u>\$ 4,945,584</u>	<u>\$ 5,001,169</u>	<u>\$ (5,001,169)</u>	<u>\$ -0-</u>
\$ (76,858)	\$ 1,787,627	\$ (1,787,627)	\$
		1,101,679	1,101,679
390,371	10,334,109	(6,879,125)	3,454,984
<u>\$ 313,513</u>	<u>\$ 12,121,736</u>	<u>\$ (7,565,073)</u>	<u>\$ 4,556,663</u>

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

**GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

Net Change in Fund Balances - Governmental Funds \$ 1,787,627

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. 22,225

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. 989

Governmental funds do not account for payables not paid with current financial resources. However, the liability is recorded in governmental activities. (35,000)

Governmental funds do not account for depreciation. However, depreciation expense is recorded in the Statement of Activities. (704,832)

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. 2,288,796

Governmental funds report bond discounts and bond premiums as other financing sources and uses in the year paid. However, in the Statement of Net Position, the 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. 33,831

Governmental funds report bond principal payments and the repayment of bond anticipation notes as expenditures. However, in the Statement of Net Position, the repayment of debt is reported as decreases in long-term liabilities. 2,790,000

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. (46,957)

Governmental funds report bond proceeds as other financing sources. The issuance of debt increases long-term liabilities in the Statement of Net Position. (5,035,000)

\$ 1,101,679

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

GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1. CREATION OF DISTRICT

Grand Mission Municipal Utility District No. 2, located in Fort Bend County, Texas, (the “District”) was created on September 9, 2005, by Order of the Texas Commission on Environmental Quality (the “Commission”). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on September 7, 2005, and sold its first bonds on June 12, 2008.

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 Commission.

The District is a political subdivision of the State of Texas governed by an elected 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 elected 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.

The District entered into a joint venture with Fort Bend County Municipal Utility District No. 143 (District No. 143), Fort Bend County Municipal Utility District No. 165 (District No. 165) and Grand Mission Municipal Utility District No. 1 (District No. 1) for water service. District No. 1 has oversight over the water facilities.

The District entered into a joint venture with District No. 143, District No. 165 and District No. 1 for wastewater disposal. District No. 1 has oversight responsibility over the facilities.

The District entered into a joint venture with District No. 143, District No. 165, and District No. 1 for the construction and operation of detention facilities. District No. 1 has oversight responsibility over the facilities.

GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

- 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’s 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.

GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

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.

Fund Financial Statements

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

Governmental Funds

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

General Fund – To account for resources not required to be accounted for in another fund, customer service revenues, operating costs and general expenditures.

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.

GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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 tax 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 is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of June 30, 2022, the Debt Service Fund owed the General Fund \$16,221 for maintenance tax collections and \$7,450 for arbitrage compliance costs. The Capital Projects Fund transferred \$55,585 to the General Fund for previously expensed bond issuance costs.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, 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. Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation over the estimated useful lives of 10 to 45 years.

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 budgeted amounts compared to the actual amounts of revenues and expenditures for the current year.

GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Directors are considered to be wages subject to federal income tax withholding for payroll purposes only.

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.

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.

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 and does not have any assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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.

NOTE 3. LONG-TERM DEBT

	Series 2010	Series 2015	Refunding Series 2015	Series 2016
Amount Outstanding - June 30, 2022	\$ 1,125,000	\$ 2,725,000	\$ 2,845,000	\$ 11,730,000
Interest Rates	4.40% - 5.00%	3.00% - 4.00%	3.00% - 4.00%	2.00% - 4.50%
Maturity Dates - Serially Beginning/Ending	September 1, 2022/2037	September 1, 2022/2043	September 1, 2022/2036	September 1, 2022/2045
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2017*	September 1, 2022*	September 1, 2022*	September 1, 2023*

* Or on any date thereafter, callable at par plus unpaid accrued interest in whole or in part at the option of the District. Series 2010 term bonds due September 1, 2026, 2031, and 2037 are subject to mandatory redemption beginning September 1, 2025, 2027, and 2032, respectively. Series 2015 term bonds due September 1, 2027, 2031, 2034, 2037, and 2043, are subject to mandatory redemption beginning September 1, 2024, 2028, 2032, 2035, and 2038, respectively. Series 2015 Refunding term bonds due September 1, 2027, 2029, 2031, 2033, and 2036, are subject to mandatory redemption beginning September 1, 2026, 2028, 2030, 2032, and 2034, respectively. Series 2016 term bonds due September 1, 2031, 2033, 2035, 2039, 2041, 2043, and 2045, are subject to mandatory redemption beginning September 1, 2030, 2032, 2034, 2038, 2040, 2042, and 2044, respectively.

GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3. LONG-TERM DEBT (Continued)

	<u>Series 2017</u>	<u>Series 2018</u>	<u>Series 2020</u>	<u>Series 2021</u>
Amount Outstanding - June 30, 2022	\$ 5,900,000	\$ 4,750,000	\$ 6,620,000	\$ 5,035,000
Interest Rates	2.00% - 4.00%	4.00% - 6.50%	2.50% - 5.00%	2.00% - 2.25%
Maturity Dates - Serially Beginning/Ending	September 1, 2022/2046	September 1, 2022/2048	September 1, 2022/2050	September 1, 2023/2050
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2024*	September 1, 2023*	September 1, 2025*	September 1, 2026*

* Or on any date thereafter, callable at par plus unpaid accrued interest in whole or in part at the option of the District. Series 2017 term bonds due September 1, 2032, 2042, and 2046 are subject to mandatory redemption beginning September 1, 2031, 2040, and 2043, respectively. Series 2018 term bonds due September 1, 2032, 2036, 2039, 2042, and 2045, are subject to mandatory redemption beginning September 1, 2028, 2033, 2037, 2040, and 2043, respectively. Series 2020 term bonds due September 1, 2045 and 2050, are subject to mandatory redemption beginning September 1, 2037 and 2046, respectively. Series 2021 term bonds due September 1, 2035, 2037, 2039, 2041 and 2050, are subject to mandatory redemption beginning September 1, 2034, 2036, 2038, 2040 and 2042, respectively.

The following is a summary of transactions regarding debt payable for the year ended June 30, 2022:

	<u>July 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2022</u>
Bonds Payable	\$ 36,340,000	\$ 5,035,000	\$ 645,000	\$ 40,730,000
Unamortized Discounts	(651,796)	(74,694)	(29,073)	(697,417)
Unamortized Premiums	311,949	40,863	22,646	330,166
Bonds Payable, Net	<u>\$ 36,000,153</u>	<u>\$ 5,001,169</u>	<u>\$ 638,573</u>	<u>\$ 40,362,749</u>
		Amount Due Within One Year		\$ 675,000
		Amount Due After One Year		<u>39,687,749</u>
		Bonds Payable, Net		<u>\$ 40,362,749</u>

As of June 30, 2022, the District had authorized but unissued bonds in the amount of \$9,455,000 for utility facilities, \$8,030,000 for recreational facilities and \$78,750,000 for refunding purposes. 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.

GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3. LONG-TERM DEBT (Continued)

As of June 30, 2022, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2023	\$ 675,000	\$ 1,315,327	\$ 1,990,327
2024	865,000	1,284,887	2,149,887
2025	905,000	1,254,353	2,159,353
2026	935,000	1,226,567	2,161,567
2027	965,000	1,198,446	2,163,446
2028-2032	5,315,000	5,507,503	10,822,503
2033-2037	6,330,000	4,551,051	10,881,051
2038-2042	7,520,000	3,426,744	10,946,744
2043-2047	8,885,000	2,146,017	11,031,017
2048-2051	8,335,000	544,543	8,879,543
	<u>\$ 40,730,000</u>	<u>\$ 22,455,438</u>	<u>\$ 63,185,438</u>

During the year ended June 30, 2022, the District levied an ad valorem debt service tax rate of \$0.60 per \$100 of assessed valuation, which resulted in a tax levy of \$2,500,560 on the adjusted taxable valuation of \$416,759,920 for the 2021 tax year. The bond resolutions require 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.

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 RESOLUTION AND LEGAL REQUIREMENTS

The bond resolutions state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data, and notices of certain events to certain information repositories. 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.

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 five-year anniversary of the bonds.

GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

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 \$1,228,616 and the bank balance was \$1,263,805. 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 June 30, 2022, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 297,339	\$ 488,430	\$ 785,769
DEBT SERVICE FUND	71,208	108,240	179,448
CAPITAL PROJECTS FUND	263,399		263,399
TOTAL DEPOSITS	\$ 631,946	\$ 596,670	\$ 1,228,616

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.

GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

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 the Texas Short Term Asset Reserve Program ("TexSTAR"), an external public funds investment pool that is not SEC-registered. J. P. Morgan Investment Management Inc. provides investment management and Hilltop Securities Inc., provides participant services and marketing under an agreement with the TexSTAR Board of Directors. Custodial, fund accounting and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. Morgan Investors Services Co. Investments held by TexSTAR are marked to market daily. The investments are considered to be Level I 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 TexSTAR.

The District also invests in TexPool, an external investment pool that is not SEC-registered. The Texas Comptroller of Public Accounts has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool measures all its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

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

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District's investments in TexPool and TexSTAR 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.

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 TexPool and TexSTAR to have maturities 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 have been significant changes in values. The District also manages interest rate risk by investing in certificates of deposit with maturities of less than one year.

GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of June 30, 2022, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 year
<u>GENERAL FUND</u>		
TexSTAR	\$ 6,561,276	\$ 6,561,276
Certificates of Deposit	488,430	488,430
<u>DEBT SERVICE FUND</u>		
TexPool	2,519,187	2,519,187
TexSTAR	1,703,101	1,703,101
Certificate of Deposit	108,240	108,240
TOTAL INVESTMENTS	\$ 11,380,234	\$11,380,234

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes.

All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 is as follows:

	July 1, 2021	Increases	Decreases	June 30, 2022
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 1,978,681	\$	\$	\$ 1,978,681
Construction in Progress	<u>3,172,239</u>	<u>3,819,956</u>	<u>6,957,908</u>	<u>34,287</u>
Total Capital Assets Not Being Depreciated	<u>\$ 5,150,920</u>	<u>\$ 3,819,956</u>	<u>\$ 6,957,908</u>	<u>\$ 2,012,968</u>
Capital Assets Subject to Depreciation				
Water System	\$ 3,534,173	\$ 676,796	\$	\$ 4,210,969
Wastewater System	7,868,061	967,074		8,835,135
Drainage System	16,743,011	2,151,308		18,894,319
Capacity Interest in Grand Mission MUD No. 1 Facilities	<u>5,701,129</u>	<u>3,162,730</u>		<u>8,863,859</u>
Total Capital Assets Subject to Depreciation	<u>\$ 33,846,374</u>	<u>\$ 6,957,908</u>	<u>\$ - 0 -</u>	<u>\$ 40,804,282</u>
Less Accumulated Depreciation				
Water System	\$ 553,656	\$ 91,063	\$	\$ 644,719
Wastewater System	1,124,948	222,059		1,347,007
Drainage System	2,707,802	199,695		2,907,497
Capacity Interest in Grand Mission MUD No. 1 Facilities	<u>1,013,232</u>	<u>192,015</u>		<u>1,205,247</u>
Total Accumulated Depreciation	<u>\$ 5,399,638</u>	<u>\$ 704,832</u>	<u>\$ - 0 -</u>	<u>\$ 6,104,470</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 28,446,736</u>	<u>\$ 6,253,076</u>	<u>\$ - 0 -</u>	<u>\$ 34,699,812</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 33,597,656</u>	<u>\$ 10,073,032</u>	<u>\$ 6,957,908</u>	<u>\$ 36,712,780</u>

NOTE 7. MAINTENANCE TAX

On November 7, 2006, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation of taxable property within the District. During the year ended June 30, 2022, the District levied an ad valorem maintenance tax rate of \$0.42 per \$100 of assessed valuation, which resulted in a tax levy of \$1,750,392 on the adjusted taxable valuation of \$416,759,920 for the 2021 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater system or for any other lawful purpose.

GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8. REGIONAL WATER SUPPLY SYSTEM

On June 24, 2003, Grand Mission Municipal Utility District No. 1 (District No. 1) executed a Financing, Construction, Operation and Maintenance of Water Facilities Agreement with Fort Bend County Municipal Utility District No. 143 (District No. 143). On April 5, 2005, the District, District No. 143 and District No. 1 executed an Amended and Restated Agreement for Financing, Construction, Ownership, Operations and Maintenance of Water Facilities which provided for the expansion of the existing plant. On May 22, 2006, the District, District No. 143, District No. 1 and Fort Bend County Municipal Utility District No. 165 (District No. 165) executed the Second Amended and Restated Agreement for Financing, Construction, Ownership, Operation and Maintenance of Water Facilities which provided for the further expansion of the existing plant. On June 11, 2007, November 26, 2007, December 1, 2012, July 1, 2015, and May 13, 2019 the District, District No. 143, District No. 2 and District No. 165 executed the First Amendment, Second Amendment, Third Amendment and Fourth Amendment to the Second Amended and Restated Agreement for Financing, Construction, Ownership, Operation and Maintenance of Water Facilities. These amendments set for the prorations for participation in the expansions of the water facilities and the construction of the third water plant and related appurtenances. The term of this agreement is 40 years.

District No. 1 holds title to the water facilities and has responsibility for capital improvements as well as maintenance of those water facilities. The costs of operating and maintaining the water facilities are shared based on metered water usage within each district. Non-routine repairs and maintenance costs are shared based on ownership capacity. During the year ended June 30, 2022, the District paid \$1,130,754 for purchased water. The District maintains a reserve balance of \$169,407.

The following summary financial data of the Grand Mission Municipal Utility District No. 1 Water Facilities is presented for the fiscal year ended June 30, 2022.

	Joint Water Facilities
Total Assets	\$ 1,095,047
Total Liabilities	<u>508,257</u>
Total Fund Balance	<u>\$ 586,790</u>
Total Revenues	\$ 3,730,821
Total Expenditures	<u>3,730,821</u>
Net Change in Fund Balance	\$ -0-
Beginning Fund Balance	<u>586,790</u>
Ending Fund Balance	<u>\$ 586,790</u>

GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 9. REGIONAL WASTEWATER TREATMENT FACILITIES

On August 1, 2005, District No. 1 executed three separate agreements titled “Contract for Financing, Construction and Operation of Regional Wastewater Treatment Facilities” with District No. 143, District No. 165, and the District (Participants). The individual Participants in the Grand Mission Waste Disposal System (the “system”) have capacity rights in the system; however, ownership of the system belongs to District No. 1. Each Participant in the system has the right to plan for expansion of the facilities in order to meet the needs of each respective Participant in the plant. The agreements have been amended, most recently on September 1, 2014. Unless terminated by mutual agreement of the Participants, the contracts will continue in force and effect as long as the Participants are in existence. Monthly billings consist of a fixed capacity charge, currently \$1.50 per 1,000 gallons of treatment capacity in the system reserved to each participant, and an operating charge, currently \$10.47 per active single-family residential connection. During the current fiscal year, the District incurred costs of \$193,278 for purchased wastewater services. The District maintains a reserve balance of \$22,624.

The following summary financial data of Grand Mission Municipal Utility District No. 1 Joint Wastewater Treatment facilities is presented for the fiscal year ended June 30, 2022.

	Joint Wastewater Treatment Facilities
Total Assets	\$ 379,073
Total Liabilities	102,690
Total Fund Balance	\$ 276,383
Total Revenues	\$ 1,326,401
Total Expenditures	1,326,401
Net Change in Fund Balance	\$ -0-
Beginning Fund Balance	276,383
Ending Fund Balance	\$ 276,383

NOTE 10. REGIONAL DETENTION FACILITIES

On August 1, 2005, District No. 1 and its developers entered into the Regional Detention Pond and Drainage Agreement (Agreement) with District No. 143, a developer within District No. 143 and a developer for District No. 165. On August 7, 2006, the First Amendment to Regional Detention Pond and Drainage Agreement was entered into providing for the admission of District No. 165 and the District as parties to the Agreement. On September 1, 2008, the Second Amendment to Regional Detention Pond and Drainage Agreement was entered into providing for the expansion of the storm water collection system and setting forth the revised pro rata shares after such expansion.

GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 10. REGIONAL DETENTION FACILITIES (Continued)

District No. 1 operates the detention facilities. Each district is responsible for operation and maintenance costs based on its pro rata share of detention volume. During the current year, the District incurred detention facilities costs of \$4,550. The District maintains a reserve balance of \$1,712. The term of this agreement is 50 years from its effective date.

The following summary financial data of Grand Mission Municipal Utility District No. 1 Detention Facilities is presented for the fiscal year ended June 30, 2022.

	Detention Facilities
Total Assets	\$ 73,532
Total Liabilities	15,693
Total Fund Balance	\$ 57,839
Total Revenues	\$ 153,310
Total Expenditures	153,310
Excess (Deficiency) of Revenues Over Expenditures	\$ -0-
Other Financing Sources – Reserve Increase	35,166
Net Change in Fund Balance	\$ 35,166
Beginning Fund Balance	22,673
Ending Fund Balance	\$ 57,839

NOTE 11. NORTH FORT BEND WATER AUTHORITY

The District is located within the boundaries of the North Fort Bend Water Authority (the “Authority”). The Authority was created by an Act of the Texas Legislature. The Act empowers the Authority for purposes including the acquisition and provision of surface water and groundwater for residential, commercial, industrial, agricultural, and other uses, the reduction of groundwater withdrawals, the conservation, preservation, protection, recharge, and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, and the control of subsidence caused by withdrawal of water from those groundwater reservoirs or their subdivisions. The Authority is overseeing that its participants comply with subsidence district pumpage requirements. The Authority charges a fee, based on the amount of water pumped from a well, to the owners of wells located within the boundaries of the Authority, unless exempted. This fee enables the Authority to fulfill its purpose and regulatory functions. The current fees being charged are \$4.55 per 1,000 gallons of water pumped from each well and \$4.90 per 1,000 gallons of surface water purchased. The District’s costs for these fees are included in purchased water costs.

GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 12. UNREIMBURSED COSTS

The District has executed financing agreements with Developer within the District which call for the Developer to fund costs associated with water, sewer, drainage and/or recreational which are necessary to provide services to District residents. Reimbursement to the Developer is made from bond proceeds or other allowable surplus funds. Current year changes to the liability to the Developer is as follows:

Due to Developers, July 1, 2021	\$	2,074,404
Add: Current Year Additions		3,049,993
Less: Current Year Reimbursements		<u>(1,518,835)</u>
Due to Developers, June 30, 2022	\$	<u>3,605,562</u>

NOTE 13. 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. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three year.

NOTE 14. EMERGENCY WATER SUPPLY CONTRACTS

On May 1, 2006, District No. 143 executed an emergency water supply contract with Fort Bend County Municipal Utility District No. 118 and for notice and consent purposes District No. 165, District No. 1 and the District. The parties agree to furnish water to each other on an emergency basis for a maximum period of 30 days unless otherwise agreed in writing between the districts. The price to be paid for water delivered is \$1.00 per 1,000 gallons of water supplied, plus an additional amount necessary to cover the Authority pumpage charges. The term of the agreement is 40 years and will be automatically extended year to year unless cancelled by a participating district.

On June 18, 2003, District No. 1 entered into an Emergency Water Supply agreement with Fort Bend County Municipal Utility District No. 122 and Fort Bend County Municipal Utility District No. 123 providing for water on an emergency basis between the districts. This agreement was amended on December 21, 2005, June 20, 2007, and May 16, 2012. The District is not a party to the agreement, but is affected to the extent that the water line interconnect is connected to the District's facilities.

GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 15. AGREEMENT FOR FUNDING OF RECREATIONAL FACILITIES

On July 1, 2010, the District and Grand Mission Home Owner’s Association, Inc. (the “HOA”) entered into an agreement for funding of recreational facilities. The agreement has since been amended multiple times. The HOA owns, operates, and maintains certain parks and recreational facilities. The District currently contributes \$28,211 per month for its share of the operation and maintenance expenses for the recreational facilities.

NOTE 16. SHARED FACILITIES AGREEMENT

On August 19, 2013, the District and District No. 1 entered into an agreement for the financing, construction, ownership, operation and maintenance of Lift Station No. 1, the force main along Lakehead Lane, the gravity sanitary sewer line along Lakehead Lane from Beechnut Street to Lift Station No. 1, and the gravity sanitary sewer line from the force main discharge manhole to the regional wastewater treatment plant (Shared Facilities). The District holds title to the Shared Facilities and is required to bill District No. 1 its pro-rata share of each shared facility. The term of this agreement is 40 years.

NOTE 17. BOND SALE

On July 27, 2021, the District closed on the sale of its \$5,035,000 Series 2021 Unlimited Tax Bonds. Proceeds of the sale of the Bonds were used to (i) finance the District's cost of acquisition or construction of (a) water, wastewater, and drainage facilities serving Grand Mission Estates, Sections 26 and 27, and lift station No. 2 and force main; (b) Mason Road drainage facilities serving Grand Mission Estates, Section 22; (c) Beechnut drainage facilities; (d) storm water pollution prevention plans for Grand Mission Estates, Sections 26 and 27; and (e) land costs for drainage channel; (ii) finance the retirement of the District’s \$2,145,000 Bond Anticipation Note, Series 2020, the proceeds of the sale of which the District utilized to interim finance a portion of the aforementioned items; (iii) pay engineering costs associated with the design and construction of such facilities; (iv) pay interest on funds advanced on the District's behalf; and (v) pay issuance costs, legal fees, fiscal agent’s fees, a fee to the TCEQ, a fee to the Attorney General of Texas, and certain financing costs related to the issuance of the Bonds.

NOTE 18. AGREEMENT FOR FUNDING STREET LIGHTS

On December 15, 2014, the District, District No. 1, and the HOA entered into an agreement for funding street lights. This agreement was subsequently amended. The HOA operates and maintains certain street lights that serve both districts. The monthly payment will be adjusted annually prior to the January payment each year. The term of this agreement is five years and, unless terminated, will automatically renew for successive one-year terms. The District currently pays \$7,905 per month as its share of the costs to operate and maintain the street lights.

GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 19. AGREEMENT FOR SHARING OF SECURITY SERVICES

The District and District No. 1 have executed an agreement for sharing the costs of security services which are provided pursuant to District No. 1's Interlocal Agreement for Additional Law Enforcement Services ("Security Services Agreement") with Fort Bend County. Each district pays its share of all reasonable costs and expenses incurred in or allocable to the Security Services Agreement based on the number of active connections in each district.

NOTE 20. SUBSEQUENT EVENT – SALE OF BOND ANTICIPATION NOTE

Subsequent to year-end, the District sold its Series 2022 Bond Anticipation Note (the "BAN"). Proceeds from the BAN sale were used to finance a portion of the District's cost of acquisition or construction of water, wastewater, and drainage facilities serving Grand Mission Estates, Sections 28, 29, 30 and 32. BAN proceeds were also used to pay certain costs related to the issuance of the BAN.

GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2022

GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Original and Final Budget	Actual	Variance Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Property Taxes	\$ 1,445,253	\$ 1,734,452	\$ 289,199
Water Service	500,000	562,328	62,328
Wastewater Service	400,000	542,308	142,308
Water Authority Fees	905,000	1,098,336	193,336
Penalty and Interest	10,000	25,504	15,504
Tap Connection and Inspection Fees	176,250	183,920	7,670
Investment and Miscellaneous Revenues	<u>10,000</u>	<u>39,237</u>	<u>29,237</u>
TOTAL REVENUES	<u>\$ 3,446,503</u>	<u>\$ 4,186,085</u>	<u>\$ 739,582</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 199,600	\$ 124,091	\$ 75,509
Contracted Services	387,200	585,087	(197,887)
Purchased Water Service	945,000	1,130,754	(185,754)
Purchased Wastewater Service	157,492	193,278	(35,786)
Detention Facilities Costs	3,483	4,550	(1,067)
Repairs and Maintenance	553,500	522,351	31,149
Other	<u>248,795</u>	<u>331,991</u>	<u>(83,196)</u>
TOTAL EXPENDITURES	<u>\$ 2,495,070</u>	<u>\$ 2,892,102</u>	<u>\$ (397,032)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 951,433</u>	<u>\$ 1,293,983</u>	<u>\$ 342,550</u>
OTHER FINANCING SOURCES(USES)			
Transfer In	<u>\$ -0-</u>	<u>\$ 55,585</u>	<u>\$ 55,585</u>
NET CHANGE IN FUND BALANCE	\$ 951,433	\$ 1,349,568	\$ 398,135
FUND BALANCE - JULY 1, 2021	<u>6,088,246</u>	<u>6,088,246</u>	<u> </u>
FUND BALANCE - JUNE 30, 2022	<u>\$ 7,039,679</u>	<u>\$ 7,437,814</u>	<u>\$ 398,135</u>

See accompanying independent auditor's report.

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GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
JUNE 30, 2022

**GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2022**

1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:

<u> X </u>	Retail Water	<u> </u>	Wholesale Water	<u> X </u>	Drainage
<u> X </u>	Retail Wastewater	<u> </u>	Wholesale Wastewater	<u> </u>	Irrigation
<u> </u>	Parks/Recreation	<u> </u>	Fire Protection	<u> X </u>	Security
<u> X </u>	Solid Waste/Garbage	<u> </u>	Flood Control	<u> </u>	Roads
	Participates in joint venture, regional system and/or				
<u> X </u>	wastewater service (other than emergency interconnect)				
<u> </u>	Other (specify): _____				

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):

The rates below are based on the rate order approved November 15, 2021.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 21.50	8,000	N	\$ 1.00 \$ 1.50 \$ 2.00	8,001 to 15,000 15,001 to 30,000 30,001 and up
WASTEWATER	\$ 27.88		Y		
SURCHARGE:					
Commission Regulatory Assessments	0.5% of actual water and sewer bill				
Regional Water Authority Fees	\$5.39 per 1,000 gallons				

District employs winter averaging for wastewater usage? X
Yes No

Total monthly charges per 10,000 gallons usage: Water: \$23.50 Wastewater: \$27.88 Surcharge: \$54.16

See accompanying independent auditor's report.

**GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2022**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered	_____	_____	x 1.0	_____
≤ ³ / ₄ "	<u>1,474</u>	<u>1,467</u>	x 1.0	<u>1,467</u>
1"	<u>28</u>	<u>28</u>	x 2.5	<u>70</u>
1½"	<u>2</u>	<u>2</u>	x 5.0	<u>10</u>
2"	<u>25</u>	<u>25</u>	x 8.0	<u>200</u>
3"	_____	_____	x 15.0	_____
4"	_____	_____	x 25.0	_____
6"	<u>1</u>	<u>1</u>	x 50.0	<u>50</u>
8"	<u>3</u>	<u>3</u>	x 80.0	<u>240</u>
10" Master	_____	_____	x 115.0	_____
Total Water Connections	<u>1,533</u>	<u>1,526</u>		<u>2,037</u>
Total Wastewater Connections	<u>1,494</u>	<u>1,487</u>	x 1.0	<u>1,487</u>

3. TOTAL WATER CONSUMPTION DURING FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (Unaudited)

Gallons billed to customers: 209,361,000*

*The District participates in joint water facilities with Grand Mission Municipal Utility District No. 1, Fort Bend County Municipal Utility District No. 143, and Fort Bend County Municipal Utility District No. 165 (see Note 8).

See accompanying independent auditor's report.

GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2022

4. STANDBY FEES (authorized only under TWC Section 49.231):

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

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes X No _____

County in which District is located:

Fort Bend County, Texas

Is the District located within a city?

Entirely _____ Partly _____ Not at all X

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

Entirely X Partly _____ Not at all _____

ETJ in which district is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes _____ No X

See accompanying independent auditor's report.

GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2022

PROFESSIONAL FEES:	
Auditing	\$ 17,000
Engineering	107,091
	<u>124,091</u>
TOTAL PROFESSIONAL FEES	\$ 124,091
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 1,130,754
Purchased Wastewater Service	193,278
Detention Facilities Costs	4,550
	<u>1,328,582</u>
TOTAL PURCHASED SERVICES FOR RESALE	\$ 1,328,582
CONTRACTED SERVICES:	
Bookkeeping	\$ 18,188
Operations and Billing	67,320
Solid Waste Disposal	418,590
Security	80,989
	<u>585,087</u>
TOTAL CONTRACTED SERVICES	\$ 585,087
UTILITIES	\$ 70,250
REPAIRS AND MAINTENANCE	\$ 522,351
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 6,827
Insurance	11,580
Office Supplies and Postage	19,252
Other	11,353
	<u>49,012</u>
TOTAL ADMINISTRATIVE EXPENDITURES	\$ 49,012
OTHER EXPENDITURES:	
Bond Issuance Costs	\$ 17,500
Connection and Inspection Fees	183,396
Regulatory Assessment	4,622
Permit and Lab Fees	7,211
	<u>212,729</u>
TOTAL OTHER EXPENDITURES	\$ 212,729
TOTAL EXPENDITURES	\$ 2,892,102

See accompanying independent auditor's report.

GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
INVESTMENTS
JUNE 30, 2022

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
TexSTAR	XXXX2220	Varies	Daily	\$ 6,561,276	\$
Certificate of Deposit	XXXX1415	0.40%	09/09/22	243,430	784
Certificate of Deposit	XXXX4703	0.30%	03/03/23	245,000	240
TOTAL GENERAL FUND				<u>\$ 7,049,706</u>	<u>\$ 1,024</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 2,519,187	\$
TexSTAR	XXXX3330	Varies	Daily	1,703,101	
Certificate of Deposit	XXXX1689	0.45%	10/09/22	108,240	352
TOTAL DEBT SERVICE FUND				<u>\$ 4,330,528</u>	<u>\$ 352</u>
TOTAL - ALL FUNDS				<u>\$ 11,380,234</u>	<u>\$ 1,376</u>

See accompanying independent auditor's report.

GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2022

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
JULY 1, 2021	\$	24,923	\$	35,754
Adjustments to Beginning				
Balance		<u>(6,715)</u>	\$	<u>18,208</u>
			<u>(10,432)</u>	\$
				25,322
Original 2021 Tax Levy	\$	1,751,082	\$	2,501,545
Adjustment to 2021 Tax Levy		<u>(690)</u>	<u>1,750,392</u>	<u>(985)</u>
				<u>2,500,560</u>
TOTAL TO BE				
ACCOUNTED FOR		\$	1,768,600	\$
				2,525,882
TAX COLLECTIONS:				
Prior Years	\$	15,247	\$	21,120
Current Year		<u>1,719,205</u>	<u>1,734,452</u>	<u>2,456,008</u>
				<u>2,477,128</u>
TAXES RECEIVABLE -				
JUNE 30, 2022		<u>\$</u>	<u>34,148</u>	<u>\$</u>
				<u>48,754</u>
TAXES RECEIVABLE BY				
YEAR:				
2021	\$	31,187	\$	44,552
2020		1,495		2,242
2019		<u>1,466</u>		<u>1,960</u>
TOTAL	\$	<u>34,148</u>	\$	<u>48,754</u>

See accompanying independent auditor's report.

GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2022

	2021	2020	2019	2018
PROPERTY VALUATIONS:				
Land	\$ 83,705,670	\$ 75,888,490	\$ 67,924,620	\$ 55,053,450
Improvements	387,221,781	306,130,163	262,447,060	225,420,539
Personal Property	2,243,500	1,424,070	1,230,000	1,046,960
Exemptions	(56,411,031)	(39,496,383)	(36,639,896)	(35,417,605)
TOTAL PROPERTY VALUATIONS	\$ 416,759,920	\$ 343,946,340	\$ 294,961,784	\$ 246,103,344
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.60	\$ 0.63	\$ 0.63	\$ 0.65
Maintenance	0.42	0.42	0.47	0.50
TOTAL TAX RATES PER \$100 VALUATION	\$ 1.02	\$ 1.05	\$ 1.10	\$ 1.15
ADJUSTED TAX LEVY*	\$ 4,250,952	\$ 3,611,437	\$ 3,244,580	\$ 2,830,188
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED				
	98.22 %	99.90 %	99.89 %	100.00 %

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

** Maintenance Tax – Maximum tax rate of \$1.50 per \$100 of assessed valuation approved by voters on November 7, 2006.

See accompanying independent auditor's report.

GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2022

S E R I E S - 2 0 1 0				
Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total	
2023	\$ 40,000	\$ 54,290	\$	94,290
2024	35,000	52,623		87,623
2025	40,000	50,915		90,915
2026	40,000	49,055		89,055
2027	45,000	47,058		92,058
2028	45,000	44,898		89,898
2029	45,000	42,693		87,693
2030	50,000	40,365		90,365
2031	55,000	37,792		92,792
2032	55,000	35,098		90,098
2033	55,000	32,375		87,375
2034	60,000	29,500		89,500
2035	65,000	26,375		91,375
2036	70,000	23,000		93,000
2037	70,000	19,500		89,500
2038	355,000	8,875		363,875
2039				
2040				
2041				
2042				
2043				
2044				
2045				
2046				
2047				
2048				
2049				
2050				
2051				
	\$ 1,125,000	\$ 594,412	\$	1,719,412

See accompanying independent auditor's report.

GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2022

S E R I E S - 2 0 1 5				
Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total	
2023	\$ 25,000	\$ 107,875	\$	132,875
2024	50,000	106,750		156,750
2025	50,000	105,000		155,000
2026	50,000	103,000		153,000
2027	50,000	101,000		151,000
2028	50,000	99,000		149,000
2029	50,000	97,000		147,000
2030	75,000	94,500		169,500
2031	75,000	91,500		166,500
2032	75,000	88,500		163,500
2033	75,000	85,500		160,500
2034	75,000	82,500		157,500
2035	75,000	79,500		154,500
2036	75,000	76,500		151,500
2037	75,000	73,500		148,500
2038	75,000	70,500		145,500
2039	225,000	64,500		289,500
2040	250,000	55,000		305,000
2041	275,000	44,500		319,500
2042	300,000	33,000		333,000
2043	325,000	20,500		345,500
2044	350,000	7,000		357,000
2045				
2046				
2047				
2048				
2049				
2050				
2051				
	\$ 2,725,000	\$ 1,686,625	\$	4,411,625

See accompanying independent auditor's report.

GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2022

SERIES - 2015 REFUNDING

Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2023	\$ 140,000	\$ 107,250	\$ 247,250
2024	150,000	102,900	252,900
2025	150,000	98,025	248,025
2026	160,000	92,600	252,600
2027	165,000	86,500	251,500
2028	170,000	79,800	249,800
2029	180,000	72,800	252,800
2030	185,000	65,500	250,500
2031	195,000	57,900	252,900
2032	200,000	50,000	250,000
2033	215,000	41,700	256,700
2034	220,000	33,000	253,000
2035	230,000	24,000	254,000
2036	235,000	14,700	249,700
2037	250,000	5,000	255,000
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
2051			
	<u>\$ 2,845,000</u>	<u>\$ 931,675</u>	<u>\$ 3,776,675</u>

See accompanying independent auditor's report.

GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2022

SERIES - 2016

Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2023	\$ 225,000	\$ 335,462	\$ 560,462
2024	225,000	325,338	550,338
2025	250,000	317,775	567,775
2026	250,000	312,775	562,775
2027	250,000	307,775	557,775
2028	275,000	302,181	577,181
2029	300,000	295,713	595,713
2030	300,000	288,588	588,588
2031	300,000	281,087	581,087
2032	325,000	273,275	598,275
2033	325,000	264,744	589,744
2034	350,000	255,462	605,462
2035	375,000	245,025	620,025
2036	400,000	233,400	633,400
2037	425,000	221,025	646,025
2038	425,000	208,275	633,275
2039	650,000	192,150	842,150
2040	675,000	172,275	847,275
2041	700,000	151,650	851,650
2042	735,000	130,125	865,125
2043	755,000	107,775	862,775
2044	785,000	84,675	869,675
2045	1,185,000	55,125	1,240,125
2046	1,245,000	18,675	1,263,675
2047			
2048			
2049			
2050			
2051			
	\$ 11,730,000	\$ 5,380,350	\$ 17,110,350

See accompanying independent auditor's report.

GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2022

S E R I E S - 2 0 1 7				
Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total	
2023	\$ 175,000	\$ 180,500	\$	355,500
2024	175,000	174,375		349,375
2025	175,000	169,125		344,125
2026	200,000	164,500		364,500
2027	200,000	160,375		360,375
2028	200,000	156,000		356,000
2029	200,000	151,250		351,250
2030	200,000	146,000		346,000
2031	200,000	140,500		340,500
2032	200,000	134,750		334,750
2033	225,000	128,375		353,375
2034	200,000	122,000		322,000
2035	200,000	116,000		316,000
2036	200,000	110,000		310,000
2037	200,000	103,875		303,875
2038	200,000	97,625		297,625
2039	225,000	90,844		315,844
2040	200,000	83,937		283,937
2041	200,000	77,312		277,312
2042	175,000	70,985		245,985
2043	175,000	65,078		240,078
2044	175,000	59,063		234,063
2045	150,000	53,375		203,375
2046	150,000	48,125		198,125
2047	1,300,000	22,750		1,322,750
2048				
2049				
2050				
2051				
	\$ 5,900,000	\$ 2,826,719	\$	8,726,719

See accompanying independent auditor's report.

GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2022

S E R I E S - 2 0 1 8				
Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total	
2023	\$ 50,000	\$ 203,687	\$	253,687
2024	50,000	200,438		250,438
2025	50,000	197,750		247,750
2026	50,000	195,625		245,625
2027	50,000	193,500		243,500
2028	50,000	191,374		241,374
2029	50,000	189,063		239,063
2030	50,000	186,563		236,563
2031	50,000	184,063		234,063
2032	50,000	181,563		231,563
2033	50,000	179,062		229,062
2034	50,000	176,812		226,812
2035	50,000	174,812		224,812
2036	50,000	172,813		222,813
2037	50,000	170,812		220,812
2038	50,000	168,781		218,781
2039	50,000	166,719		216,719
2040	50,000	164,657		214,657
2041	50,000	162,562		212,562
2042	50,000	160,437		210,437
2043	50,000	158,313		208,313
2044	50,000	156,188		206,188
2045	50,000	154,062		204,062
2046	50,000	151,938		201,938
2047	150,000	147,687		297,687
2048	1,675,000	108,906		1,783,906
2049	1,725,000	36,656		1,761,656
2050				
2051				
	\$ 4,750,000	\$ 4,534,843	\$	9,284,843

See accompanying independent auditor's report.

GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2022

S E R I E S - 2 0 2 0

Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2023	\$ 20,000	\$ 217,375	\$ 237,375
2024	100,000	214,375	314,375
2025	100,000	209,375	309,375
2026	100,000	204,375	304,375
2027	100,000	199,500	299,500
2028	100,000	194,750	294,750
2029	100,000	190,000	290,000
2030	100,000	185,250	285,250
2031	100,000	180,500	280,500
2032	100,000	175,750	275,750
2033	100,000	171,000	271,000
2034	100,000	166,250	266,250
2035	100,000	162,625	262,625
2036	100,000	160,062	260,062
2037	100,000	157,375	257,375
2038	100,000	154,500	254,500
2039	100,000	151,500	251,500
2040	100,000	148,500	248,500
2041	100,000	145,500	245,500
2042	100,000	142,500	242,500
2043	100,000	139,500	239,500
2044	100,000	136,500	236,500
2045	100,000	133,500	233,500
2046	100,000	130,500	230,500
2047	100,000	127,500	227,500
2048	100,000	124,500	224,500
2049	100,000	121,500	221,500
2050	1,900,000	91,500	1,991,500
2051	2,100,000	31,500	2,131,500
	<u>\$ 6,620,000</u>	<u>\$ 4,567,562</u>	<u>\$ 11,187,562</u>

See accompanying independent auditor's report.

GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2022

S E R I E S - 2 0 2 1				
Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total	
2023	\$	\$	108,888	\$ 108,888
2024	80,000	108,088	188,088	
2025	90,000	106,388	196,388	
2026	85,000	104,637	189,637	
2027	105,000	102,738	207,738	
2028	105,000	100,637	205,637	
2029	100,000	98,588	198,588	
2030	100,000	96,587	196,587	
2031	125,000	94,338	219,338	
2032	130,000	91,787	221,787	
2033	135,000	89,138	224,138	
2034	165,000	86,137	251,137	
2035	170,000	82,788	252,788	
2036	180,000	79,287	259,287	
2037	185,000	75,522	260,522	
2038	195,000	71,484	266,484	
2039	205,000	67,106	272,106	
2040	230,000	62,213	292,213	
2041	230,000	57,038	287,038	
2042	245,000	51,694	296,694	
2043	255,000	46,069	301,069	
2044	260,000	40,275	300,275	
2045	295,000	34,031	329,031	
2046	290,000	27,450	317,450	
2047	340,000	20,363	360,363	
2048	190,000	14,400	204,400	
2049	220,000	9,787	229,787	
2050	230,000	4,725	234,725	
2051	95,000	1,069	96,069	
	\$ 5,035,000	\$ 1,933,252	\$ 6,968,252	

See accompanying independent auditor's report.

GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2022

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending June 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2023	\$ 675,000	\$ 1,315,327	\$ 1,990,327
2024	865,000	1,284,887	2,149,887
2025	905,000	1,254,353	2,159,353
2026	935,000	1,226,567	2,161,567
2027	965,000	1,198,446	2,163,446
2028	995,000	1,168,640	2,163,640
2029	1,025,000	1,137,107	2,162,107
2030	1,060,000	1,103,353	2,163,353
2031	1,100,000	1,067,680	2,167,680
2032	1,135,000	1,030,723	2,165,723
2033	1,180,000	991,894	2,171,894
2034	1,220,000	951,661	2,171,661
2035	1,265,000	911,125	2,176,125
2036	1,310,000	869,762	2,179,762
2037	1,355,000	826,609	2,181,609
2038	1,400,000	780,040	2,180,040
2039	1,455,000	732,819	2,187,819
2040	1,505,000	686,582	2,191,582
2041	1,555,000	638,562	2,193,562
2042	1,605,000	588,741	2,193,741
2043	1,660,000	537,235	2,197,235
2044	1,720,000	483,701	2,203,701
2045	1,780,000	430,093	2,210,093
2046	1,835,000	376,688	2,211,688
2047	1,890,000	318,300	2,208,300
2048	1,965,000	247,806	2,212,806
2049	2,045,000	167,943	2,212,943
2050	2,130,000	96,225	2,226,225
2051	2,195,000	32,569	2,227,569
	<u>\$ 40,730,000</u>	<u>\$ 22,455,438</u>	<u>\$ 63,185,438</u>

See accompanying independent auditor's report.

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GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JUNE 30, 2022

Description	Original Bonds Issued	Bonds Outstanding July 1, 2021
Grand Mission Municipal Utility District No. 2 Unlimited Tax Bonds - Series 2010	\$ 1,405,000	\$ 1,160,000
Grand Mission Municipal Utility District No. 2 Unlimited Tax Bonds - Series 2015	2,885,000	2,750,000
Grand Mission Municipal Utility District No. 2 Unlimited Tax Refunding Bonds - Series 2015	3,460,000	2,980,000
Grand Mission Municipal Utility District No. 2 Unlimited Tax Bonds - Series 2016	12,375,000	11,955,000
Grand Mission Municipal Utility District No. 2 Unlimited Tax Bonds - Series 2017	6,225,000	6,075,000
Grand Mission Municipal Utility District No. 2 Unlimited Tax Bonds - Series 2018	4,800,000	4,800,000
Grand Mission Municipal Utility District No. 2 Unlimited Tax Bonds - Series 2020	6,620,000	6,620,000
Grand Mission Municipal Utility District No. 2 Unlimited Tax Bonds - Series 2021	5,035,000	
TOTAL	<u>\$ 42,805,000</u>	<u>\$ 36,340,000</u>

See accompanying independent auditor's report.

Current Year Transactions				
Bonds Sold	Retirements		Bonds Outstanding June 30, 2022	Paying Agent
	Principal	Interest		
\$	\$ 35,000	\$ 55,914	\$ 1,125,000	Wells Fargo Bank N.A. Dallas, TX
	25,000	108,625	2,725,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	135,000	111,037	2,845,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	225,000	345,588	11,730,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	175,000	187,500	5,900,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	50,000	206,938	4,750,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
		217,875	6,620,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>5,035,000</u>		<u>64,727</u>	<u>5,035,000</u>	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ 5,035,000</u>	<u>\$ 645,000</u>	<u>\$ 1,298,204</u>	<u>\$ 40,730,000</u>	

See accompanying independent auditor's report.

GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JUNE 30, 2022

Bond Authority:	<u>Tax Bonds</u>	<u>Recreational Facilities Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters	\$ 52,650,000	\$ 8,030,000	\$ 78,975,000
Amount Issued	<u>43,195,000</u>	<u> </u>	<u>225,000</u>
Remaining to be Issued	<u>\$ 9,455,000</u>	<u>\$ 8,030,000</u>	<u>\$ 78,750,000</u>

Debt Service Fund cash and investment balances as of June 30, 2022: \$ 4,401,736

Average annual debt service payment (principal and interest) for remaining term
of all debt: \$ 2,178,808

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

See accompanying independent auditor's report.

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GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2022	2021	2020
REVENUES			
Property Taxes	\$ 1,734,452	\$ 1,449,654	\$ 1,381,566
Water Service	562,328	475,108	401,701
Wastewater Service	542,308	461,257	376,683
Water Authority Fees	1,098,336	912,386	791,845
Penalty and Interest	25,504	13,611	14,560
Tap Connection and Inspection Fees	183,920	384,827	418,170
Investment and Miscellaneous Revenues	39,237	32,155	80,058
TOTAL REVENUES	\$ 4,186,085	\$ 3,728,998	\$ 3,464,583
EXPENDITURES			
Professional Fees	\$ 124,091	\$ 197,587	\$ 116,698
Contracted Services	585,087	312,262	348,100
Purchased Water Service	1,130,754	911,751	828,476
Purchased Wastewater Service	193,278	149,580	122,137
Detention Facilities Costs	4,550	3,056	3,058
Repairs and Maintenance	522,351	504,183	556,292
Other	331,991	232,678	264,554
Capital Outlay		343,408	930,923
TOTAL EXPENDITURES	\$ 2,892,102	\$ 2,654,505	\$ 3,170,238
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 1,293,983	\$ 1,074,493	\$ 294,345
OTHER FINANCING SOURCES (USES)			
Transfers In	\$ 55,585	\$ - 0 -	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 1,349,568	\$ 1,074,493	\$ 294,345
BEGINNING FUND BALANCE	6,088,246	5,013,753	4,719,408
ENDING FUND BALANCE	\$ 7,437,814	\$ 6,088,246	\$ 5,013,753

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2019	2018	2022	2021	2020	2019	2018
\$ 1,225,256	\$ 1,108,418	41.5 %	38.8 %	39.8 %	43.8 %	44.4 %
356,786	317,685	13.4	12.7	11.6	12.8	12.7
349,356	296,266	13.0	12.4	10.9	12.5	11.9
609,859	545,644	26.2	24.5	22.9	21.8	21.9
15,188	15,750	0.6	0.4	0.4	0.5	0.6
160,635	161,925	4.4	10.3	12.1	5.7	6.5
79,834	49,408	0.9	0.9	2.3	2.9	2.0
<u>\$ 2,796,914</u>	<u>\$ 2,495,096</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 107,425	\$ 158,526	3.0 %	5.3 %	3.4 %	3.8 %	6.4 %
324,253	265,858	14.0	8.4	10.0	11.6	10.7
640,154	585,199	27.0	24.5	23.9	22.9	23.5
117,457	111,056	4.6	4.0	3.5	4.2	4.5
2,745	2,531	0.1	0.1	0.1	0.1	0.1
373,354	319,380	12.5	13.5	16.1	13.3	12.8
177,140	168,888	7.9	6.2	7.6	6.3	6.8
264,900	710,349		9.2	26.9	9.5	28.5
<u>\$ 2,007,428</u>	<u>\$ 2,321,787</u>	<u>69.1 %</u>	<u>71.2 %</u>	<u>91.5 %</u>	<u>71.7 %</u>	<u>93.3 %</u>
\$ 789,486	\$ 173,309	30.9 %	28.8 %	8.5 %	28.3 %	6.7 %
\$ 78,884	\$ - 0 -					
\$ 868,370	\$ 173,309					
<u>3,851,038</u>	<u>3,677,729</u>					
<u>\$ 4,719,408</u>	<u>\$ 3,851,038</u>					

See accompanying independent auditor's report.

**GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS**

	Amounts		
	2022	2021	2020
REVENUES			
Property Taxes	\$ 2,477,128	\$ 2,171,125	\$ 1,850,831
Penalty and Interest	56,483	24,807	25,595
Investment and Miscellaneous Revenues	8,294	5,416	34,017
TOTAL REVENUES	\$ 2,541,905	\$ 2,201,348	\$ 1,910,443
EXPENDITURES			
Tax Collection Expenditures	\$ 78,784	\$ 70,598	\$ 55,568
Debt Service Principal	645,000	560,000	385,000
Debt Service Interest and Fees	1,303,204	1,231,095	1,103,228
TOTAL EXPENDITURES	\$ 2,026,988	\$ 1,861,693	\$ 1,543,796
NET CHANGE IN FUND BALANCE	\$ 514,917	\$ 339,655	\$ 366,647
BEGINNING FUND BALANCE	3,855,492	3,515,837	3,149,190
ENDING FUND BALANCE	\$ 4,370,409	\$ 3,855,492	\$ 3,515,837
TOTAL ACTIVE RETAIL WATER CONNECTIONS	1,526	1,384	1,216
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	1,487	1,349	1,181

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2019	2018	2022	2021	2020	2019	2018
\$ 1,592,936	\$ 1,441,668	97.5 %	98.7 %	96.9 %	96.0 %	97.9 %
24,560	12,165	2.2	1.1	1.3	1.5	0.8
40,894	18,844	0.3	0.2	1.8	2.5	1.3
<u>\$ 1,658,390</u>	<u>\$ 1,472,677</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 56,510	\$ 50,480	3.1 %	3.2 %	2.9 %	3.4 %	3.4 %
185,000	180,000	25.4	25.4	20.2	11.2	12.2
862,208	756,851	51.3	55.9	57.7	52.0	51.4
<u>\$ 1,103,718</u>	<u>\$ 987,331</u>	<u>79.8 %</u>	<u>84.5 %</u>	<u>80.8 %</u>	<u>66.6 %</u>	<u>67.0 %</u>
\$ 554,672	\$ 485,346	20.2 %	15.5 %	19.2 %	33.4 %	33.0 %
<u>2,594,518</u>	<u>2,109,172</u>					
<u>\$ 3,149,190</u>	<u>\$ 2,594,518</u>					
<u>1,049</u>	<u>948</u>					
<u>1,020</u>	<u>919</u>					

See accompanying independent auditor's report.

GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2022

District Mailing Address - Grand Mission Municipal Utility District No. 2
 Coats Rose, P.C.
 9 Greenway Plaza, Suite 1000
 Houston, Texas 77046

District Telephone Number - (713) 651-0111

Board Members:	Term of Office (Elected or <u>Appointed</u>)	Fees of office for the year ended <u>June 30, 2022</u>	Expense reimbursements for the year ended <u>June 30, 2022</u>	<u>Title</u>
Jerry Ulke	05/20 05/24 (Elected)	\$ 1,200	\$ 91	President
Tabinda Ghani	05/22 05/26 (Elected)	\$ 1,800	\$ 373	Vice President
Frank Donnelly, III	05/20 05/24 (Elected)	\$ 1,050	\$ -0-	Secretary/ Treasurer
Shubair Jaffery	05/22 05/26 (Elected)	\$ -0-	\$ -0-	Assistant Secretary
Aisha Jangda	05/22 05/26 (Elected)	\$ -0-	\$ -0-	Assistant Secretary/ Assistant Vice President

Note: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's Developer or with any of the District's consultants.

Submission date of most recent District Registration Form: June 20, 2022

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution on September 7, 2005. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

GRAND MISSION MUNICIPAL UTILITY DISTRICT NO. 2
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2022

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended June 30, 2022</u>	<u>Title</u>
Coats Rose, P.C.	11/16/05	\$ -0- \$ 153,285	General Counsel/ Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	06/11/07	\$ 17,000 \$ 14,750	Auditor Bond Related
Myrtle Cruz, Inc.	01/18/06	\$ 25,720	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/12/07	\$ 11,338	Delinquent Tax Attorney
Quiddity Engineering LLC	11/16/05	\$ 124,591	Engineer
Rathmann & Associates, L.P.	11/16/05	\$ 102,200	Financial Advisor
Mary Jarmon	05/22/06	\$ -0-	Investment Officer
Municipal District Services, LLC	06/09/08	\$ 463,291	Operator
Tax Tech, Inc.	12/21/05	\$ 35,198	Tax Assessor/ Collector

See accompanying independent auditor's report.

APPENDIX C

SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY



BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

