

**OFFICIAL STATEMENT DATED OCTOBER 19, 2023**

IN THE OPINION OF SECHRIST•DUCKERS LLP, BOND COUNSEL, THE BONDS ARE LEGAL, VALID, AND BINDING OBLIGATIONS OF THE DISTRICT AND IN THE OPINION OF ORRICK, HERRINGTON & SUTCLIFFE, LLP, SPECIAL TAX COUNSEL, BASED UPON AN ANALYSIS OF EXISTING LAWS, REGULATIONS, RULINGS AND COURT DECISIONS, AND ASSUMING, AMONG OTHER MATTERS, THE ACCURACY OF CERTAIN REPRESENTATIONS AND COMPLIANCE WITH CERTAIN COVENANTS, INTEREST ON THE BONDS IS EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER SECTION 103 OF THE INTERNAL REVENUE CODE OF 1986. IN THE FURTHER OPINION OF SPECIAL TAX COUNSEL, INTEREST ON THE BONDS IS NOT A SPECIFIC PREFERENCE ITEM FOR PURPOSES OF THE FEDERAL INDIVIDUAL ALTERNATIVE MINIMUM TAX. SPECIAL TAX COUNSEL OBSERVES THAT, FOR TAX YEARS BEGINNING AFTER DECEMBER 31, 2022, INTEREST ON THE BONDS INCLUDED IN ADJUSTED FINANCIAL STATEMENT INCOME OF CERTAIN CORPORATIONS IS NOT EXCLUDED FROM THE FEDERAL CORPORATE ALTERNATIVE MINIMUM TAX. SPECIAL TAX COUNSEL EXPRESSES NO OPINION REGARDING ANY OTHER TAX CONSEQUENCES RELATED TO THE OWNERSHIP OR DISPOSITION OF, OR THE AMOUNT, ACCRUAL OR RECEIPT OF INTEREST ON, THE BONDS. SEE “TAX MATTERS” HEREIN.

THE BONDS HAVE **NOT** BEEN DESIGNATED AS “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS. SEE “TAX MATTERS—NOT QUALIFIED TAX-EXEMPT OBLIGATIONS.”

**NEW ISSUE-Book-Entry Only**

Insured Ratings (AGM): S&P “AA” (stable outlook)  
 Moody’s “A1” (stable outlook)  
 Underlying Rating: Moody’s “A2”  
 See “MUNICIPAL BOND RATING” and “MUNICIPAL BOND INSURANCE” herein.

**\$3,470,000**  
**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 25, OF FORT BEND COUNTY, TEXAS**  
*(A political subdivision of the State of Texas located within Fort Bend County)*  
**UNLIMITED TAX BONDS**  
**SERIES 2023A**

The bonds described above (the “Bonds”) are obligations solely of Fort Bend County Municipal Utility District No. 25, of Fort Bend County, Texas (the “District”), and are not obligations of the State of Texas, Fort Bend County, the City of Houston, or any entity other than the District.

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

**Dated Date: November 1, 2023**

**Due: October 1, as shown below**

**Interest Accrual Date: Date of Delivery**

Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas. (the “Paying Agent/Registrar”), upon surrender of the Bonds for payment. Interest on the Bonds accrues from the date of initial delivery (expected November 16, 2023) (the “Date of Delivery”), and is payable each April 1 and October 1, commencing April 1, 2024, until maturity or prior redemption. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity, as shown below.

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/Registrar directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM.”



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 ASSURED GUARANTY MUNICIPAL CORP. (“AGM” or the “Insurer”). See “MUNICIPAL BOND INSURANCE” herein.

**MATURITY SCHEDULE**

| Principal Amount | Maturity (October 1) | CUSIP Number (a) | Interest Rate | Initial Reoffering Yield (c) | Principal Amount | Maturity (October 1) | CUSIP Number (a) | Interest Rate | Initial Reoffering Yield (c) |
|------------------|----------------------|------------------|---------------|------------------------------|------------------|----------------------|------------------|---------------|------------------------------|
| \$ 95,000        | 2025                 | 346901 U41       | 6.00 %        | 4.20 %                       | \$ 130,000       | 2032 (b)             | 346901 V32       | 4.25 %        | 4.40 %                       |
| 100,000          | 2026                 | 346901 U58       | 6.00          | 4.20                         | 135,000          | 2033 (b)             | 346901 V40       | 4.25          | 4.50                         |
| 105,000          | 2027                 | 346901 U66       | 6.00          | 4.20                         | 140,000          | 2034 (b)             | 346901 V57       | 4.50          | 4.60                         |
| 110,000          | 2028                 | 346901 U74       | 5.25          | 4.20                         | ***              | ***                  | ***              | ***           | ***                          |
| 115,000          | 2029                 | 346901 U82       | 5.00          | 4.20                         | 220,000          | 2044 (b)             | 346901 W72       | 5.00          | 5.12                         |
| 120,000          | 2030                 | 346901 U90       | 6.00          | 4.20                         | 230,000          | 2045 (b)             | 346901 W80       | 5.00          | 5.14                         |
| 125,000          | 2031 (b)             | 346901 V24       | 4.00          | 4.30                         | 240,000          | 2046 (b)             | 346901 W98       | 5.00          | 5.15                         |

\$815,000 Term Bonds due October 1, 2039 (b), 346901 W23 (a), 4.75% Interest Rate, 5.00% Yield (c)

\$380,000 Term Bonds due October 1, 2041 (b), 346901 W49 (a), 5.00% Interest Rate, 5.06% Yield (c)

\$410,000 Term Bonds due October 1, 2043 (b), 346901 W64 (a), 5.00% Interest Rate, 5.09% Yield (c)

- (a) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (b) Bonds maturing on and after October 1, 2031, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on October 1, 2030, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. The Term Bonds (as defined herein) are also subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS—Redemption Provisions.”
- (c) Initial reoffering yield represents the initial offering yield to the public which has been established by the Underwriter (as herein defined) for offers to the public and which may be subsequently changed by the Underwriter and is the sole responsibility of the Underwriter. The initial reoffering yields indicated above represent the lower of the yields resulting when priced at maturity or to the first call date.

The Bonds are offered by the Underwriter when, as and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Sechrist•Duckers LLP, Bond Counsel, and Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Special Tax Counsel. See “LEGAL MATTERS.” Delivery of the Bonds in book-entry form through DTC is expected on or about November 16, 2023.

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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 representation must not be relied upon as having been authorized by the District.

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

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this OFFICIAL STATEMENT are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Sechrist•Duckers LLP, Bond Counsel, 6300 West Loop South, Suite 415, Bellaire, Texas, 77401, for further information.

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

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

Assured Guaranty Municipal Corp. ("AGM" or the "Insurer") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this OFFICIAL STATEMENT or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "MUNICIPAL BOND INSURANCE" and "APPENDIX B—Specimen Municipal Bond Insurance Policy."

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## SALE AND DISTRIBUTION OF THE BONDS

### **Award of the Bonds**

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by SAMCO Capital Markets, Inc. (the "Underwriter") bearing the interest rates shown on the cover page hereof, at a price of 97.5136% of the principal amount thereof, which resulted in a net effective interest rate of 5.081827%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

### **Prices and Marketability**

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

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

### **Securities Laws**

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

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## OFFICIAL STATEMENT SUMMARY

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

### THE DISTRICT

|                                 |  |
|---------------------------------|--|
| <i>Description...</i>           | Fort Bend County Municipal Utility District No. 25, of Fort Bend County, Texas (the “District”), is a political subdivision of the State of Texas, created by order of the Texas Water Commission, predecessor to the Texas Commission on Environmental Quality (the “TCEQ”), on July 18, 1978, and operates pursuant to Chapters 49 and 54 of the Texas Water Code. The District currently contains approximately 1,518 acres of land. See “THE DISTRICT.”  |
| <i>Location...</i>              | The District is located approximately 20 miles southwest of the central downtown business district of the City of Houston, approximately two miles west of the City of Sugar Land and lies within the extraterritorial jurisdiction of the City of Houston, except for approximately 47 acres which lie outside the extraterritorial jurisdiction of any city. The District is within the boundaries of the Fort Bend Independent School District and is located approximately three miles northwest of the intersection of U.S. Highway 90A and Texas State Highway 6. See “THE DISTRICT” and “AERIAL PHOTOGRAPH.”  |
| <i>Status of Development...</i> | <p>The residential portion of the District has been developed as 3,970 single-family residential lots on approximately 939 acres in the following subdivisions: Pheasant Creek (755 lots on approximately 166 acres), Summerfield (477 lots on approximately 104 acres), Park Pointe (387 lots on approximately 90 acres), Stratford Park Village (330 lots on approximately 69 acres), Orchard Lake Estates (530 lots on approximately 154 acres), Chelsea Harbour (353 lots on approximately 82 acres), Oak Lake Court (151 lots on approximately 24 acres); Old Orchard (617 lots on approximately 159 acres), and Windsor Estates (370 lots on approximately 90 acres). Construction of water distribution, wastewater collection, and storm drainage facilities, as well as street paving, has been completed in these sections. As of September 12, 2023, 3,969 homes were completed (of which 3,951 were occupied) and one vacant developed lot remained available for home construction in the District. Based on the District’s 2023 tax rolls, the average taxable homestead value was approximately \$335,900.</p> <p>In addition to single-family residential development, two multi-family apartment communities are located on an aggregate of approximately 56 acres within the District: The Aster Sugar Land (formerly known as Arcadian Sugar Land Apartments) consisting of 240 units and The Flats at Sugar Land (formerly known as Landmark at Sugar Land Apartments), Phases One and Two (432 units). According to property management, approximately 95% of the units are occupied in The Aster Sugar Land and 94% of the units are occupied in The Flats at Sugar Land.</p> <p>Commercial improvements that have been constructed on an aggregate of approximately 61 acres within the District include five gasoline service stations and convenience stores, six retail strip centers, two dry cleaning establishments, an automobile lubrication facility, a pizza restaurant, a Maaco’s automotive repair facility, two car washes, a self-storage facility, and a veterinary clinic. The Casson banquet facility, consisting of 50,000 square feet of meeting space, is located on a portion of approximately 44 acres within the District. Additionally, approximately 21 acres owned by Mag Tic Investors LLC within the District is served by perimeter underground trunkline water distribution, wastewater collection and storm drainage facilities and street paving for future commercial or multi-family development. Approximately 87 acres within the District is owned by Fort Bend Independent School District on which the Stephen F. Austin High School and the Macario Garcia Middle School have been constructed, and which property is exempt from taxation by the District.</p> |

In addition to the development described above, the District presently contains approximately 25 acres of developable land owned by various entities which are not served by water, sewer and drainage facilities. The remainder of the District is comprised of approximately 285 acres that are not developable and consist of public rights-of-way, easements, detention, parks and recreational open spaces and utility sites. See “THE DISTRICT—Land Use,” “—Status of Development,” and “MAJOR PROPERTY OWNERS.”

There is no current development activity in the District.

*Payment Record...*

The District has previously issued unlimited tax bonds for utility purposes, unlimited tax park bonds and unlimited tax refunding bonds in thirty-six series, \$111,085,000 of which remains outstanding as of September 30, 2023 (the “Outstanding Bonds”). The District has never defaulted on the timely payment of debt service on the Outstanding Bonds. See “THE BONDS—Payment Record” and “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds.”

## THE BONDS

*Description...*

The \$3,470,000 Unlimited Tax Bonds, Series 2023A (the “Bonds”), are being issued as fully registered bonds pursuant to a resolution (the “Bond Resolution”) authorizing the issuance of the Bonds adopted by the District’s Board of Directors (the “Board”). The Bonds are scheduled to mature serially on October 1 in each of the years 2025 through 2034, both inclusive, and 2044 through 2046, both inclusive, and as term bonds on October 1 in each of the years 2039, 2041 and 2043 (the “Term Bonds”) in the principal amounts shown on the cover page hereof. The Bonds will be issued in denominations of \$5,000 or integral multiples of \$5,000. Interest on the Bonds accrues from the Date of Delivery, and is payable April 1, 2024, and each October 1 and April 1 thereafter, until the earlier of maturity or prior redemption. See “THE BONDS.”

*Book-Entry-Only System...*

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

*Redemption...*

Bonds maturing on or after October 1, 2031, are subject to redemption in whole, or from time to time in part, at the option of the District prior to their maturity dates on October 1, 2030, or on any date thereafter at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. The Term Bonds (as defined above and herein) are also subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS—Redemption Provisions.”

*Use of Proceeds...*

Proceeds of the Bonds will be used to pay for the items shown herein under “USE AND DISTRIBUTION OF BOND PROCEEDS,” to pay engineering fees, administrative costs, and certain other costs related to the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

*Authority for Issuance...*

The Bonds are the twenty-fourth series of bonds (including one series of combination unlimited tax and refunding bonds) issued out of an aggregate of \$182,715,000 principal amount of unlimited tax bonds authorized by the District’s voters for the purpose of purchasing and constructing a water, wastewater and/or storm drainage system. The Bonds are issued by the District pursuant to an Order of the TCEQ, the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, as amended, Chapters 49 and 54 of the Texas Water Code, as amended, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See “THE BONDS—Authority for Issuance,” “—Issuance of Additional Debt” and “INVESTMENT CONSIDERATIONS—Future Debt.”

|  |  |
|--|--|
| <i>Source of Payment...</i>                                      | Principal of and interest on the Bonds and the Outstanding Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Fort Bend County, the City of Houston, or any entity other than the District. See “THE BONDS—Source of Payment.”   |
| <i>Tax Matters...</i>  | In the opinion of Orrick, Herrington & Sutcliffe, LLP, Special Tax Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Special Tax Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Special Tax Counsel observes that, for tax years beginning after December 31, 2022, interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Special Tax Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See “TAX MATTERS” herein. |
| <i>Municipal Bond Rating and<br/>Municipal Bond Insurance...</i> | S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, (“S&P”) has assigned a municipal bond insured rating of “AA” (stable outlook) and Moody’s Investors Service, Inc. (“Moody’s”) has assigned a municipal bond insured rating of “A1” (stable outlook), respectively, to the Bonds with the understanding that, upon issuance and delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by ASSURED GUARANTY MUNICIPAL CORP. (“AGM” or the “Insurer”). Moody’s has also assigned an underlying rating of “A2” to the Bonds. An explanation of the ratings may be obtained from S&P and Moody’s. See “INVESTMENT CONSIDERATIONS—Risk Factors on Municipal Bond Insurance,” “MUNICIPAL BOND RATING,” “MUNICIPAL BOND INSURANCE” and “APPENDIX B.”   |
| <i>Not Qualified Tax-Exempt<br/>Obligations...</i>               | The Bonds have <b>not</b> been designated as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code of 1986. See “TAX MATTERS—Not Qualified Tax-Exempt Obligations.”   |
| <i>Bond Counsel...</i>   | Sechrist•Duckers LLP, Bellaire, Texas. See “MANAGEMENT OF THE DISTRICT” and “LEGAL MATTERS.”   |
| <i>Special Tax Counsel...</i>                                    | Orrick, Herrington & Sutcliffe LLP, Houston, Texas. See “MANAGEMENT OF THE DISTRICT” and “TAX MATTERS.”  |
| <i>Financial Advisor...</i>                                      | Masterson Advisors LLC, Houston, Texas. See “MANAGEMENT OF THE DISTRICT.”  |
| <i>Disclosure Counsel...</i>                                     | McCall, Parkhurst & Horton L.L.P., Houston, Texas.   |
| <i>Paying Agent/Registrar...</i>                                 | Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas. See “THE BONDS—Method of Payment of Principal and Interest.”  |

## INVESTMENT CONSIDERATIONS

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

## SELECTED FINANCIAL INFORMATION (UNAUDITED)

|  |                   |     |
|--|-------------------|-----|
| 2023 Taxable Assessed Valuation.....   | \$1,547,739,189   | (a) |
| Gross Direct Debt Outstanding (the Outstanding Bonds and the Bonds).....   | \$114,555,000     | (b) |
| Estimated Overlapping Debt .....   | <u>52,214,053</u> | (c) |
| Gross Direct Debt and Estimated Overlapping Debt.....  | \$166,769,053     |     |
| Ratio of Gross Direct Debt to:   |                   |     |
| 2023 Taxable Assessed Valuation.....   | 7.40%             |     |
| Ratio of Gross Direct Debt and Estimated Overlapping Debt to:  |                   |     |
| 2023 Taxable Assessed Valuation.....   | 10.78%            |     |
| Debt Service Funds Available as of August 31, 2023 .....   | \$10,748,150      | (d) |
| Operating Funds Available as of August 31, 2023 .....  | \$ 4,906,052      |     |
| Capital Projects Funds Available as of August 31, 2023 .....   | \$26,603,878      | (e) |
| 2023 Debt Service Tax Rate.....  | \$0.635           |     |
| 2023 Maintenance Tax Rate.....   | <u>0.219</u>      |     |
| 2023 Total Tax Rate.....   | \$0.854           |     |
| Average Annual Debt Service Requirement (2024-2046) of the Bonds and<br>the Outstanding Bonds .....                                  | \$6,375,899       | (f) |
| Maximum Annual Debt Service Requirement (2025) of the Bonds and<br>the Outstanding Bonds .....                                       | \$9,074,625       | (f) |
| Tax Rate Required to Pay Average Requirement (2024-2046) at a 95% Collection Rate<br>Based upon 2023 Taxable Assessed Valuation..... | \$0.44            | (g) |
| Tax Rate Required to Pay Maximum Requirement (2025) at a 95% Collection Rate<br>Based upon 2023 Taxable Assessed Valuation.....      | \$0.62            | (g) |
| Status of Development as of September 12, 2023 (h):  |                   |     |
| Homes Completed (3,951 Occupied Homes).....  | 3,969             |     |
| Lots Available for Home Construction .....   | 1                 |     |
| Apartment Units .....  | 672               |     |
| Estimated Population .....   | 15,173            | (i) |

- (a) The Fort Bend Central Appraisal District (the “Appraisal District”) has certified \$1,545,947,404 of taxable value and an additional \$1,791,785 of taxable value remains uncertified. The uncertified value is subject to review and downward revision prior to certification. No tax will be levied on said uncertified value until it is certified by the Appraisal District. The 2023 Taxable Assessed Valuation shown throughout is the certified value plus the uncertified value. See “TAXING PROCEDURES.”
- (b) After the issuance of the Bonds. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds.”
- (c) See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt.”
- (d) Neither Texas law nor the Bond Resolution requires the District to maintain any particular balance in the Debt Service Fund. See “THE BONDS—Funds.”
- (e) Capital Projects funds are expected to be expended on current construction projects.
- (f) See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements.”
- (g) See “TAX DATA—Tax Adequacy for Debt Service” and “INVESTMENT CONSIDERATIONS—Possible Impact on District Tax Rate.”
- (h) See “THE DISTRICT—Land Use” and “—Status of Development.”
- (i) Based upon 3.5 persons per occupied single-family residence and 2.0 persons per apartment unit.



## OFFICIAL STATEMENT

**\$3,470,000**

### **FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 25, OF FORT BEND COUNTY, TEXAS** *(A political subdivision of the State of Texas located within Fort Bend County)*

#### **UNLIMITED TAX BONDS SERIES 2023A**

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Fort Bend County Municipal Utility District No. 25, of Fort Bend County, Texas (the “District”), of its \$3,470,000 Unlimited Tax Bonds, Series 2023A (the “Bonds”).

The Bonds are issued by the District pursuant to an order of the Texas Commission on Environmental Quality (the “TCEQ”), an election held within the District, the terms and conditions of a resolution authorizing the issuance of the Bonds (the “Bond Resolution”), Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District, and development activity in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Sechrist•Duckers LLP, Bond Counsel, 6300 West Loop South, Suite 415, Bellaire, Texas 77401.

### **THE BONDS**

#### **Description**

The Bonds will be dated November 1, 2023, and will accrue interest from the Date of Delivery, with interest payable each April 1 and October 1, beginning April 1, 2024 (each, an “Interest Payment Date”), and will mature on the dates and in the principal amounts and accrue interest at the rates shown on the cover page hereof. The Bonds are issued in fully registered form, in denominations of \$5,000 or any integral multiple of \$5,000. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

#### **Transfer, Exchange and Registration**

In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar (hereinafter defined) only upon presentation and surrender thereof to the Paying Agent/Registrar or its principal payment office and such transfer or exchange shall be without expenses or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange 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 Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the principal payment office of the Paying Agent/Registrar, or sent by the United States mail, first class, postage prepaid, to the new Registered Owner or his designee. 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 Registered Owner in not more than three business days after the receipt of the Bonds to be cancelled, and the written instrument of transfer or request for exchange duly executed by the Registered Owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See “BOOK-ENTRY-ONLY SYSTEM” herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

### **Method of Payment of Principal and Interest**

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

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

### **Source of Payment**

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

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

### **Funds**

In the Bond Resolution, the Debt Service Fund is confirmed, and the proceeds from all taxes levied, assessed and collected for and on account of the Bonds authorized by the Bond Resolution shall be deposited, as collected, in such fund.

Proceeds of sale of the Bonds shall be deposited into the Capital Projects Fund, to be used for the purposes shown herein under "USE AND DISTRIBUTION OF BOND PROCEEDS" and for paying the costs of issuance of the Bonds. Any monies remaining in the Capital Projects Fund after completion of construction of the entire system (as herein defined) will be used as described in the Bond Resolution or ultimately transferred to the Debt Service Fund. See "USE AND DISTRIBUTION OF BOND PROCEEDS" for a complete description of the use of Bond proceeds and the projects related thereto.

### **No Arbitrage**

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

**Redemption Provisions**

*Mandatory Redemption:* The Bonds maturing on October 1 in each of the years 2039, 2041 and 2043 (the “Term Bonds”) shall be redeemed at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the “Mandatory Redemption Date”), on October 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District’s reserved right of optional redemption, as provided under “Optional Redemption” below):

| <b>\$815,000 Term Bonds</b>      |                         | <b>\$380,000 Term Bonds</b>      |                         | <b>\$410,000 Term Bonds</b>      |                         |
|----------------------------------|-------------------------|----------------------------------|-------------------------|----------------------------------|-------------------------|
| <b>Due October 1, 2039</b>       |                         | <b>Due October 1, 2041</b>       |                         | <b>Due October 1, 2043</b>       |                         |
| <b>Mandatory Redemption Date</b> | <b>Principal Amount</b> | <b>Mandatory Redemption Date</b> | <b>Principal Amount</b> | <b>Mandatory Redemption Date</b> | <b>Principal Amount</b> |
| 2035                             | \$ 150,000              | 2040                             | \$ 185,000              | 2042                             | \$ 200,000              |
| 2036                             | 155,000                 | 2041 (maturity)                  | 195,000                 | 2043 (maturity)                  | 210,000                 |
| 2037                             | 165,000                 |                                  |                         |                                  |                         |
| 2038                             | 170,000                 |                                  |                         |                                  |                         |
| 2039 (maturity)                  | 175,000                 |                                  |                         |                                  |                         |

On or before thirty (30) days prior to each Mandatory Redemption Date set forth above, the Registrar shall (i) determine the principal amount of Term Bonds of a maturity that must be mandatorily redeemed on such Mandatory Redemption Date, after taking into account deliveries for cancellation and optional redemptions as more fully provided for below, (ii) select, by lot or other customary method of random selection, the Term Bonds of such maturity or portions of Term Bonds of such maturity to be mandatorily redeemed on such Mandatory Redemption Date, and (iii) give notice of such redemption as provided in the Bond Resolution. The principal amount of Term Bonds to be mandatorily redeemed on such Mandatory Redemption Date shall be reduced, at the direction of the District, by the principal amount of Term Bonds, which, by the 45th day prior to such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the District to the Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

*Optional Redemption:* The District reserves the right, at its option, to redeem the Bonds maturing on or after October 1, 2031, prior to their scheduled maturities, in whole or from time-to-time in part, in integral multiples of \$5,000 on October 1, 2030, or any date thereafter, at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption.

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

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

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

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

### **Authority for Issuance**

At bond elections held within the District on August 12, 1978, April 4, 1981, August 13, 1994, June 24, 2000, September 10, 2005, May 11, 2013, and May 4, 2019, voters of the District have authorized an aggregate issuance of \$182,715,000 principal amount of unlimited tax bonds for the purpose of constructing and/or acquiring waterworks, sanitary sewer and storm sewer system. See “—Issuance of Additional Debt” herein.

The Bonds are issued by the District pursuant to an order of the TCEQ, the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

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

### **Payment Record**

The District has previously issued unlimited tax bonds for utility purposes, unlimited tax park bonds and unlimited tax refunding bonds in thirty-six series, \$111,085,000 of which remains outstanding (the “Outstanding Bonds”) as of the date hereof. The District has never defaulted on the timely payment of debt service on the Outstanding Bonds. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds.”

### **Lost, Stolen or Destroyed Bonds**

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

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

### **Replacement of Paying Agent/Registrar**

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

### **Issuance of Additional Debt**

The District may issue additional bonds, with the approval of the TCEQ, necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. See “THE DISTRICT—General.” The District’s voters have authorized the issuance of \$182,715,000 principal amount of unlimited tax bonds for the purpose of constructing and/or acquiring a waterworks, sanitary sewer and storm sewer system, \$20,000,000 principal amount of unlimited tax bonds for the purpose of constructing and/or acquiring park and recreational facilities and \$33,000,000 principal amount of unlimited tax bonds for refunding purposes and could authorize additional amounts. After the issuance of the Bonds, \$36,115,000 principal amount of unlimited tax bonds will remain authorized for constructing and/or acquiring a waterworks, sanitary sewer and storm sewer system, \$25,335,022 principal amount of unlimited tax refunding bonds will remain authorized but unissued and \$14,210,000 principal amount of unlimited tax bonds for parks and recreational facilities will remain authorized but unissued.

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. At an election held on November 6, 2007, the qualified voters of the District approved a fire plan (the “Fire Plan”) that authorizes the District to: (i) contract with third parties to provide fire protection services (the “Service Contract”); (ii) use District property for the construction of a fire station; and (iii) impose a mandatory fee to finance the Fire Plan and the Service Contract. The Fire Plan adopted by the Board does not authorize the District to issue bonds to finance the Fire Plan or the Service Contract. The Fire Plan was approved by the TCEQ on May 30, 2008. If additional debt obligations are authorized and 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 parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions were required: (a) preparation of a detailed park plan; (b) authorization of park bonds by the qualified voters in the District; (c) approval of the park project and bonds by the TCEQ; and (d) approval of the bonds by the Attorney General of Texas. The outstanding principal amount of such park bonds may not exceed one percent (1%) of the value of the taxable property in the District at the time of issuance of the bonds, or, in the event the District meets certain conditions, three percent (3%) of the value of the taxable property in the District at the time of issuance of the bonds, but in no event in an amount greater than the estimated cost in the plan. The Board has approved a park plan, and at an election held May 11, 2013, voters of the District authorized the issuance of \$20,000,000 principal amount of unlimited tax bonds for the purpose of constructing and/or acquiring parks and recreational facilities. The District currently has \$14,210,000 principal amount of unlimited tax bonds for parks and recreational facilities authorized but unissued.

Pursuant to Chapter 54 of the Water Code, a municipal utility district may petition the TCEQ for the power to issue bonds supported by property taxes to finance roads. Before the District could issue such bonds, it would be required to receive a grant of such power from the TCEQ, authorization from the District’s voters to issue such bonds, and approval of the bonds by the Attorney General of Texas. The District has not considered filing an application to the TCEQ for road powers nor calling such an election at this time.

### **Annexation by the City of Houston**

Chapter 42, Local Government Code, provides that, within the limits described therein, the unincorporated area contiguous to the corporate limits of any city comprises that city’s extraterritorial jurisdiction. The size of extraterritorial jurisdiction depends in part on the city’s population. For the City of Houston, the extraterritorial jurisdiction consists of all the contiguous unincorporated areas, not a part of any other city limits or city’s extraterritorial jurisdiction, within five (5) miles of the corporate limits of the City of Houston. With certain exceptions, a city may annex territory only within the confines of its extraterritorial jurisdiction. When a city annexes additional territory, the city’s extraterritorial jurisdiction expands in conformity with such annexation.

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.

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.

### **Strategic Partnership Agreement**

The District is authorized to enter into a strategic partnership agreement with the City of Houston to provide the terms and conditions under which the services would be provided and funded by the parties and under which the District would continue to exist for an extended period if the land within the District were annexed for full or limited purposes by the City. The terms of any such agreement would be determined by the City and the District. Although the City has negotiated and entered into such an agreement with other districts in its extraterritorial jurisdiction, none is currently contemplated with respect to the District, although no representation can be made regarding the future likelihood of an agreement or the terms thereof.

## **Consolidation**

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

## **Remedies in Event of Default**

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

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

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

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

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

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

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

## **Defeasance**

The Bond 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, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a

state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to the investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

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

There is no assurance that the current law will not be changed in a manner which would permit other investments 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 as currently permitted under Texas law.

### **BOOK-ENTRY-ONLY SYSTEM**

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation of ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this OFFICIAL STATEMENT. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Direct Participants 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 Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of "AA+" by 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](http://www.dtcc.com).

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. 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 Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, interest payments and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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**USE AND DISTRIBUTION OF BOND PROCEEDS**

The construction costs below were compiled by Ardurra Group (the “Engineer”). Non-construction costs are based upon either contract amounts, or estimates of various costs by the Engineer and Masterson Advisors LLC, the District’s financial advisor (the “Financial Advisor”). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and review by the District’s auditor. Any surplus bond funds may be expended for any lawful purpose for which surplus construction funds may be used, if approved by the TCEQ, where required.

**CONSTRUCTION COSTS**

|   |                     |
|---|---------------------|
| • Chelsea Harbour Wastewater Effluent Line..... | \$ 2,460,020        |
| • Contingencies.....                            | 246,002             |
| • Engineering.....                              | <u>472,000</u>      |
| <b>Total Construction Costs.....</b>            | <b>\$ 3,178,022</b> |

**NON-CONSTRUCTION COSTS**

|  |                  |
|--|------------------|
| • Underwriter’s Discount (a).....        | <u>\$ 86,276</u> |
| <b>Total Non-Construction Costs.....</b> | <b>\$ 86,276</b> |

**ISSUANCE COSTS AND FEES**

|   |                     |
|---|---------------------|
| • Issuance Costs and Professional Fees..... | \$ 183,083          |
| • Bond Application Report Cost.....         | 10,000              |
| • State Regulatory Fees.....                | 12,145              |
| • Contingency (a).....                      | <u>474</u>          |
| <b>Total Issuance Costs and Fees.....</b>   | <b>\$ 205,702</b>   |
| <b>TOTAL BOND ISSUE REQUIREMENT.....</b>    | <b>\$ 3,470,000</b> |

(a) The TCEQ approved a maximum amount of Underwriter’s discount of 2.50%. Contingency represents the difference in the estimated and actual amount of Underwriter’s discount.

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## THE DISTRICT

### **General**

The District is a municipal utility district created by an order of the Texas Water Commission, predecessor to the TCEQ, dated July 18, 1978. The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to utility districts, particularly Article XVI, Section 59 of the Texas Constitution, and Chapters 49 and 54 of the Texas Water Code, as amended.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District also is empowered to establish, operate, and maintain fire-fighting facilities and recreational facilities, independently or with one or more conservation and reclamation districts. Additionally, the District may, subject to certain limitations, develop and finance roads. See “THE BONDS—Issuance of Additional Debt.”

The TCEQ exercises continuing supervisory jurisdiction over the District. As a condition to its consent to the creation of the District by the City of Houston (within whose extraterritorial jurisdiction the larger portion of the District lies) requires the District to observe certain requirements of the City which: limit the purposes for which the District may sell bonds for the acquisition, construction, and improvement of waterworks, wastewater, drainage, firefighting, and recreational facilities; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of District construction plans; and permit connections only to lots and commercial or multi-family reserves described in plats which have been approved by the Planning Commission of the City and recorded in the real property records. Construction and operation of the District’s system is subject to the regulatory jurisdiction of additional governmental agencies. See “THE SYSTEM—Regulation.”

### **Description and Location**

The District currently contains approximately 1,518 acres of land and is located approximately 20 miles southwest of the central downtown business district of the City of Houston, approximately two miles west of the City of Sugar Land, and lies within the extraterritorial jurisdiction of the City of Houston, except for approximately 47 acres which lie outside the extraterritorial jurisdiction of any city. The District is within the boundaries of the Fort Bend Independent School District and is located approximately three miles northwest of the intersection of U.S. Highway 90A and Texas State Highway 6. See “AERIAL PHOTOGRAPH.”

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**Land Use**

The District currently includes approximately 939 developed acres of single-family residential development (3,970 lots), approximately 61 acres developed for commercial purposes, approximately 90 acres of future development (which includes approximately 21 acres owned by Mag Tic Investors LLC and approximately 44 acres owned by Casson Enterprises Inc., dba Safari Texas Ranch, (“Casson”) served by perimeter underground trunkline water, wastewater and drainage facilities and street paving for future commercial or multi-family development), approximately 56 acres for multi-family purposes, approximately 87 acres for Fort Bend Independent School District facilities, and approximately 285 undevelopable acres (drainage and pipeline easements, street rights-of-way, parks and recreational open spaces and utility sites). The table below represents a detailed breakdown of the current acreage and development in the District.

|  | Approximate<br><u>Acres</u> | <u>Lots</u> |
|--|-----------------------------|-------------|
| <i><u>Single Family Residential:</u></i>                         |                             |             |
| Pheasant Creek .....   | 166                         | 755         |
| Summerfield .....  | 104                         | 477         |
| Park Pointe .....  | 90                          | 387         |
| Stratford Park Village.....                                      | 69                          | 330         |
| Orchard Lake Estates.....  | 153                         | 530         |
| Chelsea Harbour .....  | 82                          | 353         |
| Oak Lake Court .....   | 24                          | 151         |
| Old Orchard.....   | 160                         | 617         |
| Windsor Estates .....  | <u>89</u>                   | <u>370</u>  |
| Residential Subtotal.....  | 939                         | 3,970       |
| <i>Multi-Family (672 units) .....</i>                            | 56                          | ---         |
| <i>Commercial.....</i>   | 61                          | ---         |
| <i>Fort Bend Independent School District Facilities (a).....</i> | 87                          | ---         |
| <i>Future Development (b).....</i>                               | 90                          | ---         |
| <i>Non-Developable (c).....</i>                                  | <u>285</u>                  | <u>---</u>  |
| Totals.....  | 1,518                       | 3,970       |

- (a) Includes Stephen F. Austin High School and Macario Garcia Middle School.
- (b) Includes approximately 21 acres owned by Mag Tic Investors LLC and approximately 44 acres owned by Casson, which are served by perimeter underground trunkline water distribution, wastewater collection and storm drainage facilities and street paving for future commercial or multi-family development. A banquet facility has been constructed on a portion of the 44 acres owned by Casson. See “TAX DATA—Principal Taxpayers.” No development on the acreage owned by Mag Tic Investors LLC has commenced. The remaining developable acres are owned by various entities and are not served with water, sanitary sewer and/or drainage facilities.
- (c) Includes public rights-of-way, detention, open spaces, easements and utility sites.

**Status of Development**

The residential portion of the District has been developed as 3,970 single-family residential lots on approximately 939 acres in the following subdivisions: Pheasant Creek (755 lots on approximately 166 acres), Summerfield (477 lots on approximately 104 acres), Park Pointe (387 lots on approximately 90 acres), Stratford Park Village (330 lots on approximately 69 acres), Orchard Lake Estates (530 lots on approximately 154 acres), Chelsea Harbour (353 lots on approximately 82 acres), Oak Lake Court (151 lots on approximately 24 acres); Old Orchard (617 lots on approximately 159 acres), and Windsor Estates (370 lots on approximately 90 acres). Construction of water distribution, wastewater collection, and storm drainage facilities, as well as street paving, has been completed in these sections. As of September 12, 2023, 3,969 homes were completed (of which 3,951 were occupied) and one vacant developed lot remained available for home construction in the District. Based on the District’s 2023 tax rolls, the average taxable homestead value was approximately \$335,900.

In addition to single-family residential development, two multi-family apartment communities are located on an aggregate of approximately 56 acres within the District: The Aster Sugar Land (formerly known as Arcadian Sugar Land Apartments) consisting of 240 units and The Flats at Sugar Land (formerly known as Landmark at Sugar Land Apartments), Phases One and Two (432 units). According to property management, approximately 95% of the units are occupied in The Aster Sugar Land and 94% of the units are occupied in The Flats at Sugar Land. See “INVESTMENT CONSIDERATIONS—Tax Exemption Provided to Lessees of Public Facility Corporations.”

Commercial improvements that have been constructed on an aggregate of approximately 61 acres within the District include five gasoline service stations and convenience stores, six retail strip centers, two dry cleaning establishments, an automobile lubrication facility, a pizza restaurant, a Maaco’s automotive repair facility, two car washes, a self-storage facility, and a veterinary clinic. Approximately 21 acres owned by Mag Tic Investors LLC and approximately 44 acres owned by Casson are served by perimeter underground trunkline water distribution, wastewater collection and storm drainage facilities and street paving for future commercial or multi-family development. A banquet facility has been constructed on a portion of the 44 acres owned by Casson. Approximately 87 acres within the District is owned by Fort Bend Independent School District on which the Stephen F. Austin High School and the Macario Garcia Middle School have been constructed. Such property owned by Fort Bend Independent School District is not subject to taxation by the District.

**Future Development**

Approximately 21 acres owned by Mag Tic Investors LLC and approximately 44 acres owned by Casson are served by perimeter underground trunkline water distribution, wastewater collection and storm drainage facilities and street paving for future commercial or multi-family development. A banquet facility has been constructed on a portion of the 44 acres owned by Casson. Additionally, approximately 25 developable acres of land in the District are not yet fully served with water, wastewater and drainage facilities and roads necessary for the construction of taxable improvements. While the District anticipates future development of such acreages, there can be no assurances if and when any of such undeveloped land will ultimately be developed. There is no current development activity in the District. The District anticipates issuing additional bonds to fund water, sewer and drainage facilities within the District necessary to serve the land at full development. The District’s Engineer has stated that under current development plans, the remaining authorized but unissued bonds (\$36,115,000 principal amount for waterworks, sanitary sewer and storm drainage facilities and \$14,210,000 principal amount for parks) should be sufficient to finance the construction of underground utilities to serve the remaining developable acreage in the District and park and recreational facilities proposed in the District’s park plan. See “THE BONDS—Issuance of Additional Debt” and “INVESTMENT CONSIDERATIONS—Future Debt.”

**MAJOR PROPERTY OWNERS**

Mag Tic Investors LLC owns approximately 21 acres of land served with utilities for future development. No development on acreage owned by Mag Tic Investors LLC has commenced. Additionally, Casson owns approximately 44 acres in the District, on which a 50,000 square foot banquet facility has been constructed on a portion of such acreage.

Furthermore, because neither Mag Tic Investors LLC nor Casson has an obligation to the District to develop any of their currently undeveloped land, the District cannot represent that Mag Tic Investors LLC or Casson will undertake the development of any portions thereof.

Neither Mag Tic Investors LLC, Casson nor any other property owner are responsible for, liable for or have made any commitment for payment of the Bonds or other obligations of the District. Mag Tic Investors LLC, Casson and other property owners have no legal commitment to the District or owners of the Bonds to continue development of land within the District and may sell or otherwise dispose of their property within the District.

**MANAGEMENT OF THE DISTRICT**

**Board of Directors**

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to four-year terms and elections are held in May in even numbered years only. All of the current Board members either reside or own land within the District. Directors have staggered four-year terms. The current members and officers of the Board along with their titles and terms, are listed as follows:

| <u>Name</u>           | <u>District Board Title</u>                 | <u>Term Expires</u> |
|-----------------------|---|---------------------|
| Glenn Farley          | President                                   | May 2024            |
| Escoto "Scott" Thomas | Vice President/Assistant Secretary          | May 2024            |
| Brian Addicks         | Assistant Vice President/Investment Officer | May 2026            |
| Dan Turner            | Secretary                                   | May 2024            |
| Jeffery Williams      | Assistant Secretary                         | May 2026            |

## **District Management**

The District provides its own utility system management, operating and bookkeeping services. The District employs the following individuals in the following executive capacities.

*Executive General Manager:* Leonela Ruvalcaba

*Assistant Executive General Manager for Administration and Operations:* Mary Moore-Hayes

In addition, the District employs nine licensed operators and one service personnel.

The District provides a defined contribution benefit plan and social security and alternate FICA to its employees. The District contributes to the defined contribution pension plan, which provides retirement and death benefits to plan members and their beneficiaries. During the fiscal year ending September 30, 2022, the District contributed \$123,295 to the plan, which was based on two to twelve percent (2% to 12%) of employees' salaries. See "APPENDIX A" for a description of the defined contribution benefit plan. Other than the defined contribution benefit plan, the District has no other pension plans or post-employment benefits to be funded by the District.

## **Consultants**

The District also has contracted for tax assessing and collecting, auditing, engineering, financial advisory and legal services as follows:

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

*Special Tax Counsel:* The District has engaged Orrick, Herrington & Sutcliffe LLP as Special Tax Counsel to the District. The fees of the attorneys in their capacity as Special Tax Counsel are contingent upon the sale and delivery of the Bonds.

*Disclosure Counsel:* The District has engaged McCall, Parkhurst & Horton L.L.P., Houston, Texas as disclosure counsel. The fees paid to disclosure counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

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

*Auditor:* As required by the Texas Water Code, the District retains Belt Harris Pechacek, LLP, Certified Public Accountants as an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. See "APPENDIX A" for a copy of the District's September 30, 2022 financial statements. The District has engaged Belt Harris Pechacek, LLP, Certified Public Accountants to audit its financial statements for the year ended September 30, 2023.

*Engineer:* The District's consulting engineer is Ardurra Group (the "Engineer").

*Tax Appraisal:* The Fort Bend Central Appraisal District has the responsibility of appraising all property within the District. See "TAXING PROCEDURES."

*Tax Assessor/Collector:* The District has contracted with an independent tax assessor/collector to perform the tax collection function. Assessments of the Southwest, Inc. (the "Tax Assessor/Collector") has contracted with the District to serve in this capacity.

## THE SYSTEM

### **Regulation**

Construction and operation of the District's water, wastewater and storm drainage system as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the District. Discharge of treated sewage into Texas waters, if any, also is subject to the regulatory authority of the TCEQ and the United States Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of the Fort Bend County Drainage District. Fort Bend County, the City of Houston, and the Texas Department of Health also exercise regulatory jurisdiction over the District's system.

### **Water Supply**

Water supply for the District is currently provided by four water plants which include (i) Water Well and Water Plant No. 1, which consists of a 1,000 gallons-per-minute ("gpm") water well, a 429,000 gallon ground storage tank, a 15,000 gallon hydropneumatic tank and three 750 gpm booster pumps, a control building, chlorination facilities, an auxiliary power unit, and related appurtenances; (ii) Water Well and Water Plant No. 2, which consists of a 1,000 gpm water well, 15,000 gallon hydropneumatic tank, and chlorination facilities, one 100,000 gallon ground storage tank, one 135,000 gallon ground storage tank and three 500 gpm booster pumps; (iii) Water Well and Water Plant No. 3, which consists of a 1,500 gpm water well, two 500,000 gallon ground storage tanks, two 10,000 gallon hydropneumatic tanks, three 750 gpm booster pumps, and one 250 gpm booster pump, (iv) Water Well and Water Plant No. 4, consisting of 1,500 gpm water well, two 500,000 gallon ground storage tank, two 10,000 gallon hydropneumatic tanks, and three 750 gpm booster pumps, and (v) a 50 gpm water well located at the District's administration building. According to the District's Engineer, the aforementioned existing water supply and treatment facilities contain adequate capacity to provide service to approximately 4,666 equivalent single-family connections ("ESFCs") and as of August 31, 2023, the District was serving approximately active 4,495 ESFCs. Additional facilities may be required to provide capacity sufficient to serve the remaining undeveloped land in the 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 permit issued by the Subsidence District. 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) prepare a groundwater reduction plan ("GRP") and obtain certification of the GRP from the Subsidence District; (ii) limit groundwater withdrawals to no more than 70% of the total annual 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.

If the District 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 70% of the total water demand and for any groundwater withdrawn in excess of 40% of the total annual water demand beginning January 2025.

The District prepared a GRP, dated October 2008, that the Subsidence District has approved. The District will comply with the Subsidence District's requirements by re-using the wastewater effluent that is generated by the District's wastewater treatment plants. The District currently discharges the wastewater effluent pursuant to contracts with The Houstonian Golf Course located outside the boundaries of the District and the Orchard Lakes Home Owners Association. Conversion to surface water could necessitate improvements to the System which could require the issuance of additional bonds by the District.

### **Wastewater Treatment**

Wastewater treatment for the District is provided by a 1,600,000 gallon per day wastewater treatment plant and a 500,000 gallon per day wastewater treatment plant. According to the District's Engineer, the two permanent wastewater treatment plants are capable of serving approximately 7,000 ESFCs and, as of August 31, 2023, the District was serving approximately 4,495 active ESFCs. Proceeds from the District's Series 2023, Unlimited Tax Bonds are being used to improve and rehabilitate the District's wastewater treatment plants. A portion of the proceeds from the Bonds will be expended to construct a wastewater effluent line in Chelsea Harbour. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

## **Water Distribution, Wastewater Collection and Storm Drainage Facilities**

Water distribution, wastewater collection and storm drainage facilities have been constructed to serve 3,970 single-family residential lots in the District and approximately 207 acres of commercial, institutional and multi-family development (including approximately 21 acres owned by Mag Tic Investors LLC is served by perimeter underground trunkline water distribution, wastewater collection and storm drainage facilities and street paving for future commercial or multi-family development). See “THE DISTRICT—Land Use” and “—Status of Development.”

### **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 and other improvements must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is no assurance that homes and other improvements built in such area will not be flooded. The District’s drainage system has been designed and constructed to all current standards.

According to the District’s Engineer, none of the developable land within the District is currently in the 100-year flood plain based on the updated floodplain maps prepared by FEMA and adopted by Fort Bend County on April 2, 2014. A portion of the undevelopable land adjacent to FM 1464 or Oyster Creek is within the 100-year flood plain. See “INVESTMENT CONSIDERATIONS—Extreme Weather Events.”

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States (“Atlas 14”). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the District. The application of such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain. See “INVESTMENT CONSIDERATION—Atlas 14.”

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**Water and Wastewater Operations**

The Outstanding Bonds and the Bonds are payable solely from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Net revenue from operations of the District’s system, if any, are available for any legal purpose, including, upon Board action, the payment of debt service on the Bonds and the Outstanding Bonds. It is anticipated that no significant operation revenues will be used for debt service on the Bonds or the Outstanding Bonds in the foreseeable future.

The following statement sets forth in condensed from the General Operating Fund as shown in the District's audited financial statements for the period September 30, 2019 through September 30, 2022 and an unaudited summary for the ten-month period ended July 31, 2023 as provided by the District. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Reference is made to “APPENDIX A” for further and complete information.

|                                  | 10/1/2022 to<br>7/31/2023 (a)<br>(unaudited) | Fiscal Year Ended September 30 |                     |                     |                     |
|----------------------------------|--|--------------------------------|---------------------|---------------------|---------------------|
|                                  |  | 2022                           | 2021                | 2020                | 2019                |
| <b>Revenues:</b>                 |  |                                |                     |                     |                     |
| Charges for Water Service        | \$ 1,486,273                                 | \$ 1,960,718                   | \$ 1,651,401        | \$ 1,686,004        | \$ 1,679,918        |
| Charges for Sewer Service        | 867,521                                      | 1,453,039                      | 1,436,902           | 1,445,086           | 1,249,080           |
| Tap Connection & Inspection Fees | 57,005                                       | 93,050                         | 182,410             | 185,239             | 106,145             |
| Property Taxes                   | 3,056,000                                    | 2,861,500                      | 2,646,889           | 2,556,006           | 2,501,546           |
| Investment Earnings              | 77,784                                       | 26,919                         | 32,616              | 43,801              | 44,894              |
| Other                            | 505,122                                      | 206,327                        | 84,211              | 36,000              | 60,124              |
| <b>Total Revenues</b>            | <b>\$ 6,049,705</b>                          | <b>\$ 6,601,553</b>            | <b>\$ 6,034,429</b> | <b>\$ 5,952,136</b> | <b>\$ 5,641,707</b> |
| <b>Expenditures:</b>             |  |                                |                     |                     |                     |
| Service Operations               |  |                                |                     |                     |                     |
| Personnel                        | \$ 2,200,368                                 | \$ 2,912,992                   | \$ 2,522,868        | \$ 2,634,791        | \$ 2,460,276        |
| Professional Fees                | 422,449                                      | 197,968                        | 163,340             | 122,352             | 204,688             |
| Contracted Services              | 518,867                                      | 180,852                        | 229,390             | 335,119             | 241,284             |
| Utilities                        | 438,466                                      | 476,150                        | 463,893             | 462,516             | 436,469             |
| Repairs and Maintenance          | 934,314                                      | 1,423,679                      | 1,499,960           | 1,291,967           | 839,256             |
| Administrative                   | 323,931                                      | 415,372                        | 324,475             | 323,003             | 311,016             |
| Other Expenses                   | 849,010                                      | 489,620                        | 442,408             | 436,504             | 428,534             |
| Capital Outlay                   | -  | 183,055                        | -                   | 50,583              | 194,584             |
| <b>Total Expenditures</b>        | <b>\$ 5,687,405</b>                          | <b>\$ 6,279,688</b>            | <b>\$ 5,646,334</b> | <b>\$ 5,656,835</b> | <b>\$ 5,116,107</b> |
| <b>NET REVENUES</b>              | <b>\$ 362,300</b>                            | <b>\$ 321,865</b>              | <b>\$ 388,095</b>   | <b>\$ 295,301</b>   | <b>\$ 525,600</b>   |
| Transfers In (Out)               | \$ -   | \$ -                           | \$ 219,227          | \$ 168,546          | \$ -                |
| General Operating Fund           |  |                                |                     |                     |                     |
| Balance (Beginning of Year)      | \$ 5,062,410                                 | \$ 4,740,545                   | \$ 4,133,223        | \$ 3,669,376        | \$ 3,143,776        |
| General Operating Fund           |  |                                |                     |                     |                     |
| Balance (End of Year)            | <u>\$ 5,424,710</u>                          | <u>\$ 5,062,410</u>            | <u>\$ 4,740,545</u> | <u>\$ 4,133,223</u> | <u>\$ 3,669,376</u> |

(a) Unaudited. Provided by the District.

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**FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)**

|  |                   |        |
|--|-------------------|--------|
| 2023 Taxable Assessed Valuation.....                                     | \$1,547,739,189   | (a)    |
| Gross Direct Debt Outstanding (the Outstanding Bonds and the Bonds)..... | \$114,555,000     | (b)    |
| Estimated Overlapping Debt .....   | <u>52,214,053</u> | (c)    |
| Gross Direct Debt and Estimated Overlapping Debt.....                    | \$166,769,053     |        |
| Ratio of Gross Direct Debt to:   |                   |        |
| 2023 Taxable Assessed Valuation.....                                     |                   | 7.40%  |
| Ratio of Gross Direct Debt and Estimated Overlapping Debt to:            |                   |        |
| 2023 Taxable Assessed Valuation.....                                     |                   | 10.78% |
| Debt Service Funds Available as of August 31, 2023 .....                 | \$10,748,150      | (d)    |
| Operating Funds Available as of August 31, 2023 .....                    | \$ 4,906,052      |        |
| Capital Projects Funds Available as of August 31, 2023 .....             | \$26,603,878      | (e)    |

- (a) The Fort Bend Central Appraisal District (the “Appraisal District”) has certified \$1,545,947,404 of taxable value and an additional \$1,791,785 of taxable value remains uncertified. The uncertified value is subject to review and downward revision prior to certification. No tax will be levied on said uncertified value until it is certified by the Appraisal District. The 2023 Taxable Assessed Valuation shown throughout is the certified value plus the uncertified value. See “TAXING PROCEDURES.”
- (b) After the issuance of the Bonds. See “—Outstanding Bonds” herein.
- (c) See “—Estimated Overlapping Debt” herein.
- (d) Neither Texas law nor the Bond Resolution requires the District to maintain any particular balance in the Debt Service Fund. See “THE BONDS—Funds.”
- (e) Capital Projects funds are expected to be expended on current construction projects.

**Investments of the District**

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

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**Outstanding Bonds**

The District has previously issued thirty-six series of unlimited tax and unlimited tax refunding bonds, of which \$111,085,000 remains outstanding (the “Outstanding Bonds”). The following table lists the original principal amount and currently outstanding principal amount of the Outstanding Bonds as of September 30, 2023.

| <u>Series</u> | <u>Original<br/>Principal<br/>Amount</u> | <u>Principal<br/>Amount<br/>Currently<br/>Outstanding</u> |
|---------------|--|---|
| 2013A (a)     | \$ 9,360,000                             | \$ 300,000  |
| 2014 (a)      | 4,850,000                                | 3,275,000   |
| 2014A         | 4,955,000                                | 3,355,000   |
| 2014B (b)     | 3,070,000                                | 2,070,000   |
| 2015 (a)      | 42,475,000                               | 36,420,000  |
| 2015A         | 6,090,000                                | 4,740,000   |
| 2017          | 6,190,000                                | 4,720,000   |
| 2017A (b)     | 2,110,000                                | 1,615,000   |
| 2018          | 5,930,000                                | 5,030,000   |
| 2019 (a)      | 16,030,000                               | 14,700,000  |
| 2019A         | 4,000,000                                | 3,625,000   |
| 2020 (a)      | 8,710,000                                | 7,665,000   |
| 2020A         | 3,940,000                                | 3,590,000   |
| 2021          | 6,035,000                                | 5,770,000   |
| 2022          | 4,070,000                                | 4,070,000   |
| 2022A (b)     | 610,000                                  | 610,000   |
| 2023          | 9,530,000                                | 9,530,000   |
| Total         | \$ 137,955,000                           | \$ 111,085,000  |

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

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**Debt Service Requirements**

The following sets forth the debt service requirements for the Outstanding Bonds plus the Bonds.

| Year  | Outstanding<br>Bonds Debt<br>Service | Plus: Debt Service on the Bonds |                 |                 | Total<br>Debt Service |
|-------|--------------------------------------|---------------------------------|-----------------|-----------------|-----------------------|
|       |                                      | Principal                       | Interest        | Total           |                       |
| 2023  | \$ 6,671,871.01                      | (a) \$ -                        | \$ -            | \$ -            | \$ 6,671,871.01       |
| 2024  | 8,858,321.25                         | -                               | 150,500.00      | 150,500.00      | 9,008,821.25          |
| 2025  | 8,807,625.00                         | 95,000                          | 172,000.00      | 267,000.00      | 9,074,625.00          |
| 2026  | 8,752,752.50                         | 100,000                         | 166,300.00      | 266,300.00      | 9,019,052.50          |
| 2027  | 8,672,035.00                         | 105,000                         | 160,300.00      | 265,300.00      | 8,937,335.00          |
| 2028  | 8,621,210.00                         | 110,000                         | 154,000.00      | 264,000.00      | 8,885,210.00          |
| 2029  | 8,570,175.00                         | 115,000                         | 148,225.00      | 263,225.00      | 8,833,400.00          |
| 2030  | 8,509,612.50                         | 120,000                         | 142,475.00      | 262,475.00      | 8,772,087.50          |
| 2031  | 8,486,275.00                         | 125,000                         | 135,275.00      | 260,275.00      | 8,746,550.00          |
| 2032  | 8,434,175.00                         | 130,000                         | 130,275.00      | 260,275.00      | 8,694,450.00          |
| 2033  | 8,429,293.75                         | 135,000                         | 124,750.00      | 259,750.00      | 8,689,043.75          |
| 2034  | 8,374,112.50                         | 140,000                         | 119,012.50      | 259,012.50      | 8,633,125.00          |
| 2035  | 8,252,625.00                         | 150,000                         | 112,712.50      | 262,712.50      | 8,515,337.50          |
| 2036  | 8,208,187.50                         | 155,000                         | 105,587.50      | 260,587.50      | 8,468,775.00          |
| 2037  | 8,167,206.25                         | 165,000                         | 98,225.00       | 263,225.00      | 8,430,431.25          |
| 2038  | 8,087,506.25                         | 170,000                         | 90,387.50       | 260,387.50      | 8,347,893.75          |
| 2039  | 3,309,312.50                         | 175,000                         | 82,312.50       | 257,312.50      | 3,566,625.00          |
| 2040  | 2,866,756.25                         | 185,000                         | 74,000.00       | 259,000.00      | 3,125,756.25          |
| 2041  | 2,291,718.75                         | 195,000                         | 64,750.00       | 259,750.00      | 2,551,468.75          |
| 2042  | 1,920,056.25                         | 200,000                         | 55,000.00       | 255,000.00      | 2,175,056.25          |
| 2043  | 1,508,543.75                         | 210,000                         | 45,000.00       | 255,000.00      | 1,763,543.75          |
| 2044  | 969,900.00                           | 220,000                         | 34,500.00       | 254,500.00      | 1,224,400.00          |
| 2045  | 677,187.50                           | 230,000                         | 23,500.00       | 253,500.00      | 930,687.50            |
| 2046  | -                                    | 240,000                         | 12,000.00       | 252,000.00      | 252,000.00            |
| Total | \$ 147,446,458.51                    | \$ 3,470,000                    | \$ 2,401,087.50 | \$ 5,871,087.50 | \$ 153,317,546.01     |

(a) Excludes the April 1, 2023 debt service payment of \$1,655,119.

|  |             |
|--|-------------|
| Maximum Annual Debt Service Requirement (2025).....        | \$9,074,625 |
| Average Annual Debt Service Requirements (2024-2046) ..... | \$6,375,899 |

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**Estimated Overlapping Debt**

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

| Taxing Jurisdiction                                       | Outstanding<br>Bonds | As of     | Overlapping |                |
|---|----------------------|-----------|-------------|----------------|
|   |                      |           | Percent     | Amount         |
| Fort Bend County.....                                     | \$ 956,522,050       | 8/31/2023 | 1.41%       | \$ 13,486,961  |
| Fort Bend Drainage District.....                          | 23,615,000           | 8/31/2023 | 1.41%       | 332,972        |
| Fort Bend Independent School District.....                | 1,548,150,000        | 8/31/2023 | 2.48%       | 38,394,120     |
| Total Estimated Overlapping Debt.....                     |                      |           |             | \$ 52,214,053  |
| The District's Total Direct Debt (a).....                 |                      |           |             | 114,555,000    |
| The District's Direct and Estimated Overlapping Debt..... |                      |           |             | \$ 166,769,053 |

Direct and Estimated Overlapping Debt as a Percentage of:  
 2023 Taxable Assessed Valuation of \$1,547,739,189..... 10.78%

(a) Includes the Bonds and the Outstanding Bonds.

**Overlapping Taxes**

Property within the District is subject to taxation by several taxing authorities in addition to the District. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties and interest imposed on such property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District’s tax lien is on a parity with tax liens of taxing authorities shown below. In addition to ad valorem taxes required to pay debt service on bonded debt of the District and other taxing authorities (see “Estimated Overlapping Debt” above), certain taxing jurisdictions, including the District, also 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 are the taxes levied for the 2023 tax year by all entities overlapping the District and the District’s 2023 tax rate. No recognition is given to local assessments for civic association dues, fire department contributions or any other levy of entities other than political subdivisions.

|   | Tax Rate<br>per \$100 of Taxable<br><u>Assessed Valuation</u> |
|---|---|
| Fort Bend County (including Drainage District)..... | \$ 0.438900   |
| Fort Bend Emergency Services District No. 5.....    | 0.086156  |
| Fort Bend Independent School District.....          | 0.989200  |
| Total Overlapping Tax Rate.....                     | \$ 1.514256   |
| The District (a).....                               | 0.854000  |
| Total Tax Rate.....                                 | \$ 2.368256   |

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

## TAX DATA

### Debt Service Tax

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

### Maintenance and Operations Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District's voters. A maintenance tax election was conducted August 12, 1978, and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed \$0.25 per \$100 of taxable assessed valuation. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds. See “—Debt Service Tax” above and “—Historical Tax Rate Distribution” below.

### Historical Tax Rate Distribution

|                                | 2023     | 2022     | 2021     | 2020     | 2019     |
|--------------------------------|----------|----------|----------|----------|----------|
| Debt Service Tax               | \$ 0.635 | \$ 0.645 | \$ 0.630 | \$ 0.615 | \$ 0.615 |
| Maintenance and Operations Tax | 0.219    | 0.225    | 0.240    | 0.225    | 0.225    |
| Total District Tax Rate        | \$ 0.854 | \$ 0.870 | \$ 0.870 | \$ 0.840 | \$ 0.840 |

### Exemptions

For tax year 2023, the District has adopted a residential homestead exemption of \$10,000 for persons 65 years or older or disabled person, and has not adopted a general residential homestead exemption. See “TAXING PROCEDURES.”

### Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District established an additional penalty of twenty percent (20%) of the tax to defray the costs of collection. This 20% penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not later than November 1 of that year, and that remain delinquent on April 1 (for personal property) and July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Texas Tax Code.

### Tax Roll Information

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate (see “TAXING PROCEDURES—Valuation of Property for Taxation”). The following represents the composition of property comprising the 2019 through 2023 Taxable Assessed Valuations. Taxes are levied on taxable value certified by the Appraisal Districts as of January 1 of each year.

| Tax<br>Year | Type of Property |                  |                      | Gross<br>Assessed<br>Valuation | Deferments<br>and<br>Exemptions | Uncertified<br>Value | Taxable<br>Assessed<br>Valuation |
|-------------|------------------|------------------|----------------------|--------------------------------|---------------------------------|----------------------|----------------------------------|
|             | Land             | Improvements     | Personal<br>Property |                                |                                 |                      |                                  |
| 2023        | \$ 237,552,739   | \$ 1,307,921,892 | \$ 15,993,275        | \$1,561,467,906                | \$ (15,520,502)                 | \$ 1,791,785         | \$ 1,547,739,189                 |
| 2022        | 237,499,710      | 1,133,098,432    | 15,485,558           | 1,386,083,700                  | (15,296,556)                    | -                    | 1,370,787,144                    |
| 2021        | 227,391,100      | 969,837,076      | 14,069,766           | 1,211,297,942                  | (13,281,501)                    | -                    | 1,198,016,441                    |
| 2020        | 224,938,460      | 952,852,546      | 12,457,220           | 1,190,248,226                  | (12,244,749)                    | -                    | 1,178,003,477                    |
| 2019        | 215,464,870      | 919,606,000      | 9,796,985            | 1,144,867,855                  | (11,048,835)                    | -                    | 1,133,819,020                    |

**Historical Tax Collections**

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

| Tax Year | Taxable Assessed Valuation (a) | Tax Rate | Total Tax Levy (b) | Total Collections As of August 31, 2023 (c) |         |
|----------|--------------------------------|----------|--------------------|---|---------|
|          |                                |          |                    | Amount                                      | Percent |
| 2018     | \$ 1,115,621,069               | \$ 0.840 | \$ 9,371,217       | \$ 9,357,506                                | 99.85%  |
| 2019     | 1,133,819,020                  | 0.840    | 9,524,080          | 9,507,980                                   | 99.83%  |
| 2020     | 1,178,003,477                  | 0.840    | 9,895,229          | 9,877,113                                   | 99.82%  |
| 2021     | 1,198,016,441                  | 0.870    | 10,422,743         | 10,386,763                                  | 99.65%  |
| 2022     | 1,370,787,144                  | 0.870    | 11,925,848         | 11,793,964                                  | 98.89%  |
| 2023     | 1,547,739,189                  | 0.854    | 13,217,693         | (d)   | (d)     |

(a) As certified by the Appraisal District.

(b) Represents actual tax levy, including any adjustments by the Appraisal District, as of the date hereof.

(c) Unaudited.

(d) In process of collection. Taxes for 2023 are due by January 31, 2024.

**Principal Taxpayers**

The following table represents the principal taxpayers, the taxable assessed value of such property, and such property’s taxable assessed value as a percentage of the certified portion (\$1,545,947,404) of the 2023 Taxable Assessed Valuation of \$1,547,739,189. An accurate principal taxpayer list related to the uncertified portion (\$1,791,785) of the 2023 Taxable Assessed Valuation is not available. This represents ownership as of January 1, 2023.

| Taxpayer                         | 2023 Certified Taxable Assessed Valuation | % of 2023 Certified Taxable Assessed Valuation |
|----------------------------------|---|--|
| Landmark at Sugarland LLC (a)(b) | \$ 71,798,760                             | 4.64%  |
| Arcadian SL Apts LLC (a)(b)      | 28,333,228                                | 1.83%  |
| Casson Enterprises Inc. (c)      | 11,786,126                                | 0.76%  |
| Fisher Global Development LLC    | 8,147,193                                 | 0.53%  |
| Plaza Diamond Jubilee LLC        | 7,275,530                                 | 0.47%  |
| Richmond Mini U Storage LLC      | 6,664,507                                 | 0.43%  |
| Rosenberg Retail Inc.            | 5,746,774                                 | 0.37%  |
| LC Investments I LP              | 5,151,210                                 | 0.33%  |
| Centerpoint Energy Electric      | 4,505,800                                 | 0.29%  |
| Shree Maharaj Krupa LLC          | 2,852,437                                 | 0.18%  |
| Total                            | \$ 152,261,565                            | 9.83%  |

(a) Apartment community.

(b) See “THE DISTRICT—Status of Development.”

(c) See “MAJOR PROPERTY OWNERS.”

**Tax Adequacy for Debt Service**

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of taxable assessed valuation which would be required to meet average annual and maximum annual debt service requirements if no growth in the District’s tax base occurred beyond the 2023 Taxable Assessed Valuation of \$1,547,739,189 (\$1,545,947,404 of certified value plus \$1,791,785 of uncertified value). The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and the Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements” and “INVESTMENT CONSIDERATIONS—Possible Impact on District Tax Rate.”

|  |             |
|--|-------------|
| Average Annual Debt Service Requirement (2024-2046) .....    | \$6,375,899 |
| \$0.44 Tax Rate on the 2023 Taxable Assessed Valuation ..... | \$6,469,550 |
| Maximum Annual Debt Service Requirement (2025).....          | \$9,074,625 |
| \$0.62 Tax Rate on the 2023 Taxable Assessed Valuation ..... | \$9,116,184 |

No representation or suggestion is made that the uncertified portion of the 2023 Taxable Assessed Valuation provided by the Appraisal District will not be revised downward prior to certification, and no person should rely upon such amount or its inclusion herein as assurance of its attainment. See “TAXING PROCEDURES.”

**TAXING PROCEDURES**

**Authority to Levy Taxes**

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, the Outstanding Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see “INVESTMENT CONSIDERATIONS—Future Debt”) and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year-to-year as described more fully herein under “THE BONDS—Source of Payment.” Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District. See “TAX DATA—Debt Service Tax” and “—Maintenance and Operations Tax.”

**Property Tax Code and County-Wide Appraisal District**

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

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Fort Bend Central Appraisal District (the “Appraisal District”) has the responsibility for appraising property for all taxing units within Fort Bend County, including the District. Such appraisal values are subject to review and change by the Fort Bend Central Appraisal Review Board (the “Appraisal Review Board”).

**Property Subject to Taxation by the District**

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years of age or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the previous election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District’s obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$3,000 and \$12,000 of taxable valuation depending upon the disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a residential homestead

exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. 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 or, (ii) a first responder as defined under Texas law, who was killed or fatally injured in the line of duty 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. See "TAX DATA."

*Residential Homestead Exemptions:* The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1.

*Freeport Goods Exemption:* A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

### **Tax Abatement**

Fort Bend County may designate all or part of the area within the District as a reinvestment zone. Thereafter, Fort Bend County, the City of Houston and the District, under certain circumstances, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the appraised valuation of property covered by the agreement over its appraised valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement agreement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

### **Valuation of Property for Taxation**

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of residence homesteads are limited by the Texas Constitution to ten percent (10%) annually regardless of the market value of the property.



The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use and taxes for the previous five (5) years for open space land and timberland.

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

When requested by a local taxing unit, such as the District, the Appraisal District is required to complete a reappraisal as soon as practicable of all property damaged in an area that the Governor declares a disaster area. 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. Beginning on the date of the disaster and for the remainder of the year, the taxing unit applies its tax rate to the reappraised market value of the property.

### **District and Taxpayer Remedies**

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

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

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

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement in writing and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in equal monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

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

### **Rollback of Operation and Maintenance Tax Rate**

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

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

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

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

*The District:* A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. For tax year 2023, the District has been designated as a "Developing District." The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

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

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both subject to the restrictions on residential homesteads described in the preceding section under “Levy and Collection of Taxes”. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser’s deed issued at the foreclosure sale is filed in the county records. The District’s ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See “INVESTMENT CONSIDERATIONS—General” and “—Tax Collection Limitations and Foreclosure Remedies.”

### **Tax Exemption Provided to Lessees of Public Facility Corporations**

Chapter 303 of the Texas Local Government Code (the “PFC Act”) authorizes cities, counties, school districts, housing authorities and special districts (a “Sponsor”) to create a sponsored Public Facility Corporation (“PFC”) to acquire, construct, rehabilitate, renovate, repair, equip, furnish and place in service public facilities. These activities may be financed through certain obligations of either the Sponsor or the PFC. Under the PFC Act, a “public facility” includes any real, personal, or mixed property, or an interest in property devoted or to be devoted to public use and authorized to be financed under the PFC Act. A public facility, including a leasehold estate in a public facility, that is owned by a PFC is exempt from taxation by the State or a municipality or other political subdivision of the State, including the District. This exemption applies to both ad valorem and sales taxes levied by such taxing authorities. Subject to certain restrictions, a leasehold or other possessory interest granted by the PFC to the user of a PFC-owned multifamily residential development entitles that user to this same exemption. The 88th Texas Legislature passed H.B. 2071, which became effective June 18, 2023, to amend the PFC Act. H.B. 2071 significantly revised the PFC Act’s requirements for the lessee of a multifamily residential development to qualify for this exemption and provides that the exemption for such projects does not apply to taxes imposed by a conservation and reclamation district, such as the District, providing water, sewer or drainage services to the development, unless an agreement is entered into with the district concerning payments in lieu of taxation. Projects for which PFC or Sponsor approval was received prior to the effective date of H. B. 2071 are governed by the prior law and are not subject to the same requirements. The District is not aware of any public facilities located within the boundaries of the District that are either owned or leased by a PFC.

## **INVESTMENT CONSIDERATIONS**

### **General**

The Bonds are obligations solely of the District and are not obligations of the City of Houston, Fort Bend County, the State of Texas, or any entity other than the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect taxes levied on taxable property within the District in an amount sufficient to service the District’s bonded debt or in the event of foreclosure, on the value of the taxable property in the District and the taxes levied by the District and other taxing authorities upon the property within the District. See “THE BONDS—Source of Payment.” The collection by the District of delinquent taxes owed to it and the enforcement by Registered Owners of the District’s obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of taxable property within the District will accumulate or maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property or that owners of the property will have the ability to pay taxes. See “—Registered Owners’ Remedies” herein.

### **Economic Factors and Interest Rates**

A substantial percentage of the taxable value of the District results from the current market value of single-family residences and multi-family and commercial improvements. The market value of such homes and multi-family and commercial improvements is related to general economic conditions affecting the demand for residences. Demand for lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the prosperity and demographic characteristics of the urban center toward which the marketing of such homes and multi-family and commercial improvements is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values. Future declines in the price of oil could adversely affect jobs and wages and, therefore, adversely affect demand for new homes and the market value of existing homes. There is no current development activity in the District. See “THE DISTRICT—Status of Development,” and “—Future Development.”

## **Possible Impact on District Tax Rates**

Assuming no further development, the value of the land and improvements currently existing within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2023 Taxable Assessed Valuation is \$1,547,739,189 (\$1,545,947,404 of certified value plus \$1,791,785 of uncertified value). After issuance of the Bonds, the maximum debt service requirement will be \$9,074,625 (2025), and the average annual debt service requirement will be \$6,375,899 (2024-2046, inclusive). Assuming no increase or decrease from the 2023 Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$0.62 and \$0.44 per \$100 taxable assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum debt service requirement and the average annual debt service requirement, respectively.

No representation or suggestion is made that the uncertified portion of the 2023 Taxable Assessed Valuation will not be adjusted downward prior to certification, and no person should rely upon such amount or its inclusion herein as assurance of its attainment. See “TAXING PROCEDURES.” While the District anticipates future increases in taxable values, it makes no representations that over the term of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by property owners. Property within the District also is subject to taxes levied by other political subdivisions. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes” and “TAX DATA—Tax Adequacy for Debt Service.”

## **Undeveloped Land**

Approximately 21 acres owned by Mag Tic Investors LLC and approximately 44 acres owned by Casson are served by perimeter underground trunkline water distribution, wastewater collection and storm drainage facilities and street paving for future commercial or multi-family development. A banquet facility has been constructed on a portion of the 44 acres owned by Casson. Additionally, approximately 25 developable acres of land in the District are owned by various entities and are not yet fully served with water, wastewater and drainage facilities and roads necessary for the construction of taxable improvements. The District makes no representation as to when or if development of the undeveloped acreage will occur or that vertical construction will occur on the acreage with perimeter utility service. See “THE DISTRICT—Land Use” and “—Status of Development.”

## **Future Debt**

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. A total of \$182,715,000 principal amount of unlimited tax bonds have been authorized by the District’s voters for the purpose of constructing and/or acquiring a waterworks, sanitary sewer and storm sewer system, \$20,000,000 principal amount of unlimited tax bonds for the purpose of constructing and/or acquiring park and recreational facilities and \$33,000,000 principal amount of unlimited tax bonds for refunding purposes and could authorize additional amounts. After issuance of the Bonds, \$36,115,000 principal amount of the unlimited tax bonds will remain authorized but unissued for constructing and/or acquiring a waterworks, sanitary sewer and storm sewer system, \$25,335,022 principal amount of unlimited tax refunding bonds will remain authorized but unissued, and \$14,210,000 principal amount of unlimited tax bonds for parks and recreational facilities will remain authorized but unissued. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The issuance of additional obligations may increase the District’s tax rate and adversely affect the security for, and the investment quality and value of, the Bonds. The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. The outstanding principal amount of park bonds may not exceed one percent (1%) of the value of the taxable property in the District at the time of issuance of the bonds, or, in the event the District meets certain conditions, three percent (3%) of the value of the taxable property in the District at the time of issuance of the bonds, but in no event in an amount greater than the estimated cost in the plan.

## **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 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.

According to the District, the District’s water and sewer system did not sustain any material damage that has not been addressed and there was no interruption of water and sewer service during Hurricane Harvey. However, after Hurricane Harvey the District’s engineer, Ardurra Group, (the “Engineer”) identified betterments to the District’s storm sewer that were partially funded through FEMA. Further, according to the District, approximately 50 homes within the District experienced structural flooding or other material damage during Hurricane Harvey.

If a future weather event significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase 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.

### **Specific Flood Type Risks**

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

*Riverine (or Fluvial) Flood:* Riverine, or fluvial, flooding occurs when water levels rise over the top of river, bayou or channel banks due to excessive rain from tropical systems making landfall and/or persistent thunderstorms over the same area for extended periods of time. The damage from a riverine flood can be widespread. The overflow can affect smaller rivers and streams downstream, or may sheet-flow over land. Flash flooding is a type of riverine flood that is characterized by an intense, high velocity torrent of water that occurs in an existing river channel with little to no notice. Flash flooding also can occur even if no rain has fallen, for instance, after a levee, dam or reservoir has failed or experienced an uncontrolled release, or after a sudden release of water by a debris or ice jam. In addition, planned or unplanned controlled releases from a dam, levee or reservoir also may result in flooding in areas adjacent to rivers, bayous or drainage systems downstream.

### **Potential Effects of Oil Price Declines 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 future development activity within the District. This District cannot predict the impact that declines in value as a result of negative conditions in the oil industry could have on property values in the District.

### **Tax Collections Limitations and Foreclosure Remedies**

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

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

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from

suits for money damages, 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 judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

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

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

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

A district may not be placed into bankruptcy involuntarily.

### **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 Service Area. 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 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 two separate federal ozone standards: the 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.

The HGB Area is currently designated as a “severe” nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2027. 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 “moderate” nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2024. 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 non-stormwater 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.

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.

On May 25, 2023, the Supreme Court of the United States issued its decision in *Sackett v. EPA*, which clarified the definition of “waters of the United States” and significantly restricted the reach of federal jurisdiction under the CWA. Under the *Sackett* decision, “waters of the United States” includes only geographical features that are described in ordinary parlance as “streams, oceans, rivers, and lakes” and to adjacent wetlands that are indistinguishable from such bodies of water due to a continuous surface connection.

While the *Sackett* decision removed a great deal of uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements, in the future.

## **Marketability of the Bonds**

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

## **Continuing Compliance with Certain Covenants**

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

## **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.

## **Risk Factors on Municipal Bond Insurance**

The Underwriter (as defined herein) has entered into an agreement with ASSURED GUARANTY MUNICIPAL CORP. (“AGM” or the “Insurer”) for the purchase of a municipal bond insurance policy (the “Policy”). At the time of entering into the agreement, the Insurer was rated “AA” (stable outlook) by S&P and “A1” (stable outlook) by Moody’s. See “MUNICIPAL BOND INSURANCE.”

The long-term ratings on the Bonds are dependent in part on the financial strength of the insurance provider (the “Insurer”) providing the Policy and its claim paying ability. The Insurer’s financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Insurer and of the ratings on the Bonds insured by the Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See description of “MUNICIPAL BOND RATING” and “MUNICIPAL BOND INSURANCE.”

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

Neither the District nor the Underwriter has made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment. See “MUNICIPAL BOND RATING” and “MUNICIPAL BOND INSURANCE” for further information provided by the Insurer and the form of the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

## **Tax Exemption Provided to Lessees of Public Facility Corporations**

As described in “TAXING PROCEDURES—Tax Exemption Provided to Lessees of Public Facility Corporations” herein, a multifamily residential development owned or leased by a Public Facility Corporation (“PFC”) is exempt from ad valorem taxation by the State and any other political subdivision of the State, including a municipal utility district such as the District. This tax-exempt lease structure has been utilized by the Houston Housing Authority for the creation of affordable multifamily apartments in the greater Houston area, both through the development of new apartment projects and the acquisition of existing (and previously taxable) apartment projects. The 88th Texas Legislature passed H.B. 2071, which became effective June 18, 2023, to amend the PFC Act. H.B. 2071 significantly revised the PFC Act’s requirements for the lessee of a multifamily residential development to qualify for this exemption and provides that the exemption for such projects does not apply to taxes imposed by a conservation and reclamation district, such as the District, providing water, sewer or drainage services to the development, unless an agreement is entered into with the district concerning payments in lieu of taxation. Projects for which PFC or Sponsor approval was received prior to the effective date of H. B. 2071 are governed by the prior law and are not subject to the same requirements. The District is not aware of any public facilities located within the boundaries of the District that are either owned or leased by a PFC. The District makes no representations or predictions regarding whether future public facilities will be created or established within the District’s boundaries by the Houston Housing Authority or by any other Sponsor (as defined herein) pursuant to the PFC Act.



## LEGAL MATTERS

### Legal Opinions

The District will furnish to the Underwriters a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving 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 Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. The District also will furnish the approving legal opinion of Sechrist•Duckers LLP, Bellaire, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the registered owners of the Bonds may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. The opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without legal limitation as to rate or amount, against all taxable property within the District. The District also will furnish the approving legal opinion of Orrick, Herrington & Sutcliffe LLP, Special Tax Counsel, to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under existing law assuming compliance by the District with certain covenants relating to the use and investment of the proceeds of the Bonds and interest on the Bonds is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations for the purpose of determining the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022. See “TAX MATTERS.”

Special Tax Counsel’s opinion will address the matters described herein under “TAX MATTERS.” Bond Counsel will not be responsible in any manner for the matters addressed in the opinion of Special Tax Counsel and, likewise, Special Tax Counsel will not be responsible in any manner for the matters addressed in the opinion of Bond Counsel. Moreover, Bond Counsel and Special Tax Counsel have no joint responsibility with respect to the Bonds or the proceedings relating to the Bonds.

In addition to serving as Bond Counsel, Sechrist•Duckers LLP also serves as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid to Bond Counsel and Special Tax Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of bonds actually issued, sold and delivered, and therefore such fees are contingent upon the sale and delivery of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon or the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of a legal dispute that may arise out of the transaction. Such opinions are based on existing law, which is subject to change. Such opinions are further based on the attorneys’ knowledge of facts as of the date hereof. Bond Counsel and Special Tax Counsel assume no duty to update or supplement their opinions to reflect any facts or circumstances that may thereafter come to their attention or to reflect any change in law that may thereafter occur or become effective.

### Legal Review

In its capacity as Bond Counsel, Sechrist•Duckers LLP has reviewed the information appearing in this OFFICIAL STATEMENT under the captioned sections “THE BONDS,” “THE DISTRICT—General,” “MANAGEMENT OF THE DISTRICT—Consultants—Bond Counsel/Attorney,” “TAXING PROCEDURES,” “LEGAL MATTERS—Legal Opinions” (insofar as such section relates to the legal opinion of Bond Counsel) and “CONTINUING DISCLOSURE OF INFORMATION” solely to determine whether such information fairly summarizes the law and documents referred to therein. In its capacity as Special Tax Counsel, Orrick, Herrington & Sutcliffe LLP, Houston, Texas has reviewed the information appearing in this OFFICIAL STATEMENT under the captions “MANAGEMENT OF THE DISTRICT—Consultants—Special Tax Counsel,” “LEGAL MATTERS—Legal Opinions” (insofar as such section relates to the opinion of Special Tax Counsel) and “TAX MATTERS” solely to determine whether such information fairly summarizes the law referred to therein. Bond Counsel and Special Tax Counsel have not independently verified factual information contained in this OFFICIAL STATEMENT, nor have such firms 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 such firms’ 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 of the other information contained herein.

### No Material Adverse Change

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

## **No-Litigation Certificate**

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

## **TAX MATTERS**

### **Tax Exemption**

In the opinion of Orrick, Herrington & Sutcliffe, LLP, Special Tax Counsel (“Special Tax Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). Special Tax Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Special Tax Counsel observes that, for tax years beginning after December 31, 2022, interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Special Tax Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Special Tax Counsel assumes the accuracy of these representations and compliance with these covenants. Special Tax Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Special Tax Counsel’s attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Special Tax Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Special Tax Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner’s other items of income or deduction. Special Tax Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislature proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Special Tax Counsel express no opinion.

The opinion of Special Tax Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Special Tax Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Special Tax Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Special Tax Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Special Tax Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, Beneficial Owners would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

Payments on the Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate Beneficial Owner of Bonds may be subject to backup withholding with respect to "reportable payments," which include interest paid on the Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a Beneficial Owner's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

### **Not Qualified Tax-Exempt Obligations**

The Bonds have **not** been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986.

## **MUNICIPAL BOND RATING**

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") has assigned a municipal bond insured rating of "AA" (stable outlook) and Moody's Investors Service, Inc. ("Moody's") has assigned a municipal bond insured rating of "A1" (stable outlook), respectively, to the Bonds with the understanding that, upon issuance and delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp. Moody's has also assigned an underlying rating of "A2" to the Bonds. An explanation of the ratings may be obtained from S&P and Moody's. See "INVESTMENT CONSIDERATIONS—Risk Factors on Municipal Bond Insurance," "MUNICIPAL BOND INSURANCE" and "APPENDIX B."

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

## MUNICIPAL BOND INSURANCE

### **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. (“AGM” or the “Insurer”) 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 APPENDIX B to this OFFICIAL STATEMENT.

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

### **Assured Guaranty Municipal Corp.**

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO.” AGL, through its subsidiaries, provides credit enhancement products to the U.S. and non-U.S. public finance (including infrastructure) and structured finance markets and participates in the asset management business through ownership interests in Sound Point Capital Management, LP. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”) and “A1” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

### *Current Financial Strength Ratings*

On October 20, 2023, KBRA announced it had affirmed AGM’s insurance financial strength rating of “AA+” (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On July 13, 2023, S&P announced it had affirmed AGM’s financial strength rating of “AA” (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On March 18, 2022, Moody’s announced it had upgraded AGM’s insurance financial strength rating to “A1” (stable outlook) from “A2” (stable outlook). AGM can give no assurance as to any further ratings action that Moody’s may take.

For more information regarding AGM’s financial strength ratings and the risks relating thereto, see AGL’s Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

### *Capitalization of AGM*

At June 30, 2023:

- The policyholders’ surplus of AGM was approximately \$2,702 million.
- The contingency reserve of AGM was approximately \$894 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,089 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM’s wholly owned subsidiary Assured Guaranty UK Limited (“AGUK”) and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA (“AGE”).

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and net deferred ceding commission income of AGM were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

#### *Incorporation of Certain Documents by Reference*

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this OFFICIAL STATEMENT and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (filed by AGL with the SEC on March 1, 2023); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2023 (filed by AGL with the SEC on May 10, 2023).
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2023 (filed by AGL with the SEC on August 9, 2023).

All information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this OFFICIAL STATEMENT and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this OFFICIAL STATEMENT.

Any information regarding AGM included herein under the caption "MUNICIPAL BOND INSURANCE—Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this OFFICIAL STATEMENT, except as so modified or superseded.

#### *Miscellaneous Matters*

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

## **PREPARATION OF OFFICIAL STATEMENT**

### **Sources and Compilation of Information**

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

## **Financial Advisor**

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

## **Consultants**

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

*Appraisal District:* The information contained in this OFFICIAL STATEMENT relating to the assessed valuations has been provided by the Fort Bend Central Appraisal District and has been included herein in reliance upon the authority of such entity as experts in assessing the values of property in Fort Bend County, including the District.

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

*Engineer:* The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the System and, in particular that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM" has been provided by Ardurra Group and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

*Auditor:* The District engaged Belt Harris Pechacek, LLP, Certified Public Accountants, to audit its financial statements for fiscal year ending 2022. See "APPENDIX A" for a copy of the District's September 30, 2022, financial statements.

*Bookkeeper:* The information related to the "unaudited" summary of the District's General Operating Fund as it appears in "THE SYSTEM—Water and Wastewater Operations" by the District, and is included in the reliance upon the authority of such person as expert in the tracking and managing of various funds of municipal utility districts.

## **Updating the Official Statement**

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

## **Certification of Official Statement**

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

## CONTINUING DISCLOSURE OF INFORMATION

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

### **Annual Reports**

The District will provide certain updated financial information and operating data annually to the MSRB. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this OFFICIAL STATEMENT under the headings “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED),” “TAX DATA,” and in “APPENDIX A” (Financial Statements of the District). The District will update and provide this information within six months after the end of each of its fiscal years ending in and after 2023.

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

The District’s fiscal year end is currently September 30. Accordingly, it must provide updated information by March 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

### **Event Notices**

The District will provide timely notices of certain events to the MRSB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of the Rule; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, 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 the 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 from the MSRB**

The District has agreed to provide the foregoing updated information only to the MSRB. The MSRB makes the information available to the public without charge through an internet portal at [www.emma.msrb.org](http://www.emma.msrb.org).

### **Limitations and Amendments**

The District has agreed to update information and to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects; nor has the District agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders or Beneficial Owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt to the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an Underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and Beneficial Owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

### **Compliance With Prior Undertakings**

During the last five years, the District has complied in all material respects with its continuing disclosure undertakings in accordance with the Rule.

### **MISCELLANEOUS**

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

/s/ Glenn Farley  
President, Board of Directors

ATTEST:

/s/ Dan Turner  
Secretary, Board of Directors



**AERIAL PHOTOGRAPH**  
**(As of August 2023)**



STATE HWY 6

**FORT BEND COUNTY  
MUNICIPAL UTILITY  
DISTRICT NO. 25**

U.S. 90

GRAND PKWY



**PHOTOGRAPHS OF THE DISTRICT**  
**(As of August 2023)**















**APPENDIX A**

**Financial Statement of the District for the year ended September 30, 2022**

*ANNUAL FINANCIAL REPORT*

of the

**FORT BEND COUNTY  
MUNICIPAL UTILITY  
DISTRICT No. 25**

For the Year Ended  
September 30, 2022

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# FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT No. 25

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September 30, 2022

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Fort Bend County Municipal Utility District No. 25:

### **Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 25 (the "District") as of and for the year ended September 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 September 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 Auditors' 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.

### **Responsibility of Management for the Financial Statements**

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

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



## 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 Texas Supplementary Information schedules are presented for purposes of additional analysis and are not required parts 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 information 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 Texas Supplementary Information schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas  
November 30, 2022

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***MANAGEMENT'S DISCUSSION  
AND ANALYSIS***

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# FORT BEND COUNTY

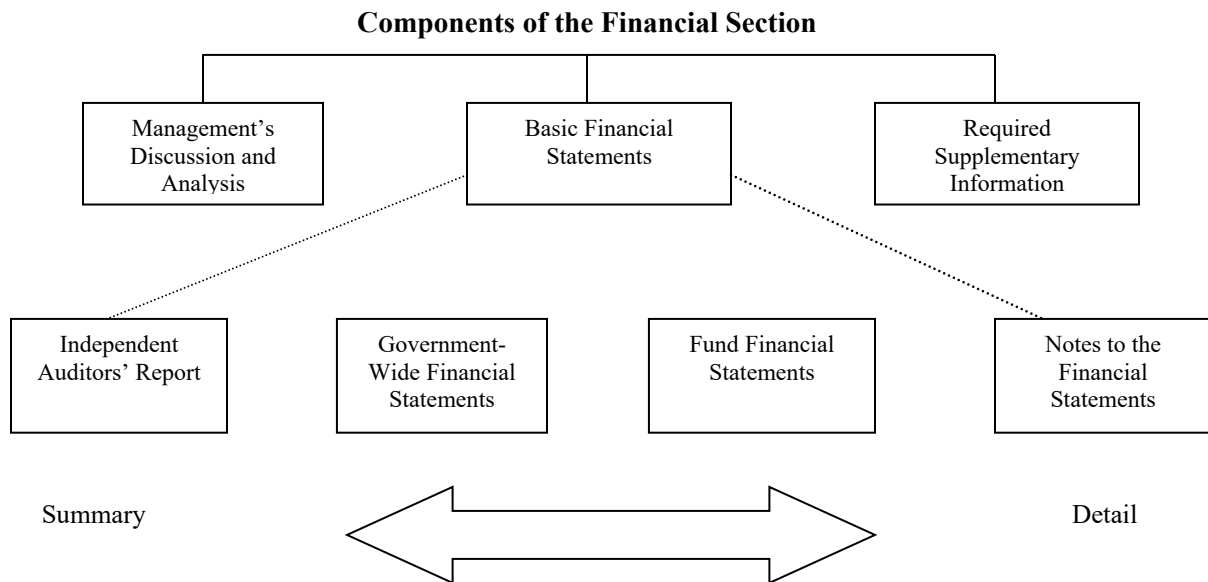
## MUNICIPAL UTILITY DISTRICT No. 25

### MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2022

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of Fort Bend County Municipal Utility District No. 25 (the "District") for the year ending September 30, 2022. The analysis is based on currently known facts, decisions, or economic conditions. It presents a short and long-term analysis of the District's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the District's financial statements, which follow this section.

### THE STRUCTURE OF OUR ANNUAL REPORT



The District's basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statement themselves.

### Government-Wide Statements

The government-wide statements report information for the District as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about the cost of services, operating results, and financial position of the District as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the District's financial statements, report information on the District's activities that enable the reader to understand the financial condition of the District. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the District's assets, liabilities, and deferred outflows/inflows 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 is improving or deteriorating. Other nonfinancial factors, such as the District's property tax base and the condition of the District's infrastructure, need to be considered to assess the overall health of the District.

**FORT BEND COUNTY**  
**MUNICIPAL UTILITY DISTRICT No. 25**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)*  
For the Year Ended September 30, 2022

The Statement of Activities presents information showing how the District's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities present the District using one class of activity:

1. Governmental Activities – The District's water distribution, wastewater collection/treatment, control and diversion of storm water, and interest payments are reported within this class.

The government-wide financial statements can be found after the MD&A.

### **FUND FINANCIAL STATEMENTS**

Funds may be considered as operating companies of the parent corporation, which is the District. They are usually segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal reporting requirements. The District's operations are reported using governmental funds.

#### **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. These statements are prepared using the *modified accrual basis of accounting*. Unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *balances of spendable resources* available at the end of the year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains three individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, and the capital projects fund, which are considered to be major funds for reporting purposes.

The District adopts an annual unappropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

#### **Notes to Financial Statements**

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

**FORT BEND COUNTY**  
**MUNICIPAL UTILITY DISTRICT No. 25**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)*  
For the Year Ended September 30, 2022

**Other Information**

In addition to basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes a budgetary comparison schedule for the general fund. RSI can be found after the notes to the basic financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. The District's liabilities exceeded assets and deferred outflows of resources by \$4,303,342 as of year end.

A portion of the District's net position reflects its investments in capital assets (e.g., land, water and sewer system, and infrastructure) less any debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities. The District's debt used to acquire assets exceeds the investments in capital assets by \$13,287,870.

**Statement of Net Position**

The following table reflects the condensed Statement of Net Position:

|   | <b>Governmental Activities</b> |                       |
|---|--------------------------------|-----------------------|
|   | <b>2022</b>                    | <b>2021</b>           |
| Current and other assets                    | \$ 31,370,594                  | \$ 28,059,257         |
| Capital assets, net                         | 67,884,473                     | 68,855,946            |
| <b>Total Assets</b>                         | <b>99,255,067</b>              | <b>96,915,203</b>     |
| Deferred charge on refunding                | 401,667                        | 438,930               |
| <b>Total Deferred Outflows of Resources</b> | <b>401,667</b>                 | <b>438,930</b>        |
| Long-term liabilities                       | 102,685,900                    | 102,533,490           |
| Other liabilities                           | 1,274,176                      | 812,871               |
| <b>Total Liabilities</b>                    | <b>103,960,076</b>             | <b>103,346,361</b>    |
| <b>Net Position:</b>                        |                                |                       |
| Net investment in capital assets            | (13,287,870)                   | (14,981,262)          |
| Restricted                                  | 3,694,415                      | 4,064,175             |
| Unrestricted                                | 5,290,113                      | 4,924,859             |
| <b>Total Net Position</b>                   | <b>\$ (4,303,342)</b>          | <b>\$ (5,992,228)</b> |

A portion of the District's net position represents resources that are subject to external restriction on how they may be used, which is \$3,694,415 for debt service. The remaining balance of unrestricted net position may be used to meet the District's ongoing obligation to citizens and creditors. At year end, the District reported long-term and other liabilities in excess of total assets that resulted in negative net position of \$4,303,342. Long-term liabilities increased from the prior year due to the issuance of the Series 2022 and Series 2022A bonds. Other liabilities increased due to an increase in accounts payable, accrued liabilities, and customer deposits. Current and other assets increased primarily due to increases in cash and investment balances. Capital assets decreased due to

**FORT BEND COUNTY**  
**MUNICIPAL UTILITY DISTRICT No. 25**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)*  
For the Year Ended September 30, 2022

depreciation expense in excess of capital asset additions. The net result of the District's changes in total assets and liabilities caused the financial condition of the District to increase by \$1,688,886 during the fiscal year.

**Statement of Activities**

The following table provides a summary of the District's changes in net position:

|                                 | <u>Governmental Activities</u> |                       |
|---------------------------------|--------------------------------|-----------------------|
|                                 | <u>2022</u>                    | <u>2021</u>           |
| <b>Revenues</b>                 |                                |                       |
| Program revenues:               |                                |                       |
| Charges for services            | \$ 3,506,807                   | \$ 3,270,713          |
| General revenues:               |                                |                       |
| Property taxes                  | 10,426,138                     | 9,894,577             |
| Other                           | 296,020                        | 766,436               |
| <b>Total Revenues</b>           | <u>14,228,965</u>              | <u>13,931,726</u>     |
| <b>Expenses</b>                 |                                |                       |
| Services                        | 6,673,253                      | 6,953,242             |
| Bond issuance costs             | 359,004                        | 326,065               |
| Depreciation                    | 2,147,920                      | 2,193,204             |
| Interest paid on long-term debt | 3,359,902                      | 3,335,810             |
| <b>Total Expenses</b>           | <u>12,540,079</u>              | <u>12,808,321</u>     |
| <b>Change in Net Position</b>   | 1,688,886                      | 1,123,405             |
| Beginning net position          | <u>(5,992,228)</u>             | <u>(7,115,633)</u>    |
| <b>Ending Net Position</b>      | <u>\$ (4,303,342)</u>          | <u>\$ (5,992,228)</u> |

Total revenues from governmental activities increased by \$297,239 in comparison to the prior year. This overall increase in revenue is primarily due to increases in property tax revenue and charges for services. Property tax revenue increased due to higher assessed values of properties within the District. However, other revenues decreased primarily due to the sale of wastewater treatment plant capacity in the prior year that did not occur in the current year. Revenues from charges for services in the fiscal year increased by \$236,094 due to an increase in customer consumption. Total expenses for the District decreased \$268,242 in comparison to the prior year which was mainly due to decreases in repairs and maintenance costs, capital outlays, and depreciation. The District recorded an overall increase in net position of \$1,688,886 as a result of the increase in revenue and decrease in expenses.

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

**Governmental Funds** – The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the year.



**FORT BEND COUNTY**  
**MUNICIPAL UTILITY DISTRICT No. 25**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)*  
For the Year Ended September 30, 2022

The District's governmental funds reflect a combined fund balance of \$29,868,715. Of this, \$21,111,890 is restricted for capital projects, \$3,694,415 is restricted for debt service, \$165,432 is nonspendable for inventory, \$283,639 is assigned in a reserve fund, and \$4,613,339 is unassigned in the general fund.

The general fund reported an increase in fund balance of \$321,865. Compared to the prior year, revenues increased \$567,124 largely due to an increase in water and sewer service, other revenue, and property tax revenue. However, tap connection and inspection fee revenues decreased. Personnel, professional fees, utilities, administrative, other expenditures, and capital outlay increased from prior year, while contracted services and repairs and maintenance decreased, accounting for an overall increase of \$633,354 compared to the prior year. The debt service fund reported a decrease in fund balance of \$369,760 primarily due to debt service payments in excess of property tax collections. The capital projects fund reported an increase in fund balance of \$2,854,538, which was the result of bond proceeds related to the Series 2022 and Series 2022A bonds in excess of capital outlay expenditures and bond issuance costs.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Actual revenues were greater than final budgeted revenues by \$621,653 during the year primarily due to charges for services, other revenues, and property tax revenue. Actual expenditures exceeded final budgeted expenditures by \$585,168 during the year primarily due to personnel, professional fees, contracted services, administrative, repairs and maintenance, and other having negative variances, while utilities had a positive variance. The District had unanticipated expenditures for repairs and maintenance during the year.

**CAPITAL ASSETS**

At the end of the year, the District's governmental activities funds had invested \$67,884,473 in a variety of capital assets (net of accumulated depreciation). This represents a net decrease of \$971,473 due to depreciation expense.

More detailed information about the District's capital assets is presented in note 6 to the financial statements.

**LONG-TERM DEBT**

As of year end, the District reported \$101,555,000 in outstanding bonds.

More detailed information about the District's long-term liabilities is presented in note 7 to the financial statements.

**ECONOMIC FACTORS**

For the fiscal year ending September 30, 2023, the District has budgeted revenues of \$6,360,859 and expenditures \$6,288,537, for an overall increase in fund balance of \$72,322. For the 2022 tax year, the District approved a tax rate of \$0.87 per \$100 of assessed valuation, which is the same total tax rate as the 2021 tax year, of which \$0.645 is allocated for debt service and \$0.225 is allocated for maintenance and operations.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the finances of the District. Questions concerning this report or requests for additional financial information should be directed to Leonela Ruvalcaba, Executive General Manager, 10347 Clodine Road, Richmond, Texas 77407; telephone (281) 277-0129.

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***BASIC FINANCIAL STATEMENTS***

# FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT No. 25

## STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

September 30, 2022

|  | Governmental Funds Balance Sheet |                     |                      |                      |
|--|----------------------------------|---------------------|----------------------|----------------------|
|  | General                          | Debt Service        | Capital Projects     | Total Funds          |
| <b><u>Assets</u></b>   |                                  |                     |                      |                      |
| Cash and cash equivalents  | \$ 3,621,945                     | \$ 3,695,240        | \$ 21,498,129        | \$ 28,815,314        |
| Restricted cash and cash equivalents                                       | 412,664                          | -                   | 9                    | 412,673              |
| Investments  | 1,400,000                        | -                   | -                    | 1,400,000            |
| Receivables  | 404,920                          | 172,255             | -                    | 577,175              |
| Inventory  | 165,432                          | -                   | -                    | 165,432              |
| Capital assets:  |                                  |                     |                      |                      |
| Land   | -                                | -                   | -                    | -                    |
| Construction in progress   | -                                | -                   | -                    | -                    |
| Net depreciable capital assets   | -                                | -                   | -                    | -                    |
| <b>Total Assets</b>  | <b>\$ 6,004,961</b>              | <b>\$ 3,867,495</b> | <b>\$ 21,498,138</b> | <b>\$ 31,370,594</b> |
| <b><u>Deferred Outflows of Resources</u></b>                               |                                  |                     |                      |                      |
| Deferred charge on refunding   | -                                | -                   | -                    | -                    |
| <b><u>Liabilities</u></b>  |                                  |                     |                      |                      |
| Accounts payable   | \$ 394,374                       | \$ 825              | \$ 386,248           | \$ 781,447           |
| Accrued liabilities  | 80,065                           | -                   | -                    | 80,065               |
| Customer deposits  | 412,664                          | -                   | -                    | 412,664              |
| Long-term liabilities:   |                                  |                     |                      |                      |
| Due within one year  | -                                | -                   | -                    | -                    |
| Due in more than one year  | -                                | -                   | -                    | -                    |
| <b>Total Liabilities</b>   | <b>887,103</b>                   | <b>825</b>          | <b>386,248</b>       | <b>1,274,176</b>     |
| <b><u>Deferred Inflows of Resources</u></b>                                |                                  |                     |                      |                      |
| Unavailable revenue - property taxes                                       | 55,448                           | 172,255             | -                    | 227,703              |
| <b><u>Fund Balances/Net Position</u></b>                                   |                                  |                     |                      |                      |
| Fund balances:   |                                  |                     |                      |                      |
| Nonspendable   |                                  |                     |                      |                      |
| Inventory  | 165,432                          | -                   | -                    | 165,432              |
| Restricted   |                                  |                     |                      |                      |
| Debt service   | -                                | 3,694,415           | -                    | 3,694,415            |
| Capital projects   | -                                | -                   | 21,111,890           | 21,111,890           |
| Assigned   |                                  |                     |                      |                      |
| Reserve fund   | 283,639                          | -                   | -                    | 283,639              |
| Unassigned   | 4,613,339                        | -                   | -                    | 4,613,339            |
| <b>Total Fund Balances</b>   | <b>5,062,410</b>                 | <b>3,694,415</b>    | <b>21,111,890</b>    | <b>29,868,715</b>    |
| <b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b> | <b>\$ 6,004,961</b>              | <b>\$ 3,867,495</b> | <b>\$ 21,498,138</b> | <b>\$ 31,370,594</b> |
| <b>Net Position:</b>   |                                  |                     |                      |                      |
| Net investment in capital assets   |                                  |                     |                      |                      |
| Restricted for debt service  |                                  |                     |                      |                      |
| Unrestricted   |                                  |                     |                      |                      |
| <b>Total Net Position</b>  |                                  |                     |                      |                      |

See Notes to Financial Statements.

| <u>Adjustments</u>    | <u>Statement of<br/>Net Position</u> |
|-----------------------|--------------------------------------|
| \$ -                  | \$ 28,815,314                        |
| -                     | 412,673                              |
| -                     | 1,400,000                            |
| -                     | 577,175                              |
| -                     | 165,432                              |
| 11,113,183            | 11,113,183                           |
| 3,084,855             | 3,084,855                            |
| <u>53,686,435</u>     | <u>53,686,435</u>                    |
| <u>67,884,473</u>     | <u>99,255,067</u>                    |
| <u>401,667</u>        | <u>401,667</u>                       |
| -                     | 781,447                              |
| -                     | 80,065                               |
| -                     | 412,664                              |
| 4,820,000             | 4,820,000                            |
| <u>97,865,900</u>     | <u>97,865,900</u>                    |
| <u>102,685,900</u>    | <u>103,960,076</u>                   |
| <u>(227,703)</u>      | <u>-</u>                             |
| (165,432)             | -                                    |
| (3,694,415)           | -                                    |
| (21,111,890)          | -                                    |
| (283,639)             | -                                    |
| <u>(4,613,339)</u>    | <u>-</u>                             |
| <u>(29,868,715)</u>   | <u>-</u>                             |
| (13,287,870)          | (13,287,870)                         |
| 3,694,415             | 3,694,415                            |
| 5,290,113             | 5,290,113                            |
| <u>\$ (4,303,342)</u> | <u>\$ (4,303,342)</u>                |

**FORT BEND COUNTY**  
**MUNICIPAL UTILITY DISTRICT No. 25**  
*STATEMENTS OF ACTIVITIES AND GOVERNMENTAL FUNDS*  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
For the Year Ended September 30, 2022

|  | Statement of Revenues, Expenditures, and Changes in Fund Balances |                     |                      |                      |
|--|---|---------------------|----------------------|----------------------|
|  | General   | Debt Service        | Capital Projects     | Total Funds          |
| <b>Revenues</b>  |   |                     |                      |                      |
| Charges for water service  | \$ 1,960,718  | \$ -                | \$ -                 | \$ 1,960,718         |
| Charges for sewer service  | 1,453,039   | -                   | -                    | 1,453,039            |
| Tap connection and inspection fees                                   | 93,050  | -                   | -                    | 93,050               |
| Property taxes   | 2,861,500   | 7,521,249           | -                    | 10,382,749           |
| Investment earnings  | 26,919  | 27,484              | 81,574               | 135,977              |
| Other  | 206,327   | -                   | -                    | 206,327              |
| <b>Total Revenues</b>  | <u>6,601,553</u>  | <u>7,548,733</u>    | <u>81,574</u>        | <u>14,231,860</u>    |
| <b>Expenditures/Expenses</b>   |   |                     |                      |                      |
| <b>Service Operations:</b>   |   |                     |                      |                      |
| Personnel  | 2,912,992   | -                   | -                    | 2,912,992            |
| Professional fees  | 197,968   | -                   | -                    | 197,968              |
| Contracted services  | 180,852   | 68,264              | -                    | 249,116              |
| Utilities  | 476,150   | -                   | -                    | 476,150              |
| Repairs and maintenance  | 1,423,679   | -                   | 508,356              | 1,932,035            |
| Administrative   | 415,372   | -                   | -                    | 415,372              |
| Other  | 489,620   | -                   | -                    | 489,620              |
| <b>Capital Outlay</b>  | 183,055   | -                   | 1,039,676            | 1,222,731            |
| <b>Depreciation</b>  | -   | -                   | -                    | -                    |
| <b>Debt Service:</b>   |   |                     |                      |                      |
| Principal  | -   | 4,490,000           | -                    | 4,490,000            |
| Interest and fees  | -   | 3,360,229           | -                    | 3,360,229            |
| Bond issuance costs  | -   | -                   | 359,004              | 359,004              |
| <b>Total Expenditures/Expenses</b>                                   | <u>6,279,688</u>  | <u>7,918,493</u>    | <u>1,907,036</u>     | <u>16,105,217</u>    |
| <b>Excess (Deficiency) of Revenues<br/>Over (Under) Expenditures</b> | 321,865   | (369,760)           | (1,825,462)          | (1,873,357)          |
| <b>Other Financing Sources (Uses)</b>                                |   |                     |                      |                      |
| Bonds issued   | -   | -                   | 4,680,000            | 4,680,000            |
| <b>Total Other Financing Sources</b>                                 | <u>-</u>  | <u>-</u>            | <u>4,680,000</u>     | <u>4,680,000</u>     |
| <b>Net Change in Fund Balances/Net Position</b>                      | 321,865   | (369,760)           | 2,854,538            | 2,806,643            |
| Beginning fund balances/net position                                 | 4,740,545   | 4,064,175           | 18,257,352           | 27,062,072           |
| <b>Ending Fund Balances/Net Position</b>                             | <u>\$ 5,062,410</u>   | <u>\$ 3,694,415</u> | <u>\$ 21,111,890</u> | <u>\$ 29,868,715</u> |

See Notes to Financial Statements.

| <u>Adjustments</u> | <u>Statement of<br/>Activities</u> |
|--------------------|------------------------------------|
| \$ -               | \$ 1,960,718                       |
| -                  | 1,453,039                          |
| -                  | 93,050                             |
| 43,389             | 10,426,138                         |
| -                  | 135,977                            |
| (46,284)           | 160,043                            |
| (2,895)            | 14,228,965                         |
| -                  | 2,912,992                          |
| -                  | 197,968                            |
| -                  | 249,116                            |
| -                  | 476,150                            |
| -                  | 1,932,035                          |
| -                  | 415,372                            |
| -                  | 489,620                            |
| (1,222,731)        | -                                  |
| 2,147,920          | 2,147,920                          |
| (4,490,000)        | -                                  |
| (327)              | 3,359,902                          |
| -                  | 359,004                            |
| (3,565,138)        | 12,540,079                         |
| 3,562,243          | 1,688,886                          |
| (4,680,000)        | -                                  |
| (4,680,000)        | -                                  |
| (1,117,757)        | 1,688,886                          |
| (33,054,300)       | (5,992,228)                        |
| \$ (34,172,057)    | \$ (4,303,342)                     |

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# **FORT BEND COUNTY**

## **MUNICIPAL UTILITY DISTRICT No. 25**

### *NOTES TO FINANCIAL STATEMENTS*

For the Year Ended September 30, 2022

#### **NOTE 1 – CREATION OF DISTRICT**

Fort Bend County Municipal Utility District No. 25, of Fort Bend County, Texas (the “District”) was created by an order of the Texas Water Commission, now known as the Texas Commission on Environmental Quality (TCEQ), effective July 18, 1978, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the TCEQ.

The District is empowered, among other things, to finance, purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, treatment of wastewater; and to provide park and recreational facilities.

#### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements and accounting policies of the District are prepared in conformity with generally accepted accounting principles for local governmental units as prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District’s significant accounting policies are described below.

##### **A. Reporting Entity**

The District has adopted GASB Statements No. 14, *The Financial Reporting Entity*, and No. 39, *Determining Whether Certain the Organizations Are Component Units*. In accordance with these statements, a financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. There are no component units that are legally separate for which the District is considered financially accountable.

The District is governed by a board of directors consisting of five individuals who are residents or owners of property within the District and are elected by voters within the District. As required by generally accepted accounting principles, these financial statements present the activities of the District, which is considered to be the primary government, as well as the reporting entity. There are no other organizations which meet the criteria for inclusion herein as part of the financial reporting entity.

##### **B. Government-Wide Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all activities of the primary government. Governmental activities are normally supported by taxes and intergovernmental revenues.

##### **C. Basis of Presentation – Government-Wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds.

# FORT BEND COUNTY

## MUNICIPAL UTILITY DISTRICT No. 25

### *NOTES TO FINANCIAL STATEMENTS (Continued)*

For the Year Ended September 30, 2022

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and various other functions of the District. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

#### **D. Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the District's funds. Separate statements for the District's fund category, governmental, are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The District reports the following governmental funds:

The *general fund* is used to account for the operations of the District's water and sewer system and all other financial transactions not properly includable in other funds. The principal sources of revenue are related to water and sewer service operations. Expenditures include all costs associated with the daily operations of the District. The general fund is always considered a major fund for reporting purposes.

The *debt service fund* is used to account for the payment of interest and principal on all long-term debt of the District. The primary source of revenue for debt service is property taxes pursuant to requirements of the District's bond resolutions. Expenditures include costs incurred in assessing and collecting these taxes. The debt service fund is considered a major fund for reporting purposes.

The *capital projects fund* is used to account for the financial resources to be used for the acquisition or construction of major capital facilities financed principally by proceeds of bond and certificate of obligation issues. The capital projects fund is considered a major fund for reporting purposes.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

# FORT BEND COUNTY

## MUNICIPAL UTILITY DISTRICT No. 25

### NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2022

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

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the District.

#### **F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

##### **1. Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

# **FORT BEND COUNTY**

## **MUNICIPAL UTILITY DISTRICT No. 25**

### *NOTES TO FINANCIAL STATEMENTS (Continued)*

For the Year Ended September 30, 2022

#### **2. Investments**

Investments, except for certain investment pools, commercial paper, money market funds, and investment contracts, are reported at fair value. The investment pool operates in accordance with appropriate state laws and regulations and are reported at amortized cost. Money market funds, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations and commercial paper that have a remaining maturity of one year or less upon acquisition, are reported at amortized cost. Investments in nonparticipating interest earning contracts, such as certificates of deposit, are reported at cost.

The District has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. In summary, the District is authorized to invest in the following:

- Direct obligations of the U.S. Government or U.S. Government agencies
- Fully collateralized certificates of deposit
- Money market mutual funds that meet certain criteria
- Bankers' acceptances
- Statewide investment pools

#### **3. Inventory**

Supplies inventory is valued based on average cost and is reported as an expenditure when consumed.

#### **4. Restricted Assets**

Certain proceeds of bonds, as well as other resources set aside for specific purposes, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or contractual agreements.

#### **5. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., water lines, sewer lines, and storm sewers), are reported in the applicable governmental activities columns in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

# FORT BEND COUNTY

## MUNICIPAL UTILITY DISTRICT No. 25

### NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2022

Property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful years:

| Asset Description       | Estimated Useful Life |
|-------------------------|-----------------------|
| Water system            | 10 to 45 years        |
| Sewer system            | 10 to 45 years        |
| Drainage system         | 10 to 45 years        |
| Buildings               | 40 years              |
| Furniture and equipment | 3 to 20 years         |

#### 6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

The District reports a deferred charge on refunding resulting from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

At the fund level, the District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

#### 7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount.

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

The property tax rate is allocated each year between the general fund and the debt service fund. An amount estimated to be required for debt service on general obligation debt is provided by the debt service tax along with interest earned in the debt service fund.

**FORT BEND COUNTY**  
**MUNICIPAL UTILITY DISTRICT No. 25**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended September 30, 2022

**8. Net Position Flow Assumption**

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**9. Fund Balance Flow Assumptions**

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**10. Fund Balances Policies**

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board of Directors (the "Board") is the highest level of decision-making authority for the District that can, by adoption of an order prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the order remains in place until a similar action is taken (the adoption of another order) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board also may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

# FORT BEND COUNTY

## MUNICIPAL UTILITY DISTRICT No. 25

### NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2022

#### 11. Estimates

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

#### 12. Leases

The District is a lessee for noncancellable leases of equipment. The District would recognize a lease liability and an intangible, right-to-use lease asset (the “lease asset”) in the government-wide financial statements. The District’s leases to report are immaterial and not recognized as a lease liability or an asset.

#### NOTE 3 – CASH AND TEMPORARY INVESTMENTS

As of September 30, 2022, the District had the following investments:

| Investment Type                     | Value        | Weighted<br>Average<br>Maturity (Years) |
|-------------------------------------|--------------|---|
| Certificates of deposit             | \$ 3,400,000 | 0.66                                    |
| Texas CLASS                         | 372,118      | 0.07                                    |
| Total                               | \$ 3,772,118 |   |
| Portfolio weighted average maturity |              | 0.36                                    |

*Custodial credit risk – investments.* For an investment, this is the risk that the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party in the event of the failure of the counterparty. The District’s investment policy requires that it will seek to safekeep securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, shall be conducted on a delivery versus payment basis or commercial book entry system as utilized by the Federal Reserve and shall be protected through the use of a third-party custody/safekeeping agent.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that the District’s deposits may not be returned in the event of a bank failure. The District’s investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of September 30, 2022, fair market values of pledged securities and FDIC coverage exceeded bank balances.

*Interest rate risk.* In accordance with its investment policy, the District manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and invest operating funds primarily in short-term securities.

# FORT BEND COUNTY

## MUNICIPAL UTILITY DISTRICT No. 25

*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended September 30, 2022

### Texas CLASS

The Texas Cooperative Liquid Assets Securities System Trust – Texas (CLASS) is a public funds investment pool under Section 2256.016 of the Public Funds Investment Act, Texas Government Code, as amended. CLASS is created under an amended and restated trust agreement, dated as of December 14, 2011 (the “Agreement”), among certain Texas governmental entities investing in CLASS (the “Participants”), with Cutwater Investor Services Corporation as program administrator and Wells Fargo Bank Texas, NA as custodian. CLASS is not SEC registered and is not subject to regulation by the State of Texas. Under the Agreement, however, CLASS is administered and supervised by a seven-member board of trustees (the “Board”), whose members are investment officers of the Participants, elected by the Participants for overlapping two-year terms. In the Agreement and by resolution of the Board, CLASS has contracted with Cutwater Investor Services Corporation to provide for the investment and management of the public funds of CLASS. Separate financial statements for CLASS may be obtained from CLASS’ website at [www.texasclass.com](http://www.texasclass.com).

### NOTE 4 – RECEIVABLES

Amounts are aggregated into a single accounts receivable line for certain funds. Below is the detail of receivables for the general fund and the debt service fund:

|                             | <b>General</b> | <b>Debt Service</b> |
|-----------------------------|----------------|---------------------|
| Accounts receivable         | \$ 339,643     | \$ -                |
| Accrued interest receivable | 9,829          | -                   |
| Property taxes receivable   | 55,448         | 172,255             |
| <b>Total</b>                | \$ 404,920     | \$ 172,255          |

### NOTE 5 – PROPERTY TAXES

The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

All property values are determined by the Fort Bend Central Appraisal District. A tax lien attaches to properties within the District on January 1 of each year when property valuations for the use in levying taxes are established. Taxes are generally levied on or about October 1 and are due upon receipt of the tax bill by the property owner. Penalties and interest are charged if taxes are not paid by the succeeding January 31. There is an additional 20 percent penalty charged on accounts delinquent after July 1 of each year, which generally is payable to the District’s delinquent tax attorney.

Property taxes are levied for debt service and operations based on rates adopted for the year of the levy. For the current year, the District levied property taxes of \$0.87 per \$100 of assessed valuation. The resulting adjusted tax levy was \$10,449,383 on the adjusted taxable valuation of \$1,201,078,467 for the 2021 tax year.



# FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT No. 25

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2022

Property taxes receivable at year end consisted of the following:

|                             | <b>Amounts</b>    |
|-----------------------------|-------------------|
| 2022 (2021 levy)            | \$ 85,281         |
| 2021 (2020 levy)            | 28,481            |
| 2020 (2019 levy)            | 19,152            |
| 2019 (2018 levy)            | 15,560            |
| 2018 (2017 levy and before) | 79,229            |
| <b>Total</b>                | <b>\$ 227,703</b> |

### NOTE 6 – CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year end is as follows:

|  | <b>Beginning<br/>Balances</b> | <b>Additions</b> | <b>Retirements</b>                      | <b>Ending<br/>Balances</b> |
|--|-------------------------------|------------------|---|----------------------------|
| <b>Capital Assets</b>                              |                               |                  |   |                            |
| <b>Nondepreciable Assets</b>                       |                               |                  |   |                            |
| Land and improvements                              | \$ 11,113,183                 | \$ -             | \$ -                                    | \$ 11,113,183              |
| Construction in progress                           | 3,294,311                     | 596,886          | (806,342)                               | 3,084,855                  |
| <b>Total Nondepreciable Assets</b>                 | 14,407,494                    | 596,886          | (806,342)                               | 14,198,038                 |
| <b>Depreciable Assets</b>                          |                               |                  |   |                            |
| Water system                                       | 18,203,630                    | 73,965           | -                                       | 18,277,595                 |
| Sewer system                                       | 42,920,680                    | 1,165,332        | -                                       | 44,086,012                 |
| Drainage system                                    | 15,331,576                    | -                | -                                       | 15,331,576                 |
| Buildings  | 4,360,547                     | -                | -                                       | 4,360,547                  |
| Furniture and equipment                            | 3,723,129                     | 192,890          | (71,207)                                | 3,844,812                  |
| Accumulated depreciation                           | (30,091,110)                  | (2,147,920)      | 24,923                                  | (32,214,107)               |
| <b>Net Depreciable Assets</b>                      | 54,448,452                    | (715,733)        | (46,284)                                | 53,686,435                 |
| <b>Governmental Activities Capital Assets, Net</b> | \$ 68,855,946                 | \$ (118,847)     | \$ (852,626)                            | 67,884,473                 |
|  |                               |                  | Add unspent bond proceeds               | 21,111,890                 |
|  |                               |                  | Less associated debt                    | (102,284,233)              |
|  |                               |                  | <b>Net investment in capital assets</b> | <b>\$ (13,287,870)</b>     |

# FORT BEND COUNTY

## MUNICIPAL UTILITY DISTRICT No. 25

### NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2022

#### NOTE 7 – CHANGES IN LONG-TERM DEBT, DEBT SERVICE REQUIREMENTS, AND BOND RESOLUTION REQUIREMENTS

Long-term debt consists of bonds payable. Payments of principal and interest on the bonds are to be provided from tax levies on properties within the District. The bond resolutions require an amount equal to the average annual debt service requirements to be reserved by the District. This requirement has been met through the debt service fund.

##### A. Bond Sale

On May 24, 2022, the District issued its Unlimited Tax Bonds, Series 2022 (the “Series 2022 Bonds”), in the principal amount of \$4,070,000, with an interest rate 3.00% and a final maturity date of October 1, 2045, and its Unlimited Tax Park Bonds, Series 2022A (the “Series 2022A Bonds”) in the principal amount of \$610,000, with interest rates ranging from 3.75% to 4.00% with a final maturity date of October 1, 2034. The proceeds from the Series 2022 Bonds will be used for the purpose of replacing generators at lift stations, manhole survey and rehabilitation, cyber security upgrades, lift station mechanical rehabilitation, and wastewater infiltration repairs. The proceeds from the Series 2022A Bonds will be used for landscape and irrigation improvements and maintenance.

The following is a summary of changes in bonds payable for the year ended September 30, 2022:

|                                      | <b>Beginning<br/>Balance</b> | <b>Additions</b>    | <b>Reductions</b>     | <b>Ending<br/>Balance</b>                              | <b>Amount Due<br/>In One Year</b>                          |
|--------------------------------------|------------------------------|---------------------|-----------------------|--|--|
| <b>Governmental Activities</b>       |                              |                     |                       |  |  |
| General obligation bonds             | \$ 101,365,000               | \$ 4,680,000        | \$ (4,490,000)        | \$ 101,555,000   | * \$ 4,820,000   |
| Accreted interest payable            | 204,090                      | 19,440              | -                     | 223,530  | *  |
| (Discounts)/premium                  | 964,400                      | -                   | (57,030)              | 907,370  | *  |
| <b>Total Governmental Activities</b> | <b>\$ 102,533,490</b>        | <b>\$ 4,699,440</b> | <b>\$ (4,547,030)</b> | <b>\$ 102,685,900</b>                                  | <b>\$ 4,820,000</b>  |
|                                      |                              |                     |                       | <b>\$ 97,865,900</b>                                   |  |
|                                      |                              |                     |                       | Less deferred charge on refunding from associated debt | (401,667)  |
|                                      |                              |                     |                       |  | <b>*Debt associated with capital assets \$ 102,284,233</b> |

**FORT BEND COUNTY**  
**MUNICIPAL UTILITY DISTRICT No. 25**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended September 30, 2022

Bonds payable at September 30, 2022 are comprised of the following issues:

|                        | <b>Amounts</b>        | <b>Interest</b> | <b>Principal</b>   | <b>Callable</b>  |
|------------------------|-----------------------|-----------------|--------------------|------------------|
|                        | <b>Outstanding</b>    | <b>Rates</b>    | <b>Interest</b>    | <b>Call Date</b> |
|                        |                       |                 | <b>Pmt. Dates</b>  |                  |
| Refunding Series 2013A | \$ 300,000            | 2.00 to 3.50%   | April 1, October 1 | October 1, 2032  |
| Refunding Series 2014  | 3,275,000             | 3.05%           | April 1, October 1 | October 1, 2028  |
| Series 2014A           | 3,355,000             | 2.00 to 3.75%   | April 1, October 1 | October 1, 2039  |
| Series 2014B           | 2,070,000             | 2.00 to 3.75%   | April 1, October 1 | October 1, 2039  |
| Refunding Series 2015  | 36,420,000            | 2.00 to 4.00%   | April 1, October 1 | October 1, 2038  |
| Series 2015A           | 4,740,000             | 2.00 to 3.75%   | April 1, October 1 | October 1, 2040  |
| Series 2017            | 4,720,000             | 2.00 to 3.00%   | April 1, October 1 | October 1, 2041  |
| Series 2017A           | 1,615,000             | 2.00 to 3.00%   | April 1, October 1 | October 1, 2041  |
| Series 2018            | 5,030,000             | 2.00 to 3.63%   | April 1, October 1 | October 1, 2042  |
| Refunding Series 2019  | 14,700,000            | 3.00 to 4.00%   | April 1, October 1 | October 1, 2038  |
| Series 2019A           | 3,625,000             | 2.00 to 3.00%   | April 1, October 1 | October 1, 2043  |
| Refunding Series 2020  | 7,665,000             | 2.00 to 4.00%   | April 1, October 1 | October 1, 2031  |
| Series 2020A           | 3,590,000             | 1.00 to 2.00%   | April 1, October 1 | October 1, 2043  |
| Series 2021            | 5,770,000             | 2.00 to 2.13%   | April 1, October 1 | October 1, 2044  |
| Series 2022            | 4,070,000             | 3.00%           | April 1, October 1 | October 1, 2027  |
| Series 2022A           | 610,000               | 3.75% to 4.00%  | April 1, October 1 | October 1, 2027  |
| <b>Total</b>           | <b>\$ 101,555,000</b> |                 |                    |                  |

As of September 30, 2022, the debt service requirements on bonds outstanding are as follows:

| <b>Fiscal Year</b> | <b>Total</b>          | <b>Total</b>         | <b>Total</b>          |
|--------------------|-----------------------|----------------------|-----------------------|
| <b>Ending</b>      | <b>Principal</b>      | <b>Interest</b>      | <b>Total</b>          |
| <b>Sept. 30</b>    | <b>Due</b>            | <b>Due</b>           | <b>Due</b>            |
| 2023               | \$ 4,820,000          | \$ 3,310,241         | \$ 8,130,241          |
| 2024               | 4,940,000             | 3,145,529            | 8,085,529             |
| 2025               | 5,075,000             | 2,975,835            | 8,050,835             |
| 2026               | 5,210,000             | 2,801,960            | 8,011,960             |
| 2027               | 5,315,000             | 2,632,242            | 7,947,242             |
| 2028-2032          | 28,090,000            | 11,086,240           | 39,176,240            |
| 2033-2037          | 32,205,000            | 6,077,623            | 38,282,623            |
| 2038-2042          | 14,360,000            | 1,199,342            | 15,559,342            |
| 2043-2045          | 1,540,000             | 70,101               | 1,610,101             |
| <b>Totals</b>      | <b>\$ 101,555,000</b> | <b>\$ 33,299,113</b> | <b>\$ 134,854,113</b> |

**B. Bond Resolutions and TCEQ Requirements**

The bond resolutions require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the 2022 fiscal year, the District levied an ad valorem debt service tax at the rate of \$0.630 per \$100 of assessed valuation, which resulted in a tax levy of \$7,550,541 on the taxable valuation of \$1,201,078,467 for the 2021 tax year. The interest and principal requirements paid from the tax revenues were \$7,850,229.

**FORT BEND COUNTY**  
**MUNICIPAL UTILITY DISTRICT No. 25**

*NOTES TO FINANCIAL STATEMENTS (Continued)*

For the Year Ended September 30, 2022

**C. Federal Arbitrage**

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or are not performed correctly, a substantial liability to the District could result. The District periodically engages an arbitrage consultant to perform the calculations in accordance with IRS rules and regulations.

**NOTE 8 – MAINTENANCE TAXES**

At an election held on August 12, 1978, voters authorized a maintenance tax not to exceed \$0.25 per \$100 valuation on all property within the District subject to taxation. During the year, the District levied an ad valorem maintenance tax at the rate of \$0.240 per \$100 of assessed valuation, which resulted in a tax levy of \$2,876,396 on the taxable valuation of \$1,201,078,467 for the 2021 tax year. The maintenance tax proceeds are deposited in the general fund and used to pay expenditures of operating the District.

**NOTE 9 – RISK MANAGEMENT**

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

**NOTE 10 – RETIREMENT PROGRAM**

The District offers a deferred compensation plan (the “Plan”) in accordance with Internal Revenue Code Section 457 which allows employees to defer a portion of their salary until future years. In addition, the District provides alternate Federal Insurance Contributions Act (FICA) contributions to its employees in which the District contributes 6.2 percent of an employee’s pay in lieu of paying social security taxes. The alternate FICA contribution is transferred to the employee’s retirement account each pay period. The District’s contributions to the Plan are based on an employee’s length of service and range from 2 percent to 12 percent of an employee’s base pay. During the current year, the District contributed \$123,295 to the Plan.

**FORT BEND COUNTY**  
**MUNICIPAL UTILITY DISTRICT No. 25**

*NOTES TO FINANCIAL STATEMENTS (Continued)*

For the Year Ended September 30, 2022

**NOTE 11 – 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 permit issued by the Subsidence District. The Subsidence District has adopted regulations required for 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) prepare a groundwater reduction plan (GRP) and obtain certification of the GRP from the Subsidence District; (ii) limit groundwater withdrawals to no more than 70 percent of the total water demand of the water users within the GRP beginning January 2013; and (iii) limit groundwater withdrawals to no more than 40 percent of the total water demand of the water users within the GRP beginning January 2025.

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***REQUIRED SUPPLEMENTARY INFORMATION***

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# FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT No. 25

## BUDGETARY COMPARISON SCHEDULE

### GENERAL FUND

For the Year Ended September 30, 2022

|                                   | Original<br>Budgeted<br>Amounts | Final<br>Budgeted<br>Amounts | Actual       | Variance<br>Positive<br>(Negative) |
|-----------------------------------|---------------------------------|------------------------------|--------------|------------------------------------|
| <b><u>Revenues</u></b>            |                                 |                              |              |                                    |
| Charges for services              | \$ 3,286,633                    | \$ 3,220,633                 | \$ 3,506,807 | \$ 286,174                         |
| Property taxes                    | 2,678,353                       | 2,678,353                    | 2,861,500    | 183,147                            |
| Investment earnings               | 12,228                          | 12,228                       | 26,919       | 14,691                             |
| Other                             | 68,686                          | 68,686                       | 206,327      | 137,641                            |
| <b>Total Revenues</b>             | 6,045,900                       | 5,979,900                    | 6,601,553    | 621,653                            |
| <b><u>Expenditures</u></b>        |                                 |                              |              |                                    |
| <b>Service Operations:</b>        |                                 |                              |              |                                    |
| Personnel                         | 2,811,103                       | 2,811,103                    | 2,912,992    | (101,889)                          |
| Professional fees                 | 137,655                         | 137,655                      | 197,968      | (60,313)                           |
| Contracted services               | 312,924                         | 97,824                       | 180,852      | (83,028)                           |
| Utilities                         | 521,460                         | 521,460                      | 476,150      | 45,310                             |
| Administrative                    | 384,618                         | 386,118                      | 415,372      | (29,254)                           |
| Repairs and maintenance           | 1,273,610                       | 1,273,610                    | 1,423,679    | (150,069)                          |
| Other                             | 466,750                         | 466,750                      | 489,620      | (22,870)                           |
| <b>Total Expenditures</b>         | 5,908,120                       | 5,694,520                    | 6,279,688    | (585,168)                          |
| <b>Net Change in Fund Balance</b> | \$ 137,780                      | \$ 285,380                   | 321,865      | \$ 36,485                          |
| Beginning fund balance            |                                 |                              | 4,740,545    |                                    |
| <b>Ending Fund Balance</b>        |                                 |                              | \$ 5,062,410 |                                    |

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***TEXAS SUPPLEMENTARY INFORMATION***

# FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT No. 25

## TSI-1 SERVICES AND RATES

For the Year Ended September 30, 2022

**1. Services provided by the District:**

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

**2. a. Retail rates based on 5/8" meter**

The most prevalent type of meter (if not a 5/8"): Retail rates not applicable  
Not applicable

|           | Minimum<br>Charge | Minimum<br>Usage | Flat<br>Rate<br>Y/N | Rate per 1,000<br>Gallons Over<br>Minimum | Usage Levels     |
|-----------|-------------------|------------------|---------------------|---|------------------|
| Water     | \$ 20.20          | 5,000            | N                   | \$0.00                                    | 0 to 5,000       |
| Surcharge | \$ 2.24           | 5,001 to 10,000  | N                   | \$2.24                                    | 5,001 to 10,000  |
| Surcharge | \$ 2.81           | 10,001 to 15,000 | N                   | \$2.81                                    | 10,001 to 15,000 |
| Surcharge | \$ 4.21           | 15,001 to 25,000 | N                   | \$4.21                                    | 15,001 to 25,000 |
| Surcharge | \$ 5.00           | over 25,000      | N                   | \$4.92                                    | over 25,000      |
| Waste     | \$ 16.83          | up to 15,000     | N                   | N/A                                       | up to 15,000     |
| Surcharge | \$ 23.56          | 15,001 to 25,000 | N                   | N/A                                       | 15,001 to 25,000 |
| Surcharge | \$ 24.68          | over 25,000      | N                   | N/A                                       | over 25,000      |

District employs winter averaging for wastewater usage? Yes    No   X    
 Total water and sewer charges per 10,000 gallons usage  
 (including surcharges) \$ 48.23

**b. Water and Wastewater Retail Connections:** Number of retail water and/or wastewater\* connections within the District as of the fiscal year end. Provide actual numbers and single family equivalents (ESFC) as noted:

| Meter<br>Size    | Total<br>Connections | Active<br>Connections | ESFC<br>Factor | Active<br>ESFCs |
|------------------|----------------------|-----------------------|----------------|-----------------|
| 3/4" and 5/8"    | 3,426                | 3,409                 | x 1.0          | 3,409           |
| 1"               | 637                  | 632                   | x 2.5          | 1,580           |
| 1.5"             | 17                   | 16                    | x 5.0          | 80              |
| 2"               | 47                   | 46                    | x 8.0          | 368             |
| 3"               | 2                    | 2                     | x 15.0         | 30              |
| 4"               | 2                    | 2                     | x 25.0         | 50              |
| 6"               | 3                    | 3                     | x 50.0         | 150             |
| 8"               | 5                    | 5                     | x 80.0         | 400             |
| Total water      | 4,139                | 4,115                 |                | 6,067           |
| Total wastewater | 4,022                | 4,004                 | x 1.0          | 4,004           |

\* Number of connections relates to water service, if provided. Otherwise, the number of wastewater connections should be provided.

**3. Total Water Consumption (In Thousands) During the Fiscal Year:**

|                              |             |                                 |
|------------------------------|-------------|---------------------------------|
| Gallons pumped into system:  | 570,213,702 | Water Accountability Ratio:     |
| Gallons billed to customers: | 479,867,500 | (Gallons billed/Gallons pumped) |
|                              |             | 0.84                            |

4. **Standby Fees:** Does the District assess standby fees? Yes \_\_\_ No X

For the most recent full fiscal year:

|                         |                      |                     |
|-------------------------|----------------------|---------------------|
| Debt Service:           | Total levy           | <u>\$ 7,550,541</u> |
|                         | Total collected      | <u>\$ 7,518,172</u> |
|                         | Percentage collected | <u>99.57%</u>       |
| Operation & Maintenance | Total levy           | <u>\$ 2,876,396</u> |
|                         | Total collected      | <u>\$ 2,863,604</u> |
|                         | Percentage collected | <u>99.56%</u>       |

Have standby fees been levied in accordance with Water Code Section 49.231, thereby constituting a lien on property? Yes X No \_\_\_

5. **Location of District:**

County in which District is located. Fort Bend County

Is the District located entirely within one county? Yes X No \_\_\_

Is the District located within a city? Entirely \_\_\_ Partly \_\_\_ Not at all X

City in which District is located. N/A

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

Entirely \_\_\_ Partly X Not at all \_\_\_

ETJ's in which District is located. City of Houston

Is the general membership of the Board appointed by an office outside the District?

Yes \_\_\_ No X

If yes, by whom? \_\_\_\_\_

# FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT No. 25

## *TSI-2 GENERAL FUND EXPENDITURES*

For the Year Ended September 30, 2022

|  | <b>2022</b>  |
|--|--------------|
| <b><u>Current</u></b>                          |              |
| <b>Personnel Services</b> (including benefits) | \$ 2,912,992 |
| <b>Professional Fees:</b>                      |              |
| Auditing                                       | 32,752       |
| Legal  | 65,379       |
| Financial advisor                              | 18,916       |
| Engineering                                    | 80,921       |
|  | 197,968      |
| <b>Contracted Services:</b>                    |              |
| Security                                       | 9,027        |
| Information technology                         | 993          |
| Sludge removal                                 | 159,951      |
| Billing  | 10,881       |
|  | 180,852      |
| <b>Utilities</b>                               | 476,150      |
| <b>Repairs and Maintenance</b>                 | 1,423,679    |
| <b>Administrative:</b>                         |              |
| Director fees                                  | 5,850        |
| Office supplies                                | 14,107       |
| Travel and per diem                            | 8,382        |
| Insurance                                      | 165,951      |
| Postage  | 28,466       |
| Regulatory charges                             | 49,811       |
| Other administrative                           | 142,805      |
|  | 415,372      |
| <b>Other Expenditures:</b>                     |              |
| Rental fees                                    | 51,506       |
| Computer equipment                             | 41,005       |
| Uniforms                                       | 20,295       |
| Safety fees                                    | 14,589       |
| Permit fees                                    | 46,722       |
| Chemicals and laboratory                       | 315,503      |
|  | 489,620      |
| <b>Total Expenditures</b>                      | \$ 6,279,688 |

Number of employees employed by the District:

|           |    |
|-----------|----|
| Full-time | 29 |
| Part-time | -  |

# FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT No. 25

## TSI-3 CASH AND TEMPORARY INVESTMENTS

For the Year Ended September 30, 2022

| Funds                               | Identification<br>or Certificate<br>Number | Interest<br>Rate (%) | Maturity<br>Date | Balance                     | Accrued<br>Interest    |
|-------------------------------------|--|----------------------|------------------|-----------------------------|------------------------|
| <b><u>General Fund</u></b>          |  |                      |                  |                             |                        |
| Checking                            | 3528                                       | Various              | Demand           | \$ 120,504                  | \$ -                   |
| Checking                            | 3329                                       | Various              | Demand           | 34,566                      | -                      |
| Checking                            | 3544                                       | Various              | Demand           | 588                         | -                      |
| Petty cash                          | N/A  | N/A                  | N/A              | 209                         | -                      |
| Checking                            | 2156                                       | Various              | Demand           | 38,046                      | -                      |
| Checking                            | 0021                                       | Various              | Demand           | 2,747                       | -                      |
| Checking                            | 4572                                       | Various              | Demand           | 3,182,192                   | -                      |
| Checking                            | 4718                                       | Various              | Demand           | 283,639                     | -                      |
| TexasCLASS                          | N/A  | 1.86%                | N/A              | 372,118                     | -                      |
| Certificate of deposit              | 7760                                       | 0.70%                | 12/13/2022       | 500,000                     | 9,829                  |
| Certificate of deposit              | 0076                                       | 2.00%                | 6/27/2023        | 900,000                     | -                      |
| <b>Total General Fund</b>           |  |                      |                  | <u>5,434,609</u>            | <u>9,829</u>           |
| <b><u>Debt Service Fund</u></b>     |  |                      |                  |                             |                        |
| Checking                            | 4696                                       | Various              | Demand           | 1,640,328                   | -                      |
| Tax checking                        | N/A  | N/A                  | N/A              | 54,912                      | -                      |
| Certificate of deposit              | 0078                                       | 2.00%                | 6/27/2023        | 2,000,000                   | -                      |
| <b>Total Debt Service Fund</b>      |  |                      |                  | <u>3,695,240</u>            | <u>-</u>               |
| <b><u>Capital Projects Fund</u></b> |  |                      |                  |                             |                        |
| Checking                            | 9108                                       | Various              | Demand           | 20,013                      | -                      |
| Checking                            | 9090                                       | Various              | Demand           | 9                           | -                      |
| Checking                            | 9082                                       | Various              | Demand           | 21,478,116                  | -                      |
| <b>Total Capital Projects Fund</b>  |  |                      |                  | <u>21,498,138</u>           | <u>-</u>               |
| <b>Total - All Funds</b>            |  |                      |                  | <u><u>\$ 30,627,987</u></u> | <u><u>\$ 9,829</u></u> |

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# FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT No. 25

## TSI-4 ANALYSIS OF TAXES LEVIED AND RECEIVABLE

For the Year Ended September 30, 2022

|   | General          | Debt<br>Service   | Total<br>Funds    |
|---|------------------|-------------------|-------------------|
| <b>Taxes Receivable - Beginning of Year</b> | \$ 43,130        | \$ 141,184        | \$ 184,314        |
| 2021 adjusted tax roll                      | 2,876,396        | 7,550,541         | 10,426,937        |
| Other adjustments to prior tax rolls        | (474)            | (1,298)           | (1,772)           |
| Adjusted tax roll                           | 2,875,922        | 7,549,243         | 10,425,165        |
| <b>Total to be Accounted for</b>            | <u>2,919,052</u> | <u>7,690,427</u>  | <u>10,609,479</u> |
| Tax collections:                            |                  |                   |                   |
| Current year                                | 2,852,871        | 7,488,785         | 10,341,656        |
| Prior years                                 | 10,733           | 29,387            | 40,120            |
| <b>Total Collections</b>                    | <u>2,863,604</u> | <u>7,518,172</u>  | <u>10,381,776</u> |
| <b>Taxes Receivable - End of Year</b>       | <u>\$ 55,448</u> | <u>\$ 172,255</u> | <u>\$ 227,703</u> |
| <b>Taxes Receivable - By Year</b>           |                  |                   |                   |
| 2021  | \$ 23,525        | \$ 61,756         | \$ 85,281         |
| 2020  | 7,629            | 20,852            | 28,481            |
| 2019  | 5,130            | 14,022            | 19,152            |
| 2018  | 4,168            | 11,392            | 15,560            |
| 2017 and prior                              | 14,996           | 64,233            | 79,229            |
| <b>Taxes Receivable - End of Year</b>       | <u>\$ 55,448</u> | <u>\$ 172,255</u> | <u>\$ 227,703</u> |

|   | 2021                    | 2020                    | 2019                    | 2018                    | 2017                    |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| <b>Assessed</b>                             |                         |                         |                         |                         |                         |
| <b>Property Valuations</b>                  | <u>\$ 1,201,078,467</u> | <u>\$ 1,178,197,477</u> | <u>\$ 1,134,022,400</u> | <u>\$ 1,115,970,239</u> | <u>\$ 1,084,751,113</u> |
| <b>Tax Rates (Per \$100 Valuation)</b>      |                         |                         |                         |                         |                         |
| Debt service                                | \$ 0.630                | \$ 0.615                | \$ 0.615                | \$ 0.615                | \$ 0.630                |
| Maintenance                                 | 0.240                   | 0.225                   | 0.225                   | 0.225                   | 0.210                   |
| <b>Total Tax Rate (per \$100 Valuation)</b> | <u>\$ 0.870</u>         | <u>\$ 0.840</u>         | <u>\$ 0.840</u>         | <u>\$ 0.840</u>         | <u>\$ 0.840</u>         |
| <b>Tax Rolls**</b>                          | <u>\$ 10,449,383</u>    | <u>\$ 9,896,859</u>     | <u>\$ 9,525,788</u>     | <u>\$ 9,374,150</u>     | <u>\$ 9,111,909</u>     |

**For the Year Ended September 30, 2022**

Percentage of current taxes collected to current taxes levied (as adjusted)

**All Taxes**

98.97%

\*\* As adjusted

**FORT BEND COUNTY**  
**MUNICIPAL UTILITY DISTRICT No. 25**  
**TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS**  
For the Year Ended September 30, 2022

| Due During<br>Fiscal Year<br>Ending<br>September 30 | Series 2013A - Refunding      |                                   |                   | Series 2014 - Refunding       |                                   |                     |
|---|-------------------------------|-----------------------------------|-------------------|-------------------------------|-----------------------------------|---------------------|
|   | Principal<br>Due<br>October 1 | Interest<br>October 1,<br>April 1 | Total             | Principal<br>Due<br>October 1 | Interest<br>October 1,<br>April 1 | Total               |
| 2023  | \$ -                          | \$ -                              | \$ -              | \$ 295,000                    | \$ 99,888                         | \$ 394,888          |
| 2024  | -                             | -                                 | -                 | 305,000                       | 90,890                            | 395,890             |
| 2025  | -                             | -                                 | -                 | 320,000                       | 81,588                            | 401,588             |
| 2026  | -                             | -                                 | -                 | 335,000                       | 71,828                            | 406,828             |
| 2027  | -                             | -                                 | -                 | 350,000                       | 61,610                            | 411,610             |
| 2028  | -                             | -                                 | -                 | 1,670,000                     | 50,935                            | 1,720,935           |
| 2029  | -                             | -                                 | -                 | -                             | -                                 | -                   |
| 2030  | -                             | -                                 | -                 | -                             | -                                 | -                   |
| 2031  | 300,000                       | 450,000                           | 750,000           | -                             | -                                 | -                   |
| 2032  | -                             | -                                 | -                 | -                             | -                                 | -                   |
| 2033  | -                             | -                                 | -                 | -                             | -                                 | -                   |
| 2034  | -                             | -                                 | -                 | -                             | -                                 | -                   |
| 2035  | -                             | -                                 | -                 | -                             | -                                 | -                   |
| 2036  | -                             | -                                 | -                 | -                             | -                                 | -                   |
| 2037  | -                             | -                                 | -                 | -                             | -                                 | -                   |
| 2038  | -                             | -                                 | -                 | -                             | -                                 | -                   |
| 2039  | -                             | -                                 | -                 | -                             | -                                 | -                   |
| 2040  | -                             | -                                 | -                 | -                             | -                                 | -                   |
| 2041  | -                             | -                                 | -                 | -                             | -                                 | -                   |
| 2042  | -                             | -                                 | -                 | -                             | -                                 | -                   |
| 2043  | -                             | -                                 | -                 | -                             | -                                 | -                   |
| 2044  | -                             | -                                 | -                 | -                             | -                                 | -                   |
| 2045  | -                             | -                                 | -                 | -                             | -                                 | -                   |
| <b>Totals</b>                                       | <u>\$ 300,000</u>             | <u>\$ 450,000</u>                 | <u>\$ 750,000</u> | <u>\$ 3,275,000</u>           | <u>\$ 456,739</u>                 | <u>\$ 3,731,739</u> |

| <b>Series 2014A</b>            |                                    |                     | <b>Series 2014B</b>            |                                    |                     |
|--------------------------------|------------------------------------|---------------------|--------------------------------|------------------------------------|---------------------|
| <b>Principal Due October 1</b> | <b>Interest October 1, April 1</b> | <b>Total</b>        | <b>Principal Due October 1</b> | <b>Interest October 1, April 1</b> | <b>Total</b>        |
| \$ 200,000                     | \$ 112,313                         | \$ 312,313          | \$ 125,000                     | \$ 69,375                          | \$ 194,375          |
| 200,000                        | 106,313                            | 306,313             | 125,000                        | 65,625                             | 190,625             |
| 200,000                        | 100,313                            | 300,313             | 125,000                        | 61,875                             | 186,875             |
| 200,000                        | 94,313                             | 294,313             | 125,000                        | 58,125                             | 183,125             |
| 200,000                        | 88,313                             | 288,313             | 125,000                        | 54,375                             | 179,375             |
| 200,000                        | 82,313                             | 282,313             | 125,000                        | 50,625                             | 175,625             |
| 200,000                        | 76,313                             | 276,313             | 125,000                        | 46,875                             | 171,875             |
| 200,000                        | 69,813                             | 269,813             | 125,000                        | 42,813                             | 167,813             |
| 200,000                        | 63,313                             | 263,313             | 110,000                        | 38,750                             | 148,750             |
| 200,000                        | 56,563                             | 256,563             | 110,000                        | 35,038                             | 145,038             |
| 200,000                        | 49,813                             | 249,813             | 110,000                        | 31,325                             | 141,325             |
| 200,000                        | 42,813                             | 242,813             | 110,000                        | 27,475                             | 137,475             |
| 200,000                        | 35,813                             | 235,813             | 110,000                        | 23,625                             | 133,625             |
| 200,000                        | 28,313                             | 228,313             | 110,000                        | 19,500                             | 129,500             |
| 200,000                        | 20,813                             | 220,813             | 110,000                        | 15,375                             | 125,375             |
| 200,000                        | 13,313                             | 213,313             | 110,000                        | 11,250                             | 121,250             |
| 155,000                        | 5,813                              | 160,813             | 190,000                        | 7,125                              | 197,125             |
| -                              | -                                  | -                   | -                              | -                                  | -                   |
| -                              | -                                  | -                   | -                              | -                                  | -                   |
| -                              | -                                  | -                   | -                              | -                                  | -                   |
| -                              | -                                  | -                   | -                              | -                                  | -                   |
| -                              | -                                  | -                   | -                              | -                                  | -                   |
| -                              | -                                  | -                   | -                              | -                                  | -                   |
| <u>\$ 3,355,000</u>            | <u>\$ 1,046,571</u>                | <u>\$ 4,401,571</u> | <u>\$ 2,070,000</u>            | <u>\$ 659,151</u>                  | <u>\$ 2,729,151</u> |

**FORT BEND COUNTY**  
**MUNICIPAL UTILITY DISTRICT No. 25**  
*TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS, Continued*  
For the Year Ended September 30, 2022

| Due During<br>Fiscal Year<br>Ending<br>September 30 | Series 2015 - Refunding       |                                   |                      | Series 2015A                  |                                   |                     |
|---|-------------------------------|-----------------------------------|----------------------|-------------------------------|-----------------------------------|---------------------|
|   | Principal<br>Due<br>October 1 | Interest<br>October 1,<br>April 1 | Total                | Principal<br>Due<br>October 1 | Interest<br>October 1,<br>April 1 | Total               |
|   | 2023                          | \$ 435,000                        | \$ 1,339,013         | \$ 1,774,013                  | \$ 225,000                        | \$ 148,844          |
| 2024  | 445,000                       | 1,321,613                         | 1,766,613            | 225,000                       | 144,344                           | 369,344             |
| 2025  | 705,000                       | 1,303,813                         | 2,008,813            | 250,000                       | 139,563                           | 389,563             |
| 2026  | 725,000                       | 1,275,613                         | 2,000,613            | 275,000                       | 133,625                           | 408,625             |
| 2027  | 740,000                       | 1,253,863                         | 1,993,863            | 275,000                       | 126,750                           | 401,750             |
| 2028  | 755,000                       | 1,231,663                         | 1,986,663            | 325,000                       | 118,500                           | 443,500             |
| 2029  | 1,270,000                     | 1,209,013                         | 2,479,013            | 300,000                       | 108,750                           | 408,750             |
| 2030  | 1,310,000                     | 1,167,738                         | 2,477,738            | 275,000                       | 99,750                            | 374,750             |
| 2031  | 1,350,000                     | 1,125,163                         | 2,475,163            | 210,000                       | 91,500                            | 301,500             |
| 2032  | 1,395,000                     | 1,071,163                         | 2,466,163            | 250,000                       | 84,938                            | 334,938             |
| 2033  | 4,130,000                     | 1,022,338                         | 5,152,338            | 150,000                       | 76,813                            | 226,813             |
| 2034  | 4,275,000                     | 857,138                           | 5,132,138            | 200,000                       | 71,750                            | 271,750             |
| 2035  | 4,435,000                     | 707,513                           | 5,142,513            | 200,000                       | 65,000                            | 265,000             |
| 2036  | 4,600,000                     | 530,113                           | 5,130,113            | 250,000                       | 58,000                            | 308,000             |
| 2037  | 4,810,000                     | 363,363                           | 5,173,363            | 250,000                       | 49,250                            | 299,250             |
| 2038  | 5,040,000                     | 189,000                           | 5,229,000            | 100,000                       | 40,500                            | 140,500             |
| 2039  | -                             | -                                 | -                    | 490,000                       | 36,750                            | 526,750             |
| 2040  | -                             | -                                 | -                    | 490,000                       | 18,375                            | 508,375             |
| 2041  | -                             | -                                 | -                    | -                             | -                                 | -                   |
| 2042  | -                             | -                                 | -                    | -                             | -                                 | -                   |
| 2043  | -                             | -                                 | -                    | -                             | -                                 | -                   |
| 2044  | -                             | -                                 | -                    | -                             | -                                 | -                   |
| 2045  | -                             | -                                 | -                    | -                             | -                                 | -                   |
| <b>Totals</b>                                       | <u>\$ 36,420,000</u>          | <u>\$ 15,968,120</u>              | <u>\$ 52,388,120</u> | <u>\$ 4,740,000</u>           | <u>\$ 1,613,002</u>               | <u>\$ 6,353,002</u> |

| <b>Series 2017</b>             |                                    |                     | <b>Series 2017A</b>            |                                    |                     |
|--------------------------------|------------------------------------|---------------------|--------------------------------|------------------------------------|---------------------|
| <b>Principal Due October 1</b> | <b>Interest October 1, April 1</b> | <b>Total</b>        | <b>Principal Due October 1</b> | <b>Interest October 1, April 1</b> | <b>Total</b>        |
| \$ 245,000                     | \$ 151,288                         | \$ 396,288          | \$ 85,000                      | \$ 51,956                          | \$ 136,956          |
| 245,000                        | 143,938                            | 388,938             | 85,000                         | 49,406                             | 134,406             |
| 245,000                        | 136,588                            | 381,588             | 85,000                         | 46,856                             | 131,856             |
| 245,000                        | 129,238                            | 374,238             | 85,000                         | 44,306                             | 129,306             |
| 245,000                        | 121,888                            | 366,888             | 85,000                         | 41,756                             | 126,756             |
| 245,000                        | 114,538                            | 359,538             | 85,000                         | 39,206                             | 124,206             |
| 250,000                        | 107,188                            | 357,188             | 85,000                         | 36,656                             | 121,656             |
| 250,000                        | 99,688                             | 349,688             | 85,000                         | 34,106                             | 119,106             |
| 250,000                        | 92,188                             | 342,188             | 85,000                         | 31,556                             | 116,556             |
| 250,000                        | 84,688                             | 334,688             | 85,000                         | 29,006                             | 114,006             |
| 250,000                        | 77,188                             | 327,188             | 85,000                         | 26,456                             | 111,456             |
| 250,000                        | 69,688                             | 319,688             | 85,000                         | 23,906                             | 108,906             |
| 250,000                        | 62,188                             | 312,188             | 85,000                         | 21,144                             | 106,144             |
| 250,000                        | 54,063                             | 304,063             | 85,000                         | 18,381                             | 103,381             |
| 250,000                        | 45,938                             | 295,938             | 85,000                         | 15,619                             | 100,619             |
| 250,000                        | 36,875                             | 286,875             | 85,000                         | 12,538                             | 97,538              |
| 250,000                        | 27,813                             | 277,813             | 85,000                         | 9,456                              | 94,456              |
| 250,000                        | 18,750                             | 268,750             | 85,000                         | 6,375                              | 91,375              |
| 250,000                        | 9,375                              | 259,375             | 85,000                         | 3,188                              | 88,188              |
| -                              | -                                  | -                   | -                              | -                                  | -                   |
| -                              | -                                  | -                   | -                              | -                                  | -                   |
| -                              | -                                  | -                   | -                              | -                                  | -                   |
| -                              | -                                  | -                   | -                              | -                                  | -                   |
| <u>\$ 4,720,000</u>            | <u>\$ 1,583,108</u>                | <u>\$ 6,303,108</u> | <u>\$ 1,615,000</u>            | <u>\$ 541,873</u>                  | <u>\$ 2,156,873</u> |

**FORT BEND COUNTY**  
**MUNICIPAL UTILITY DISTRICT No. 25**  
*TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS, Continued*  
For the Year Ended September 30, 2022

| Due During<br>Fiscal Year<br>Ending<br>September 30 | Series 2018                   |                                   |                     | Series 2019 - Refunding       |                                   |                      |
|---|-------------------------------|-----------------------------------|---------------------|-------------------------------|-----------------------------------|----------------------|
|   | Principal<br>Due<br>October 1 | Interest<br>October 1,<br>April 1 | Total               | Principal<br>Due<br>October 1 | Interest<br>October 1,<br>April 1 | Total                |
|   | 2023                          | \$ 225,000                        | \$ 162,994          | \$ 387,994                    | \$ 1,490,000                      | \$ 573,176           |
| 2024  | 225,000                       | 156,244                           | 381,244             | 2,140,000                     | 513,574                           | 2,653,574            |
| 2025  | 225,000                       | 149,494                           | 374,494             | 2,090,000                     | 427,976                           | 2,517,976            |
| 2026  | 225,000                       | 142,744                           | 367,744             | 2,165,000                     | 344,374                           | 2,509,374            |
| 2027  | 225,000                       | 135,994                           | 360,994             | 2,240,000                     | 257,774                           | 2,497,774            |
| 2028  | 225,000                       | 129,244                           | 354,244             | 910,000                       | 168,176                           | 1,078,176            |
| 2029  | 225,000                       | 122,494                           | 347,494             | 2,165,000                     | 131,774                           | 2,296,774            |
| 2030  | 225,000                       | 115,744                           | 340,744             | 190,000                       | 45,176                            | 235,176              |
| 2031  | 225,000                       | 108,994                           | 333,994             | 185,000                       | 39,474                            | 224,474              |
| 2032  | 225,000                       | 102,244                           | 327,244             | 180,000                       | 33,926                            | 213,926              |
| 2033  | 225,000                       | 95,213                            | 320,213             | 175,000                       | 28,524                            | 203,524              |
| 2034  | 225,000                       | 88,181                            | 313,181             | 165,000                       | 23,276                            | 188,276              |
| 2035  | 225,000                       | 80,869                            | 305,869             | 160,000                       | 18,326                            | 178,326              |
| 2036  | 225,000                       | 73,556                            | 298,556             | 155,000                       | 13,524                            | 168,524              |
| 2037  | 225,000                       | 65,963                            | 290,963             | 150,000                       | 8,877                             | 158,877              |
| 2038  | 325,000                       | 58,369                            | 383,369             | 140,000                       | 4,374                             | 144,374              |
| 2039  | 325,000                       | 46,994                            | 371,994             | -                             | -                                 | -                    |
| 2040  | 325,000                       | 35,619                            | 360,619             | -                             | -                                 | -                    |
| 2041  | 325,000                       | 24,244                            | 349,244             | -                             | -                                 | -                    |
| 2042  | 355,000                       | 12,869                            | 367,869             | -                             | -                                 | -                    |
| 2043  | -                             | -                                 | -                   | -                             | -                                 | -                    |
| 2044  | -                             | -                                 | -                   | -                             | -                                 | -                    |
| 2045  | -                             | -                                 | -                   | -                             | -                                 | -                    |
| <b>Totals</b>                                       | <u>\$ 5,030,000</u>           | <u>\$ 1,908,067</u>               | <u>\$ 6,938,067</u> | <u>\$ 14,700,000</u>          | <u>\$ 2,632,301</u>               | <u>\$ 17,332,301</u> |

| <b>Series 2019A</b>            |                                    |                     | <b>Series 2020 - Refunding</b> |                                    |                     |
|--------------------------------|------------------------------------|---------------------|--------------------------------|------------------------------------|---------------------|
| <b>Principal Due October 1</b> | <b>Interest October 1, April 1</b> | <b>Total</b>        | <b>Principal Due October 1</b> | <b>Interest October 1, April 1</b> | <b>Total</b>        |
| \$ 125,000                     | \$ 86,094                          | \$ 211,094          | \$ 695,000                     | 171,150                            | \$ 866,150          |
| 125,000                        | 82,344                             | 207,344             | 145,000                        | 143,350                            | 288,350             |
| 125,000                        | 78,594                             | 203,594             | 35,000                         | 137,550                            | 172,550             |
| 125,000                        | 76,094                             | 201,094             | 35,000                         | 136,150                            | 171,150             |
| 125,000                        | 73,594                             | 198,594             | 40,000                         | 135,100                            | 175,100             |
| 125,000                        | 71,094                             | 196,094             | 125,000                        | 134,300                            | 259,300             |
| 125,000                        | 68,594                             | 193,594             | 175,000                        | 131,800                            | 306,800             |
| 125,000                        | 66,094                             | 191,094             | 2,275,000                      | 128,300                            | 2,403,300           |
| 125,000                        | 63,594                             | 188,594             | 1,680,000                      | 82,800                             | 1,762,800           |
| 125,000                        | 61,094                             | 186,094             | 2,460,000                      | 49,200                             | 2,509,200           |
| 125,000                        | 58,438                             | 183,438             | -                              | -                                  | -                   |
| 125,000                        | 55,624                             | 180,624             | -                              | -                                  | -                   |
| 125,000                        | 52,812                             | 177,812             | -                              | -                                  | -                   |
| 125,000                        | 50,000                             | 175,000             | -                              | -                                  | -                   |
| 125,000                        | 46,876                             | 171,876             | -                              | -                                  | -                   |
| 125,000                        | 43,750                             | 168,750             | -                              | -                                  | -                   |
| 325,000                        | 40,626                             | 365,626             | -                              | -                                  | -                   |
| 325,000                        | 32,500                             | 357,500             | -                              | -                                  | -                   |
| 325,000                        | 24,376                             | 349,376             | -                              | -                                  | -                   |
| 325,000                        | 16,250                             | 341,250             | -                              | -                                  | -                   |
| 325,000                        | 8,126                              | 333,126             | -                              | -                                  | -                   |
| -                              | -                                  | -                   | -                              | -                                  | -                   |
| -                              | -                                  | -                   | -                              | -                                  | -                   |
| <b>\$ 3,625,000</b>            | <b>\$ 1,156,568</b>                | <b>\$ 4,781,568</b> | <b>\$ 7,665,000</b>            | <b>\$ 1,249,700</b>                | <b>\$ 8,914,700</b> |

# FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT No. 25

## *TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS, Continued*

For the Year Ended September 30, 2022

| Due During<br>Fiscal Year<br>Ending<br>September 30 | Series 2020A                  |                                   |                     | Series 2021                   |                                   |                     |
|---|-------------------------------|-----------------------------------|---------------------|-------------------------------|-----------------------------------|---------------------|
|   | Principal<br>Due<br>October 1 | Interest<br>October 1,<br>April 1 | Total               | Principal<br>Due<br>October 1 | Interest<br>October 1,<br>April 1 | Total               |
| 2023  | \$ 175,000                    | \$ 61,550                         | \$ 236,550          | \$ 265,000                    | 116,375                           | \$ 381,375          |
| 2024  | 175,000                       | 58,050                            | 233,050             | 265,000                       | 111,075                           | 376,075             |
| 2025  | 175,000                       | 54,550                            | 229,550             | 265,000                       | 105,775                           | 370,775             |
| 2026  | 175,000                       | 51,050                            | 226,050             | 265,000                       | 100,475                           | 365,475             |
| 2027  | 170,000                       | 49,300                            | 219,300             | 265,000                       | 95,175                            | 360,175             |
| 2028  | 170,000                       | 47,600                            | 217,600             | 265,000                       | 89,875                            | 354,875             |
| 2029  | 170,000                       | 45,900                            | 215,900             | 265,000                       | 84,575                            | 349,575             |
| 2030  | 170,000                       | 43,775                            | 213,775             | 265,000                       | 79,275                            | 344,275             |
| 2031  | 170,000                       | 41,650                            | 211,650             | 265,000                       | 73,975                            | 338,975             |
| 2032  | 170,000                       | 39,100                            | 209,100             | 265,000                       | 68,675                            | 333,675             |
| 2033  | 170,000                       | 36,550                            | 206,550             | 260,000                       | 63,375                            | 323,375             |
| 2034  | 170,000                       | 33,575                            | 203,575             | 260,000                       | 58,175                            | 318,175             |
| 2035  | 170,000                       | 30,600                            | 200,600             | 260,000                       | 52,975                            | 312,975             |
| 2036  | 170,000                       | 27,200                            | 197,200             | 260,000                       | 47,775                            | 307,775             |
| 2037  | 170,000                       | 23,800                            | 193,800             | 260,000                       | 42,575                            | 302,575             |
| 2038  | 170,000                       | 20,400                            | 190,400             | 260,000                       | 37,375                            | 297,375             |
| 2039  | 170,000                       | 17,000                            | 187,000             | 260,000                       | 32,175                            | 292,175             |
| 2040  | 170,000                       | 13,600                            | 183,600             | 260,000                       | 26,975                            | 286,975             |
| 2041  | 170,000                       | 10,200                            | 180,200             | 260,000                       | 21,775                            | 281,775             |
| 2042  | 170,000                       | 6,800                             | 176,800             | 260,000                       | 16,575                            | 276,575             |
| 2043  | 170,000                       | 3,400                             | 173,400             | 260,000                       | 11,050                            | 271,050             |
| 2044  | -                             | -                                 | -                   | 260,000                       | 5,525                             | 265,525             |
| 2045  | -                             | -                                 | -                   | -                             | -                                 | -                   |
| <b>Totals</b>                                       | <b>\$ 3,590,000</b>           | <b>\$ 715,650</b>                 | <b>\$ 4,305,650</b> | <b>\$ 5,770,000</b>           | <b>\$ 1,341,575</b>               | <b>\$ 7,111,575</b> |



| <b>Series 2022</b>             |                                    |                     | <b>Series 2022A</b>            |                                    |                   |
|--------------------------------|------------------------------------|---------------------|--------------------------------|------------------------------------|-------------------|
| <b>Principal Due October 1</b> | <b>Interest October 1, April 1</b> | <b>Total</b>        | <b>Principal Due October 1</b> | <b>Interest October 1, April 1</b> | <b>Total</b>      |
| \$ 180,000                     | \$ 144,850                         | \$ 324,850          | \$ 55,000                      | \$ 21,375                          | \$ 76,375         |
| 180,000                        | 139,450                            | 319,450             | 55,000                         | 19,313                             | 74,313            |
| 180,000                        | 134,050                            | 314,050             | 50,000                         | 17,250                             | 67,250            |
| 180,000                        | 128,650                            | 308,650             | 50,000                         | 15,375                             | 65,375            |
| 180,000                        | 123,250                            | 303,250             | 50,000                         | 13,500                             | 63,500            |
| 180,000                        | 117,850                            | 297,850             | 50,000                         | 11,500                             | 61,500            |
| 180,000                        | 112,450                            | 292,450             | 50,000                         | 10,000                             | 60,000            |
| 180,000                        | 107,050                            | 287,050             | 50,000                         | 8,500                              | 58,500            |
| 180,000                        | 101,650                            | 281,650             | 50,000                         | 6,875                              | 56,875            |
| 175,000                        | 96,250                             | 271,250             | 50,000                         | 5,250                              | 55,250            |
| 175,000                        | 91,000                             | 266,000             | 50,000                         | 3,500                              | 53,500            |
| 175,000                        | 84,000                             | 259,000             | 50,000                         | 1,750                              | 51,750            |
| 175,000                        | 77,000                             | 252,000             | -                              | -                                  | -                 |
| 175,000                        | 70,000                             | 245,000             | -                              | -                                  | -                 |
| 175,000                        | 63,000                             | 238,000             | -                              | -                                  | -                 |
| 175,000                        | 56,000                             | 231,000             | -                              | -                                  | -                 |
| 175,000                        | 49,000                             | 224,000             | -                              | -                                  | -                 |
| 175,000                        | 42,000                             | 217,000             | -                              | -                                  | -                 |
| 175,000                        | 35,000                             | 210,000             | -                              | -                                  | -                 |
| 175,000                        | 28,000                             | 203,000             | -                              | -                                  | -                 |
| 175,000                        | 21,000                             | 196,000             | -                              | -                                  | -                 |
| 175,000                        | 14,000                             | 189,000             | -                              | -                                  | -                 |
| 175,000                        | 7,000                              | 182,000             | -                              | -                                  | -                 |
| <u>\$ 4,070,000</u>            | <u>\$ 1,842,500</u>                | <u>\$ 5,912,500</u> | <u>\$ 610,000</u>              | <u>\$ 134,188</u>                  | <u>\$ 744,188</u> |

# FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT No. 25

## TSI-6 CHANGE IN LONG-TERM BONDED DEBT

For the Year Ended September 30, 2022

|   | Bond Issues       |                     |                     |                     |
|---|-------------------|---------------------|---------------------|---------------------|
|   | Series 2013A      | Series 2014         | Series 2014A        | Series 2014B        |
| Interest rate                                   | 2.00-3.50%        | 3.05%               | 2.00-3.75%          | 2.00-3.75%          |
| Dates interest payable                          | 4/1 and 10/1      | 4/1 and 10/1        | 4/1 and 10/1        | 4/1 and 10/1        |
| Final maturity date                             | 10/1/2032         | 10/1/2028           | 10/1/2039           | 10/1/2039           |
| Bonds outstanding at beginning of current year  | \$ 300,000        | \$ 3,555,000        | \$ 3,555,000        | \$ 2,195,000        |
| Bonds sold or (refunded)                        | -                 | -                   | -                   | -                   |
| Principal retirements                           | -                 | (280,000)           | (200,000)           | (125,000)           |
| <b>Bonds Outstanding at End of Current Year</b> | <b>\$ 300,000</b> | <b>\$ 3,275,000</b> | <b>\$ 3,355,000</b> | <b>\$ 2,070,000</b> |
| <b>Interest Retirements</b>                     | <b>\$ -</b>       | <b>\$ 108,428</b>   | <b>\$ 118,313</b>   | <b>\$ 73,125</b>    |

### Paying Agent/Registrar

Series 2013A, 2014A and 2014B

Wells Fargo Bank, N.A.  
Minneapolis, Minnesota

Series 2014

Trustmark National Bank  
Jackson, Mississippi

Series 2015, 2015A, 2017, 2017A, 2018  
2019, 2019A, 2020, 2020A, ,2021  
2022 and 2022A

Zions Bank, NA dba Amegy Bank  
Houston, Texas

| <u>Bond Authority</u>       | <u>Tax Bonds</u> | <u>Refunding Bonds</u> |
|-----------------------------|------------------|------------------------|
| Amount authorized by voters | \$ 202,715,000   | \$ 33,000,000          |
| Amount issued               | \$ 139,390,000   | \$ 23,893,337          |
| Remaining                   | \$ 63,325,000    | \$ 9,106,663           |

Debt service fund cash and temporary investment balances as of year end: \$ 3,695,240

Average annual debt service payment (principal and interest for remaining term of all debt): \$ 5,863,222

**Bond Issues**

| <u>Series 2015</u>   | <u>Series 2015A</u> | <u>Series 2017</u>  | <u>Series 2017A</u> | <u>Series 2018</u>  | <u>Series 2019</u>   |
|----------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| 2.00-4.00%           | 2.00-3.75%          | 2.00-3.00%          | 2.00-3.00%          | 2.00-3.63%          | 3.00-4.00%           |
| 4/1 and 10/1         | 4/1 and 10/1        | 4/1 and 10/1        | 4/1 and 10/1        | 4/1 and 10/1        | 4/1 and 10/1         |
| 10/1/2038            | 10/1/2040           | 10/1/2041           | 10/1/2041           | 10/1/2042           | 10/1/2038            |
| \$ 36,845,000        | \$ 4,965,000        | \$ 4,965,000        | \$ 1,700,000        | \$ 5,255,000        | \$ 15,785,000        |
| -                    | -                   | -                   | -                   | -                   | -                    |
| <u>(425,000)</u>     | <u>(225,000)</u>    | <u>(245,000)</u>    | <u>(85,000)</u>     | <u>(225,000)</u>    | <u>(1,085,000)</u>   |
| <u>\$ 36,420,000</u> | <u>\$ 4,740,000</u> | <u>\$ 4,720,000</u> | <u>\$ 1,615,000</u> | <u>\$ 5,030,000</u> | <u>\$ 14,700,000</u> |
| <u>\$ 1,351,763</u>  | <u>\$ 153,344</u>   | <u>\$ 158,638</u>   | <u>\$ 54,506</u>    | <u>\$ 169,744</u>   | <u>\$ 616,574</u>    |

# FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT No. 25

## *TSI-6 CHANGE IN LONG-TERM BONDED DEBT (Continued)*

For the Year Ended September 30, 2022

|   | <b>Bond Issues</b>         |                            |                            |                            |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
|   | <u>Series 2019A</u>        | <u>Series 2020</u>         | <u>Series 2020A</u>        | <u>Series 2021</u>         |
| Interest rate                                   | 2.00-3.00%                 | 2.00-4.00%                 | 1.00-2.00%                 | 2.00-2.13%                 |
| Dates interest payable                          | 4/1 and 10/1               | 4/1 and 10/1               | 4/1 and 10/1               | 4/1 and 10/1               |
| Maturity dates                                  | 10/1/2043                  | 10/1/2031                  | 10/1/2043                  | 10/1/2044                  |
| Bonds outstanding at beginning of current year  | \$ 3,750,000               | \$ 8,695,000               | \$ 3,765,000               | \$ 6,035,000               |
| Bonds sold or (refunded)                        | -                          | -                          | -                          | -                          |
| Principal retirements                           | <u>(125,000)</u>           | <u>(1,030,000)</u>         | <u>(175,000)</u>           | <u>(265,000)</u>           |
| <b>Bonds Outstanding at End of Current Year</b> | <u><u>\$ 3,625,000</u></u> | <u><u>\$ 7,665,000</u></u> | <u><u>\$ 3,590,000</u></u> | <u><u>\$ 5,770,000</u></u> |
| <b>Interest Retirements</b>                     | <u><u>\$ 89,844</u></u>    | <u><u>\$ 212,350</u></u>   | <u><u>\$ 65,050</u></u>    | <u><u>\$ 121,675</u></u>   |

| <b>Bond Issues</b>  |                     |                       |
|---------------------|---------------------|-----------------------|
| <b>Series 2022</b>  | <b>Series 2022A</b> | <b>Total</b>          |
| 3.00%               | 3.75% to 4.00%      | n/a                   |
| 4/1 and 10/1        | 4/1 and 10/1        | n/a                   |
| 10/1/2027           | 10/1/2027           | n/a                   |
| \$ -                | \$ -                | \$ 101,365,000        |
| 4,070,000           | 610,000             | 4,680,000             |
| -                   | -                   | (4,490,000)           |
| <u>\$ 4,070,000</u> | <u>\$ 610,000</u>   | <u>\$ 101,555,000</u> |
| <u>\$ 51,100</u>    | <u>\$ 7,541</u>     | <u>\$ 3,351,995</u>   |

**FORT BEND COUNTY**  
**MUNICIPAL UTILITY DISTRICT No. 25**  
*TSI-7 COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES*  
**GENERAL AND DEBT SERVICE FUNDS**

Last Five Years

|  | Amounts             |                     |                       |                        |                   |
|--|---------------------|---------------------|-----------------------|------------------------|-------------------|
|  | 2022                | 2021                | 2020                  | 2019                   | 2018              |
| <b><u>General Fund Revenues</u></b>                                  |                     |                     |                       |                        |                   |
| Charges for services   | \$ 3,506,807        | \$ 3,270,713        | \$ 3,316,329          | \$ 3,035,143           | \$ 3,190,181      |
| Property taxes   | 2,861,500           | 2,646,889           | 2,556,006             | 2,501,546              | 2,281,232         |
| Interest on investments  | 26,919              | 32,616              | 43,801                | 44,894                 | 35,784            |
| Other  | 206,327             | 84,211              | 36,000                | 60,124                 | 100,348           |
| <b>Total Revenues</b>  | <b>6,601,553</b>    | <b>6,034,429</b>    | <b>5,952,136</b>      | <b>5,641,707</b>       | <b>5,607,545</b>  |
| <b><u>General Fund Expenditures</u></b>                              |                     |                     |                       |                        |                   |
| Current  | 6,279,688           | 5,646,334           | 5,656,835             | 5,116,107              | 5,177,027         |
| <b>Total Expenditures</b>  | <b>6,279,688</b>    | <b>5,646,334</b>    | <b>5,656,835</b>      | <b>5,116,107</b>       | <b>5,177,027</b>  |
| <b>Excess of Revenues<br/>Over Expenditures</b>                      | <b>\$ 321,865</b>   | <b>\$ 388,095</b>   | <b>\$ 295,301</b>     | <b>\$ 525,600</b>      | <b>\$ 430,518</b> |
| <b><u>Debt Service Fund Revenues</u></b>                             |                     |                     |                       |                        |                   |
| Property taxes   | \$ 7,521,249        | \$ 7,229,877        | \$ 6,955,065          | \$ 6,844,503           | \$ 6,826,777      |
| Interest on investments  | 27,484              | 31,514              | 91,986                | 118,437                | 92,831            |
| <b>Total Revenues</b>  | <b>7,548,733</b>    | <b>7,261,391</b>    | <b>7,047,051</b>      | <b>6,962,940</b>       | <b>6,919,608</b>  |
| <b><u>Debt Service Fund Expenditures</u></b>                         |                     |                     |                       |                        |                   |
| Other  | -                   | -                   | -                     | 79,503                 | 85,207            |
| Debt service*  | 7,918,493           | 7,534,734           | 15,999,483            | 24,571,339             | 6,812,347         |
| <b>Total Expenditures</b>  | <b>7,918,493</b>    | <b>7,534,734</b>    | <b>15,999,483</b>     | <b>24,650,842</b>      | <b>6,897,554</b>  |
| <b>Excess (Deficiency) of Revenues<br/>Over (Under) Expenditures</b> | <b>\$ (369,760)</b> | <b>\$ (273,343)</b> | <b>\$ (8,952,432)</b> | <b>\$ (17,687,902)</b> | <b>\$ 22,054</b>  |

\* Current refunding bonds issued. Related proceeds and premium are recognized in other financing sources.

**Percentage of Total Fund Revenues**

| <b>2022</b>    | <b>2021</b>    | <b>2020</b>      | <b>2019</b>      | <b>2018</b>  |
|----------------|----------------|------------------|------------------|--------------|
| 53.1 %         | 54.2 %         | 55.7 %           | 53.8 %           | 56.9 %       |
| 43.4           | 43.9           | 42.9             | 44.3             | 40.7         |
| 0.4            | 0.5            | 0.7              | 0.8              | 0.6          |
| 3.1            | 1.4            | 0.6              | 1.1              | 1.8          |
| 100.0          | 100.0          | 100.0            | 100.0            | 100.0        |
| 95.1           | 93.6           | 95.0             | 90.7             | 92.3         |
| 95.1           | 93.6           | 95.0             | 90.7             | 92.3         |
| <u>4.9 %</u>   | <u>6.4 %</u>   | <u>5.0 %</u>     | <u>9.3 %</u>     | <u>7.7 %</u> |
| 99.6 %         | 99.6 %         | 98.7 %           | 98.3 %           | 98.7 %       |
| 0.4            | 0.4            | 1.3              | 1.7              | 1.3          |
| 100.0          | 100.0          | 100.0            | 100.0            | 100.0        |
| 0.0            | 0.0            | 0.0              | 1.1              | 1.2          |
| 104.9          | 103.8          | 227.0            | 352.9            | 98.4         |
| 104.9          | 103.8          | 227.0            | 354.0            | 99.6         |
| <u>(4.9) %</u> | <u>(3.8) %</u> | <u>(127.0) %</u> | <u>(254.0) %</u> | <u>0.4 %</u> |

**FORT BEND COUNTY**  
**MUNICIPAL UTILITY DISTRICT No. 25**  
*TSI-8 BOARD OF DIRECTORS, KEY PERSONNEL, AND CONSULTANTS*  
For the Year Ended September 30, 2022

District's Mailing Address: 10347 Clodine Road  
Richmond, TX 77407

District's Business Telephone Number: (281) 277-0129  
(281) 277-0028 (fax)

| <u>Name and Address</u>                      | <u>Term</u>     | <u>Fees</u> | <u>Expenses</u> | <u>Title</u>   |
|--|-----------------|-------------|-----------------|--|
| <b><u>Board Members</u></b>                  |                 |             |                 |  |
| Glenn Farley<br>(See District's Address)     | 05/20-<br>05/24 | \$ 1,800    | \$ -            | Current<br>President   |
| Escoto Thomas<br>(See District's Address)    | 05/20-<br>05/24 | \$ 1,800    | \$ -            | Current<br>Vice-<br>President/                                 |
| Brian Addicks<br>(See District's Address)    | 05/22-<br>05/26 | \$ 1,650    | \$ -            | Current<br>Assistant Vice-<br>President/<br>Investment Officer |
| Dan Turner<br>(See District's Address)       | 11/21-<br>05/24 | \$ 1,650    | \$ -            | Current<br>Secretary   |
| Jeffery Williams<br>(See District's Address) | 05/22-<br>05/26 | \$ 750      | \$ -            | Current<br>Assistant<br>Secretary                              |
| Beth Murany<br>(See District's Address)      | 05/18-<br>05/22 | \$ 1,350    | \$ -            | Former Director  |

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

Submission date of the most recent District Registration Form during the fiscal year: September 15, 2022

Limit on fees of office that a Director may receive during a fiscal year: \$7,200



| <b>Name</b>                                  | <b>Date<br/>Hired</b> | <b>Fees and<br/>Expenses</b> | <b>Title</b>           |
|--|-----------------------|------------------------------|------------------------|
| <b><u>Consultants</u></b>                    |                       |                              |                        |
| Sechrist - Duckers LLP                       | 4/11/2008             | \$ 67,186                    | Attorney               |
| Belt Harris Pechacek, LLLP                   | 7/31/2008             | \$ 32,752                    | Auditor                |
| Ardurra Group. LLC                           | 3/22/2017             | \$ 725,929                   | Engineer               |
| Vinson & Elkins, LLP                         | 4/16/2010             | \$ 21,086                    | Attorney               |
| Assessment of the Southwest                  | 9/26/1978             | \$ 54,709                    | Tax Assessor/Collector |
| Ogletree, Deakins, Nash, Smoak & Steart P.C. | 11/1/2015             | \$ -                         | Labor Attorney         |
| Masterson Advisors LLC                       | 4/9/2018              | \$ 97,521                    | Financial Advisor      |

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**APPENDIX B**

**Specimen Municipal Bond Insurance Policy**



## MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

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

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

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

A subsidiary of Assured Guaranty Municipal Holdings Inc.  
1633 Broadway, New York, N.Y. 10019  
(212) 974-0100