

OFFICIAL STATEMENT DATED SEPTEMBER 28, 2023

IN THE OPINION OF BOND COUNSEL (HEREIN DEFINED), UNDER EXISTING LAW AND ASSUMING CONTINUING COMPLIANCE WITH COVENANTS IN THE BOND ORDER (HEREIN DEFINED), INTEREST ON THE BONDS WILL BE EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND IS NOT INCLUDED IN COMPUTING THE ALTERNATIVE MINIMUM TAXABLE INCOME OF 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. SEE "TAX MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

The Bonds have been designated "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations."

NEW ISSUE – Book Entry Only

S&P Global Ratings (BAM Insured)..... "AA"  
Moody's Investors Service, Inc. (Underlying)..... "Baa1"

\$5,585,000

**SEDONA LAKES MUNICIPAL UTILITY DISTRICT NO. 1 OF BRAZORIA COUNTY**  
(A Political Subdivision of the State of Texas located within Brazoria County)  
**UNLIMITED TAX ROAD BONDS, SERIES 2023**

**Dated Date: October 1, 2023**

**Interest accrues from: Date of Delivery**

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

The \$5,585,000 Sedona Lakes Municipal Utility District No. 1 of Brazoria County Unlimited Tax Road Bonds, Series 2023 (the "Bonds"), are obligations of Sedona Lakes Municipal Utility District No. 1 of Brazoria County (the "District") and are not obligations of the State of Texas; Brazoria County, Texas; the City of Manvel, Texas; or any entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; Brazoria County, Texas; the City of Manvel, Texas; or any entity other than the District is pledged to the payment of principal of or interest on the Bonds.

Principal of the Bonds is payable upon presentation at the principal payment office of the paying agent/registrars, initially, Zions Bancorporation, National Association, Houston, Texas (the "Paying Agent/Registrar"). The Bonds are dated October 1, 2023 (the "Dated Date"), and will accrue interest from the initial date of delivery, which is expected to be on or about October 31, 2023 (the "Date of Delivery"), with interest payable March 1, 2024, and on each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds will be payable by check dated as of the Interest Payment Date and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each Interest Payment Date. The Bonds are fully registered bonds in principal denominations of \$5,000 or any integral multiple thereof.

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

**See "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS" on inside cover.**

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM")**.



The Bonds are the fourth series of unlimited tax bonds issued by the District out of a total of \$80,000,000 principal amount of unlimited tax bonds authorized by voters of the District for the purpose of acquiring or constructing a road system to serve the District. To date, the District has also issued seven series of bonds from a total of \$104,000,000 principal amount of unlimited tax bonds authorized by voters of the District for the purpose of constructing or acquiring a waterworks, wastewater and storm drainage system to serve the District, and for the purpose of refunding such bonds. After issuance of the Bonds, \$65,235,000 principal amount of unlimited tax bonds for acquiring or constructing a road system to serve the District and \$77,227,041 principal amount of unlimited tax bonds for constructing or acquiring a waterworks, wastewater and storm drainage system to serve the District will remain authorized but unissued. See "THE BONDS – Authority for Issuance."

The Bonds, when issued, will constitute valid and binding obligations of the District, payable from the proceeds of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS – Source of Payment."

The Bonds are offered by the Initial Purchaser subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things to the approval of the Attorney General of Texas and the approval of certain legal matters by Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the District by Allen Boone Humphries Robinson LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected on or about October 31, 2023, in Houston, Texas.

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS**

**\$5,585,000 Unlimited Tax Road Bonds, Series 2023**

**\$5,585,000 Serial Bonds**

| Maturity<br>(September 1) | Principal<br>Amount | Interest<br>Rate | Initial<br>Reoffering<br>Yield (a) | CUSIP No.<br>81568E (b) | Maturity<br>(September 1) | Principal<br>Amount | Interest<br>Rate | Initial<br>Reoffering<br>Yield (a) | CUSIP No.<br>81568E (b) |
|---------------------------|---------------------|------------------|------------------------------------|-------------------------|---------------------------|---------------------|------------------|------------------------------------|-------------------------|
| 2024                      | \$ 160,000          | <u>6.500%</u>    | <u>4.250%</u>                      | KV4                     | 2037 (c)                  | \$220,000           | <u>4.750%</u>    | <u>4.850%</u>                      | LJ0                     |
| 2025                      | 125,000             | <u>6.500%</u>    | <u>4.250%</u>                      | KW2                     | 2038 (c)                  | 230,000             | <u>4.750%</u>    | <u>4.900%</u>                      | LK7                     |
| 2026                      | 130,000             | <u>6.500%</u>    | <u>4.250%</u>                      | KX0                     | 2039 (c)                  | 240,000             | <u>4.750%</u>    | <u>4.950%</u>                      | LL5                     |
| 2027                      | 140,000             | <u>6.500%</u>    | <u>4.250%</u>                      | KY8                     | 2040 (c)                  | 255,000             | <u>4.750%</u>    | <u>5.000%</u>                      | LM3                     |
| 2028                      | 145,000             | <u>6.500%</u>    | <u>4.250%</u>                      | KZ5                     | 2041 (c)                  | 265,000             | <u>4.875%</u>    | <u>5.030%</u>                      | LN1                     |
| 2029                      | 150,000             | <u>6.500%</u>    | <u>4.250%</u>                      | LA9                     | 2042 (c)                  | 275,000             | <u>4.875%</u>    | <u>5.060%</u>                      | LP6                     |
| 2030                      | 160,000             | <u>6.500%</u>    | <u>4.250%</u>                      | LB7                     | 2043 (c)                  | 290,000             | <u>4.875%</u>    | <u>5.080%</u>                      | LQ4                     |
| 2031 (c)                  | 165,000             | <u>4.000%</u>    | <u>4.350%</u>                      | LC5                     | 2044 (c)                  | 305,000             | <u>5.000%</u>    | <u>5.100%</u>                      | LR2                     |
| 2032 (c)                  | 175,000             | <u>4.000%</u>    | <u>4.400%</u>                      | LD3                     | 2045 (c)                  | 320,000             | <u>5.000%</u>    | <u>5.120%</u>                      | LS0                     |
| 2033 (c)                  | 185,000             | <u>4.250%</u>    | <u>4.500%</u>                      | LE1                     | 2046 (c)                  | 335,000             | <u>5.000%</u>    | <u>5.130%</u>                      | LT8                     |
| 2034 (c)                  | 190,000             | <u>4.250%</u>    | <u>4.600%</u>                      | LF8                     | 2047 (c)                  | 350,000             | <u>5.000%</u>    | <u>5.140%</u>                      | LU5                     |
| 2035 (c)                  | 200,000             | <u>4.500%</u>    | <u>4.700%</u>                      | LG6                     | 2048 (c)                  | 365,000             | <u>5.000%</u>    | <u>5.150%</u>                      | LV3                     |
| 2036 (c)                  | 210,000             | <u>4.500%</u>    | <u>4.800%</u>                      | LH4                     |                           |                     |                  |                                    |                         |

- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser (herein defined). Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems, Inc on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.
- (c) Bonds maturing on September 1, 2031, and thereafter shall be subject to redemption and payment 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 the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions – *Optional Redemption*."

**USE OF INFORMATION IN OFFICIAL STATEMENT**

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

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

All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in the Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Sanford Kuhl Hagan Kugle Parker Kahn LLP for further information.

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

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

References to website 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 websites and the information or links contained therein are not incorporated into, and are not a part of, this offering document.

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

### **Award of the Bonds**

After requesting competitive bids for the Bonds, the District has accepted the bid of SAMCO Capital Markets (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the inside cover page of this Official Statement at a price of 97.014744% of par, resulting in a net effective interest rate to the District of 5.103254%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended. No assurance can be given that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchaser. The District has no control over the price at which the Bonds are subsequently sold, and the initial yields at which the Bonds are priced and reoffered are established by and are the sole responsibility of the Initial Purchaser.

### **Prices and Marketability**

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the sole responsibility of the Initial Purchaser.

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Initial Purchaser 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 Initial Purchaser may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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

### **Securities Laws**

No registration statement relating to the offer and sale of the Bonds has been filed with the United States 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 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.

## **MUNICIPAL BOND INSURANCE**

### **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, BAM will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as "APPENDIX B."

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

### **Build America Mutual Assurance Company**

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states,

political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: [www.buildamerica.com](http://www.buildamerica.com).

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

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

#### *Capitalization of BAM*

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2023, and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$486.0 million, \$204.5 million, and \$281.5 million, respectively.

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

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

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

#### *Additional Information Available from BAM*

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

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

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and

other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content. BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

#### **RATINGS**

The Bonds will receive an insured rating of “AA” from S&P solely in reliance upon the issuance of the municipal bond insurance policy by BAM at the time of delivery of the Bonds. An explanation of the ratings of S&P may only be obtained from S&P. S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present, S&P assigns long-term debt ratings with symbols “AAA” (the highest rating) through “D” (the lowest rating). The ratings express only the view of S&P at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in its judgment, circumstances so warrant.

Moody’s Investors Service, Inc. (“Moody’s”) has assigned an underlying rating of “Baa1” to the Bonds. An explanation of the rating may be obtained from Moody’s, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. A security rating is not a recommendation to buy, sell, or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody’s, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

The District is not aware of any rating assigned the Bonds other than the ratings discussed above.

*[Remainder of page left blank intentionally]*

**OFFICIAL STATEMENT SUMMARY**

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

**THE BONDS**

- The District..... Sedona Lakes Municipal Utility District No. 1 of Brazoria County (the “District”), a political subdivision of the State of Texas (“Texas”), is located in Brazoria County, Texas (the “County”). See “THE DISTRICT.”
- The Bonds..... The District is issuing its \$5,585,000 Unlimited Tax Road Bonds, Series 2023 (the “Bonds”). The Bonds are dated October 1, 2023 (the “Dated Date”), and will accrue interest from the date of delivery, which is expected to be on or about October 31, 2023 (the “Date of Delivery”), with interest payable March 1, 2024, and on each September 1 and March 1 thereafter (each an “Interest Payment Date”) until the earlier of maturity or redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity. See “THE BONDS.”
- Redemption..... Bonds maturing on and after September 1, 2031, are subject to redemption, in whole or from time to time in part, at the option of the District on October 1, 2030, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See “THE BONDS – Redemption Provisions – *Optional Redemption*.”
- Source of Payment..... Principal and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied upon all taxable property within the District without legal limitation as to rate or amount. The Bonds are obligations solely of the District and are not obligations of Texas, the County, the City of Manvel, Texas (the “City”), or any other political subdivision or entity other than the District. See “THE BONDS – Source of Payment.”
- Payment Record..... The District has never defaulted on the payment of principal or interest on its previously issued bonds. See “SELECTED FINANCIAL INFORMATION - Total Outstanding Bonds.”
- Authority for Issuance..... The Bonds are issued pursuant to the Texas Constitution and general laws of the State of Texas, including Article III, Section 52 of the Texas Constitution and Chapters 49 and 54, Texas Water Code, as amended, and Chapter 8305, Texas Special District Local Laws Code, as amended; an order authorizing issuance of the Bonds (the “Bond Order”) adopted by the Board of Directors of the District; and an election held within the boundaries of the District on November 3, 2009.
- Use of Proceeds ..... The proceeds of the Bonds will be used to pay for roads, road improvements, and other related costs. Additionally, proceeds from the Bonds will be used to pay developer interest, and certain costs of issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”



|  |   |
|--|---|
| Outstanding Bonds .....                | The District has previously issued three (3) series of unlimited tax bonds for the purpose of purchasing, constructing, operating, and maintaining a road system to serve the District (the "Road System"), of which, as of the Date of Delivery, \$7,895,000 principal amount will remain outstanding (the "Outstanding Road Bonds"). The District has previously issued seven (7) series of unlimited tax bonds for the purpose of purchasing, constructing, operating, and maintaining a waterworks, wastewater, and storm drainage system to serve the District (the "Utility System"), and for the purpose of refunding such bonds, of which, as of the Date of Delivery, \$20,680,000 principal amount remains outstanding (the "Outstanding Utility Bonds"). The Outstanding Road Bonds and the Outstanding Utility Bonds are collectively referred to herein as the "Outstanding Bonds." See "THE BONDS – Outstanding Bonds." |
| Qualified Tax-Exempt Obligations ..... | The Bonds have been designated "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations."   |
| Municipal Bond Insurance .....         | Build America Mutual Assurance Company ("BAM"). See "MUNICIPAL BOND INSURANCE."   |
| Ratings .....                          | S&P Global Ratings (BAM Insured): "AA." Moody's Investors Service, Inc. (Underlying): "Baa1." See "RATINGS."  |
| General & Bond Counsel.....            | Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas.   |
| Disclosure Counsel .....               | Allen Boone Humphries Robinson LLP, Houston, Texas.   |
| Financial Advisor .....                | Robert W. Baird & Co. Incorporated, Houston, Texas.   |
| Engineer .....                         | BGE, Inc., Houston, Texas.  |

**THE DISTRICT**

|  |   |
|--|---|
| The Issuer .....                       | The District was created by order of the Texas Commission on Environmental Quality (the "TCEQ") dated February 22, 2008. The District contains approximately 597.64 acres and is located entirely within the County and entirely within the extraterritorial jurisdiction of the City. See "THE DISTRICT – General."  |
| Location.....                          | The District is located in the northern part of the County, approximately twenty (20) miles south of the City of Houston, Texas ("Houston"), and approximately five (5) miles north of the City. The District lies generally north of County Road 58, east of State Highway 288, south of the American Canal, and west of County Road 90. Access to the District from downtown Houston is provided by State Highway 288 (immediately west of the District) to County Roads 101 and 58, which travel easterly into the District.   |
| Developer and Principal Landowner..... | Landeavor, LLC (the "Developer") is a full-service real estate development company specializing in master-planned residential communities. The Developer is currently developing communities in five states. Additional information about the Developer can be found at <a href="http://www.landeavor.com">www.landeavor.com</a> ; provided, however, that neither the District nor the Initial Purchaser (herein defined) have conducted a review of such website to verify the accuracy of information presented therein. The Developer develops land within the District on behalf of WSLD Sedona Lakes VI, LP which is a partnership between the Developer and Walton Street Capital, a private real estate |

investment company located in Chicago, Illinois. Additional information about Walton Street Capital can be found at [www.waltonst.com](http://www.waltonst.com); provided, however, that neither the District nor the Initial Purchaser have conducted a review of such website to verify the accuracy of information presented therein. Ashton Houston Residential L.L.C., an affiliate of Ashton Woods Homes, owns approximately 132 acres within the District.

Development within the District..... To date, land within the District has been developed residentially as the single-family subdivision of Sedona Lakes, Sections 1-10 (aggregating approximately 279.96 acres and 650 total single-family lots). As of September 1, 2023, single-family residential development within the District consisted of approximately 650 completed homes, 0 homes under construction, and approximately 0 vacant developed lots. In addition, approximately 16.55 acres have been developed commercially and includes a CVS Pharmacy, a Chevron Gas Station, a Valero Gas Station, Ivy Kids Early Learning Center, and multiple strip retail centers. The remainder of the land within the District includes approximately 173.20 acres that are undeveloped but developable and approximately 127.94 acres that are undevelopable. See "DEVELOPMENT WITHIN THE DISTRICT."

#### **INVESTMENT CONSIDERATIONS**

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

**SELECTED FINANCIAL INFORMATION**

**(UNAUDITED)**

|   |                |     |
|---|----------------|-----|
| 2023 Assessed Taxable Valuation.....  | \$ 333,981,391 | (a) |
| Direct Debt:  |                |     |
| The Outstanding Bonds (as of Date of Delivery) .....  | \$ 28,575,000  |     |
| The Bonds .....   | \$ 5,585,000   |     |
| Total.....  | \$ 34,160,000  |     |
| Estimated Overlapping Debt.....   | \$ 29,345,277  | (b) |
| Total Direct and Estimated Overlapping Debt .....   | \$ 63,505,277  |     |
| Direct Debt Ratio:  |                |     |
| As Percentage of 2023 Assessed Taxable Valuation.....   | 10.23          | %   |
| Direct and Estimated Overlapping Debt Ratio:  |                |     |
| As Percentage of 2023 Assessed Taxable Valuation.....   | 19.01          | %   |
| Road System Debt Service Fund Balance (as of August 24, 2023).....  | \$ 371,595     | (c) |
| Utility System Debt Service Fund Balance (as of August 24, 2023).....   | \$ 1,372,086   | (d) |
| Operating Fund Balance (as of August 24, 2023) .....  | \$ 5,751,208   |     |
| 2022 Tax Rate   |                |     |
| Utility Debt Service.....   | \$0.665        |     |
| Road Debt Service .....   | \$0.180        |     |
| Maintenance and Operations .....  | \$0.360        |     |
| Total.....  | \$1.205        | (e) |
| Average Annual Debt Service Requirement (2024–2048) .....   | \$1,902,631    | (f) |
| Maximum Annual Debt Service Requirement (2035).....   | \$2,641,619    | (f) |
| Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay<br>Average Annual Debt Service Requirement (2024-2048) |                |     |
| Based on 2023 Assessed Taxable Valuation at 95% Collections.....  | \$0.60         |     |
| Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay<br>Maximum Annual Debt Service Requirement (2035)      |                |     |
| Based on 2023 Assessed Taxable Valuation at 95% Collections.....  | \$0.84         |     |
| Single-Family Homes (0 Homes Under Construction) as of September 1, 2023 .....  | 650            |     |

- (a) Represents the assessed valuation of all taxable property within the District as of January 1, 2023, as provided by the Brazoria County Appraisal District (the "Appraisal District"). Such value includes \$18,190,233 of uncertified value which is under review. See "TAX DATA" and "TAXING PROCEDURES."
- (b) See "DISTRICT FINANCIAL DATA – Estimated Overlapping Debt Statement."
- (c) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued for the purpose of purchasing, constructing, operating, and maintaining the Utility System, including the Outstanding Utility Bonds.
- (d) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued for the purpose of purchasing, constructing, operating, and maintaining the Road System, including the Outstanding Road Bonds and the Bonds.
- (e) The District has authorized the publication of the intended total tax rate of \$1.175 per \$100 of assessed taxable valuation for the 2023 tax year. Such tax is expected to be composed of the following: a maintenance and operations tax rate of \$0.410 per \$100 of assessed taxable valuation; a Utility System debt service tax rate of \$0.485 per \$100 of assessed taxable valuation; and a Road System debt service tax rate of \$0.280 per \$100 of assessed taxable valuation.
- (f) Requirement of debt service on the Outstanding Bonds and the Bonds. See "Debt Service Requirements."

**\$5,585,000**  
**SEDONA LAKES MUNICIPAL UTILITY DISTRICT NO. 1 OF BRAZORIA COUNTY**  
(A Political Subdivision of the State of Texas Located in Brazoria County)  
**UNLIMITED TAX ROAD BONDS, SERIES 2023**

**INTRODUCTION**

This Official Statement provides certain information in connection with the issuance by Sedona Lakes Municipal Utility District No. 1 of Brazoria County (the "District") of its \$5,585,000 Unlimited Tax Road Bonds, Series 2023 (the "Bonds").

The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended, an order adopted by the Board of Directors of the District on the date of the sale of the Bonds (the "Bond Order"), Chapter 8305 of the Texas Special District Local Laws Code, and an election held in the District on November 3, 2009.

Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Order, except as otherwise indicated herein.

Included in this Official Statement are descriptions of the Bonds and certain information about the District, the Developer (as defined herein), and the District's finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the District at Sanford Kuhl Hagan Kugle Parker Kahn LLP, 1980 Post Oak Boulevard, Suite 1380, Houston, Texas 77056 or during the offering period from the District's Financial Advisor, Robert W. Baird & Co. Incorporated, Attn: Adam Cohen, 4801 Woodway Drive, Suite 118-E, Houston, Texas 77056 upon payment of reasonable copying, mailing, and handling charges.

**THE BONDS**

**General**

The following is a description of some of the terms and conditions of the Bonds, which is qualified in its entirety by reference to the Bond Order. A copy of the Bond Order may be obtained from the District upon written request made to Sanford Kuhl Hagan Kugle Parker Kahn LLP, 1980 Post Oak Boulevard, Suite 1380, Houston, Texas 77056.

The Bonds are dated October 1, 2023 (the "Dated Date"), and will accrue interest from the date of delivery, which is expected to be on or about October 31, 2023 (the "Date of Delivery"), with interest payable March 1, 2024, and on each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. The Bonds are fully registered bonds maturing on September 1 of the years shown on the inside cover of this Official Statement. Principal of the Bonds will be payable to the Registered Owners (herein defined) at maturity or redemption upon presentation at the principal payment office of the paying agent/registrar, initially, Zions Bancorporation, National Association, Houston, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will be payable by check, dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar to Registered Owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding the Interest Payment Date (the "Record Date") or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

**Book-Entry-Only System**

*This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by DTC, New York, New York, while the Bonds are registered in its nominee's name. The information in this section concerning DTC and its "Book-Entry- Only System" has been provided by DTC for use in disclosure documents such as this Official Statement. The District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

*The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants (hereinafter defined), (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners (hereinafter defined), or that they will do so on a timely*

*basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission ("SEC"), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.*

DTC 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 required by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants", together with the Direct Participant(s), the "Participants"). DTC has a rating of AA+ from S&P Global Ratings. The DTC Rules applicable to its Direct and Indirect Participants are on file with the SEC. 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 holder of ownership interest of each actual purchase 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 does not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct or Indirect 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 Direct or Indirect Participant and not of DTC, the Paying Agent/Registrar or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information in the section concerning DTC and DTC's Book-Entry-Only System has been obtained from sources that District believes to be reliable, but District takes no responsibility for the accuracy thereof.

#### *Use of Certain Terms in Other Sections of this Official Statement*

In reading this Official Statement it should be understood that while the Bonds are in the book-entry form, references in other sections of this Official Statement to Registered Owners should be read to include the person for which the Direct or Indirect Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry system, and (ii) except as described above, notices that are to be given to Registered Owners under the Bond Order will be given only to DTC.

#### **Successor Paying Agent/Registrar**

Provision is made in the Bond Order for replacing the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a commercial bank; a trust company organized under the laws of the State of Texas; or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds.

#### **Redemption Provisions**

##### *Optional Redemption*

The Bonds maturing on and after September 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, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent payment date to the date fixed for redemption.

The Paying Agent/Registrar shall give written notice of redemption, by registered mail, overnight delivery, or other comparably secure means, not less than thirty (30) days prior to the redemption date, to each registered securities depository (and to each national information service that disseminates redemption notices) known to the Paying Agent/Registrar, but neither the failure to give such notice nor any defect therein shall affect the

sufficiency of notice given to the Registered Owner as hereinabove stated. The Paying Agent/Registrar may provide written notice of redemption to DTC by facsimile.

The Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same maturity for the unredeemed portion of the principal of the Bonds so surrendered. In the event of redemption of less than all of the Bonds, the particular Bonds to be redeemed shall be selected by the District; if less than all of the Bonds of a particular maturity are to be redeemed; the Paying Agent/Registrar is required to select the Bonds of such maturity to be redeemed by lot or other customary method of random selection.

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

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 only upon presentation and surrender thereof to the Paying Agent/Registrar or its corporate trust office and such transfer or exchange shall be without expenses or service charge to the Registered Owner, except for any tax, other governmental charges, or other expenses 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 Bond 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 of principal amount for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer.

Neither the Paying Agent/Registrar nor the District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning fifteen (15) calendar days prior to, and ending on the date of the mailing of notice of redemption, or where such redemption is scheduled to occur within thirty (30) calendar days. No service charge will be made for any transfer or exchange, but the District or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith. See "THE BONDS – Book-Entry-Only System" for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

### **Funds**

The Bond Order confirms a fund for debt service on the Bonds issued for the Road System (the "Road Debt Service Fund"). The Road Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Bonds for the Road System, and any additional unlimited tax bonds issued by the District for the Road System, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Bonds, the Outstanding Road Bonds, and any of the District's duly authorized additional bonds issued for the Road System payable in whole or part from taxes. Amounts on deposit in the Road Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds, the Outstanding Road Bonds, and any additional bonds for the Road System payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due. Amounts on deposit in the Road Debt Service Fund may not be used to pay debt service on bonds issued by the District for the Utility System. Similarly, amounts on deposit in the District's debt service fund established for bonds issued for the Utility System may not be used to pay debt service on bonds issued for the Road System, including the Bonds.

In connection with the Outstanding Utility Bonds, the District has established a fund for payment of debt service on the Outstanding Utility Bonds and any additional unlimited tax bonds that the District may

hereafter issue for the Utility System (the "Utility Debt Service Fund"). The Utility Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Outstanding Utility Bonds and any additional unlimited tax bonds issued by the District for the Utility System, is to be kept separate from all other funds of the District and is to be used for payment of debt service on the Outstanding Utility Bonds and any of the District's other duly authorized bonds issued for the Utility System that are payable in whole or in part from taxes. Amounts on deposit in the Utility System Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Outstanding Utility Bonds and any additional bonds for the Utility System payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due. Amounts on deposit in the Utility System Debt Service Fund may not be used to pay debt service on the Bonds, the Outstanding Road Bonds or any other bonds that the District may hereafter issue for the Road System. Similarly, amounts on deposit in the Road System Debt Service Fund may not be used to pay debt service on bonds issued for the Utility System.

### **Record Date for Interest Payment**

Interest on the Bonds will be paid to the Registered Owner appearing on the registration and transfer books of the Paying Agent/Registrar at the close of business on the "Record Date" (the fifteenth calendar day of the month next preceding each Interest Payment Date) and shall be paid by the Paying Agent/Registrar (i) by check sent United States mail, first class postage prepaid, to the address of the Registered Owner recorded in the registration and transfer books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Registered Owner. If the date for the payment of the principal or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the principal payment office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

In the event of non-payment of interest on a scheduled payment date and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar when funds for the payment of such interest have been received. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Registered Owner of a Bond appearing in the registration and transfer books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing such notice.

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

In the event the Book-Entry-Only System should be discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, or on receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and Paying Agent/Registrar of security or indemnity to hold them harmless. Upon the issuance of a new bond the District may require payment of taxes, governmental charges and other expenses (including the fees and expenses of the Paying Agent/Registrar), bond printing costs and legal fees in connection with any such replacement.

### **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 assessed, levied and collected, in each year, beginning with the current year, a continuing direct annual ad valorem tax, without legal limit as to rate or amount, 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 cost of collection. In the Bond Order, the District covenants that said taxes are irrevocably pledged to the payment of the interest and principal of the Bonds and any parity bonds hereinafter issued.



Bonds issued for the Road System and for the Utility System are each supported by the proceeds of a separate unlimited tax levied annually by the District. Amounts on deposit in the Road Debt Service Fund may not be used to pay debt service on other bonds issued by the District for the Utility System. Amounts on deposit in the Utility Debt Service Fund may not be used to pay debt service on the Bonds or any bonds issued by the District for the Road System.

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

### **Outstanding Bonds**

The District has previously issued three (3) series of unlimited tax bonds for the purpose of purchasing, constructing, operating, and maintaining a road system to serve the District (the "Road System"), of which, as of the Date of Delivery, \$7,895,000 principal amount will remain outstanding (the "Outstanding Road Bonds"). The District has previously issued seven (7) series of unlimited tax bonds for the purpose of purchasing, constructing, operating, and maintaining a waterworks, wastewater, and storm drainage system to serve the District (the "Utility System"), and for the purpose of refunding such bonds, of which, as of the Date of Delivery, \$20,680,000 principal amount remains outstanding (the "Outstanding Utility Bonds"). The Outstanding Road Bonds and the Outstanding Utility Bonds are collectively referred to herein as the "Outstanding Bonds."

### **Payment Record**

The Bonds represent the fourth series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing a road system serving the District. To date, the District has also issued seven series of bonds for the purpose of owning, operating, repairing, improving, or extending the water, sanitary sewer, and drainage facilities serving the District and for the purpose of refunding such bonds. The District has never defaulted on the timely payment of principal or interest on its bonded indebtedness.

### **Authority for Issuance**

The District's voters have authorized \$80,000,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, operating, and maintaining a road system to serve the District (the "Road System") and \$120,000,000 principal amount of unlimited tax bonds for refunding such purposes. The District's voters have also authorized \$104,000,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, operating, and maintaining a waterworks, wastewater, and storm drainage system to serve the District (the "Utility System") and \$156,000,000 principal amount of unlimited tax bonds for refunding such purposes. The District's voters have also authorized \$9,000,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, operating, and maintaining park and recreational improvements to serve the District (the "Park System").

The Bonds are issued pursuant to Chapter 8305 of the Texas Special District Local Laws Code; the Bond Order; an election held on November 3, 2009; and Article III, Section 52 of the Texas Constitution, and the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended.

### **Issuance of Additional Debt**

The District may issue additional bonds. The District's voters have authorized a total of \$80,000,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, operating and maintaining the Road System, \$120,000,000 principal amount of unlimited tax bonds for refunding such purposes, \$104,000,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, operating and maintaining the Utility System, \$156,000,000 principal amount of unlimited tax bonds for refunding such purposes, and \$9,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring parks and recreational facilities in the District. The Bonds are the fourth series of bonds issued for the Road System. After issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: \$65,235,000 for the Road System; \$77,227,041 for the Utility System; \$9,000,000 for parks and recreational facilities; and \$270,280,000 principal amount for refunding purposes.

Following the issuance of the Bonds, the District will owe the Developer (hereinafter defined) a total of approximately \$3,373,092 for the Developer's expenditures used to construct the Road System and the Utility System serving the developed land within the District.

Based on present engineering cost estimates and on development plans supplied by the Developer, in the opinion of the Engineer (hereinafter defined), following the issuance of the Bonds, the District will have adequate authorized but unissued bonds to repay the Developer the remaining amounts owed for the existing utility and road facilities, and to finance the extension of the Utility System and Road System to serve the remaining undeveloped land and roads within the District. See "DEVELOPMENT WITHIN THE DISTRICT," "THE UTILITY SYSTEM," "THE ROAD SYSTEM," and "INVESTMENT CONSIDERATIONS – Future Debt."

### **Registered Owners' Remedies**

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 Order, or defaults in the observance or performance of any other covenants, conditions, or obligations set forth in the Bond Order, 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 Order. Except for mandamus, the Bond Order 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 Order 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.

### **Defeasance**

The Bond Order 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 non-callable obligations of the United States of America, (b) non-callable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

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

notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

There is no assurance that the current law will not be changed in the future in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds.

### **No Arbitrage**

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

### **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 un-matured 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.

**USE AND DISTRIBUTION OF BOND PROCEEDS**

Proceeds from the sale of the Bonds will be used by the District: (i) to reimburse the Developer (herein defined) for road construction costs set out below and (ii) to pay the non-construction costs below. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District’s auditor. The surplus funds, if any, may be expended for any lawful purpose for which surplus construction funds may be used, limited, however, to the purposes for which the Bonds were issued. The Engineer has advised the District that proceeds of the sale of the Bonds should be sufficient to pay the costs of the below-described facilities. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

**Developer Construction Costs**

|   |                     |
|---|---------------------|
| A. Road Improvements Serving Sedona Lakes, Section 6  | \$ 216,328          |
| B. Road Improvements Serving Sedona Lakes, Section 7  | 578,915             |
| C. Road Improvements Serving Sedona Lakes, Section 8  | 880,902             |
| D. Road Improvements Serving Sedona Lakes, Section 9  | 772,713             |
| E. Road Improvements Serving Sedona Lakes, Section 10 | 314,152             |
| F. PH. 2 CR 94 & Mohave Drive                         | 644,832             |
| G. CR 94 North of CR 101                              | 296,583             |
| H. Land Acquisition Costs                             | <u>967,264</u>      |
| <b>Total Construction Costs</b>                       | <b>\$ 4,671,689</b> |

**Non-Construction Costs**

|                                     |                   |
|-------------------------------------|-------------------|
| A. Legal Fees                       | \$ 154,625        |
| B. Fiscal Agent Fees (2.00%)        | 111,700           |
| C. Developer Interest               | 410,133           |
| D. Bond Discount                    | 166,727           |
| E. Attorney General Fee             | 5,585             |
| F. Bond Issuance Expense            | 48,718            |
| G. Bond Application Preparation     | 15,000            |
| H. Contingency (a)                  | <u>823</u>        |
| <b>Total Non-Construction Costs</b> | <b>\$ 913,311</b> |

**Total Bond Issue Requirement \$ 5,585,000**

(a) Represents the difference between the estimated and actual amounts of the bond discount.

**PHOTOGRAPHS TAKEN WITHIN THE DISTRICT**

(September 2023)



## THE DISTRICT

### General

The District is a political subdivision of Texas, operating as a municipal utility district pursuant to Article XVI, Section 59 of the Texas Constitution and Chapter 8305 of the Texas Special District Local Laws Code. The District is vested with all the rights, privileges, authority, and functions conferred by the laws of Texas applicable to municipal utility districts, including without limitation those conferred by Chapters 49 and 54, Texas Water Code, as amended. The District is empowered to purchase, construct, operate and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water, among other things. The District is also empowered pursuant to Article III, Section 52 of the Texas Constitution to finance certain road improvements as long as it meets the County and City criteria. The District may also provide solid waste collection and disposal service and operate, maintain, and construct recreational facilities. The District may operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, if approved by the voters and the TCEQ. The District does not operate or maintain a fire department. The District is subject to the continuing supervision of the TCEQ.

### Location

The District is located in the northern part of the County, approximately twenty (20) miles south of the City of Houston, Texas (“Houston”), and five (5) miles north of the City. The District lies generally north of County Road 58, east of State Highway 288, south of the American Canal, and west of County Road 90. The District is located wholly within the extraterritorial jurisdiction of the City. Access to the District from Houston is provided by State Highway 288 (immediately west of the District) to County Roads 101 and 58, which travel easterly into the District.

### Management of the District

#### *- Board of Directors -*

The District is governed by a board, consisting of five directors, which has control over and management and supervision of all affairs of the District. Directors serve staggered four (4) year terms, with elections held in May in each even-numbered year. All of the directors own property in the District.

| <u>Name</u>        | <u>Position</u>     | <u>Term Expires May</u> |
|--------------------|---------------------|-------------------------|
| Jim Forrest        | President           | 2026                    |
| Lambert D. Austin  | Vice President      | 2026                    |
| Ezra Sillas        | Secretary           | 2024                    |
| Spencer Gauthier   | Assistant Secretary | 2024                    |
| Wallace Trochesset | Assistant Secretary | 2024                    |

#### *- Consultants -*

Tax Assessor/Collector: Land and improvements in the District are appraised by the Brazoria County Appraisal District (the “Appraisal District”). The tax assessor/collector for the District is Utility Tax Service, LLC, Houston, Texas (the “Tax Assessor/Collector”).

Bookkeeper: The District contracts with L&S District Services, LLC, Houston, Texas, as bookkeeper for the District (the “Bookkeeper”).

Engineer: The District’s consulting engineer is BGE, Inc., Houston, Texas (the “Engineer”).

Auditor: As required by the Texas Water Code, the District retains an independent auditor to audit the District’s financial statements annually, which annual financial statements are filed with the TCEQ. A copy of the District’s financial statements audited by McGrath & Co., PLLC, Houston, Texas (the “Auditor”), for the fiscal year ended October 31, 2022, is included as “APPENDIX A.”

*Financial Advisor:* Robert W. Baird & Co. Incorporated, Houston, Texas, is engaged as financial advisor to the District (“the “Financial Advisor”) in connection with the issuance of the Bonds. The Financial Advisor’s fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is not obligated to undertake and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

*Bond & General Counsel:* The District has engaged Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, as bond counsel (“Bond Counsel”) in connection with the issuance of the Bonds. The fees of Bond Counsel are contingent upon the sale of and delivery of the Bonds. Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, also serves as the District’s general counsel.

*Disclosure Counsel:* The District has selected Allen Boone Humphries Robinson LLP, Houston, Texas, as Disclosure Counsel. The fees of Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

## **THE DEVELOPER AND PRINCIPAL LANDOWNER**

### **The Role of a Developer**

In general, the activities of a developer in a municipal utility district such as the District include purchasing the land within the District, designing the subdivision, designing the utilities and streets to be constructed in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, wastewater, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties.

In certain instances, the developer will be required to pay up to thirty percent of the cost of constructing certain of the water, wastewater and drainage facilities in a municipal utility district pursuant to the rules of the TCEQ. The relative success or failure of a developer to perform such activities in development of its property within a municipal utility district may have a profound effect on the security of the unlimited tax bonds issued by a district.

A developer is generally under no obligation to a district to develop the property which it owns in a district. Furthermore, there is no restriction on a developer’s right to sell any or all of the land which it owns within a district. In addition, a developer is ordinarily a major taxpayer within a municipal utility district during the development phase of the property.

### **Description of the Developer and Principal Landowner**

Landeavor, LLC (the “Developer”) is a full-service real estate development company specializing in master planned residential communities. The Developer is currently developing communities in five (5) states. Additional information about the Developer can be found at [www.landeavor.com](http://www.landeavor.com); provided, however, that neither the District nor the Initial Purchaser have conducted a review of such website to verify the accuracy of information presented therein. The Developer develops land within the District on behalf of WSLD Sedona Lakes VI, LP, which is a partnership between the Developer and Walton Street Capital, a private real estate investment company located in Chicago, Illinois. Additional information about Walton Street Capital can be found at [www.waltonst.com](http://www.waltonst.com); provided, however, that neither the District nor the Initial Purchaser have conducted a review of such website to verify the accuracy of information presented therein.

Ashton Houston Residential LLC, an affiliate of Ashton Woods Homes, owns approximately 132 acres within the District.

## **DEVELOPMENT WITHIN THE DISTRICT**

### **Current Status of Development**

To date, land within the District has been developed residentially as the single-family subdivision of Sedona Lakes, Sections 1-10 (aggregating approximately 279.96 acres and 650 total single-family lots). As of September 1, 2023, single-family residential development within the District consisted of approximately 650 completed homes, 0 homes under construction, and approximately 0 vacant developed lots. In addition, approximately 16.55 acres have been developed commercially and includes a CVS Pharmacy, a Chevron Gas Station, a Valero Gas Station, Ivy Kids Early Learning Center, and multiple strip retail centers. The remainder of the land within the District includes approximately 173.20 acres that are undeveloped but developable and approximately 127.94 acres that are undevelopable.

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**DISTRICT DEBT**

|   |                      |     |
|---|----------------------|-----|
| 2023 Assessed Taxable Valuation.....  | \$ 333,981,391       | (a) |
| Direct Debt:  |                      |     |
| The Outstanding Bonds (as of Date of Delivery) .....  | \$ 28,575,000        |     |
| The Bonds .....   | <u>\$ 5,585,000</u>  |     |
| Total.....  | \$ 34,160,000        |     |
| Estimated Overlapping Debt.....   | <u>\$ 29,345,277</u> | (b) |
| Total Direct and Estimated Overlapping Debt .....   | \$ 63,505,277        |     |
| Direct Debt Ratio:  |                      |     |
| As Percentage of 2023 Assessed Taxable Valuation.....   | 10.23                | %   |
| Direct and Estimated Overlapping Debt Ratio:  |                      |     |
| As Percentage of 2023 Assessed Taxable Valuation.....   | 19.01                | %   |
| Road System Debt Service Fund Balance (as of August 24, 2023).....  | \$ 371,595           | (c) |
| Utility System Debt Service Fund Balance (as of August 24, 2023).....   | \$ 1,372,086         | (d) |
| Operating Fund Balance (as of August 24, 2023) .....  | \$ 5,751,208         |     |
| 2022 Tax Rate   |                      |     |
| Utility Debt Service .....  | \$0.665              |     |
| Road Debt Service .....   | \$0.180              |     |
| Maintenance and Operations .....  | <u>\$0.360</u>       |     |
| Total.....  | \$1.205              | (e) |
| Average Annual Debt Service Requirement (2024–2048) .....   | \$1,902,631          | (f) |
| Maximum Annual Debt Service Requirement (2035).....   | \$2,641,619          | (f) |
| Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay<br>Average Annual Debt Service Requirement (2024-2048) |                      |     |
| Based on 2023 Assessed Taxable Valuation at 95% Collections.....  | \$0.60               |     |
| Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay<br>Maximum Annual Debt Service Requirement (2035)      |                      |     |
| Based on 2023 Assessed Taxable Valuation at 95% Collections.....  | \$0.84               |     |
| Single-Family Homes (0 Homes Under Construction) as of September 1, 2023 .....  | 650                  |     |

- 
- (a) Represents the assessed valuation of all taxable property within the District as of January 1, 2023, as provided by the Brazoria County Appraisal District (the "Appraisal District"). Such value includes \$18,190,233 of uncertified value which is under review. See "TAX DATA" and "TAXING PROCEDURES."
  - (b) See "DISTRICT FINANCIAL DATA – Estimated Overlapping Debt Statement."
  - (c) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued for the purpose of purchasing, constructing, operating, and maintaining the Utility System, including the Outstanding Utility Bonds.
  - (d) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued for the purpose of purchasing, constructing, operating, and maintaining the Road System, including the Outstanding Road Bonds and the Bonds.
  - (e) The District has authorized the publication of the intended total tax rate of \$1.175 per \$100 of assessed taxable valuation for the 2023 tax year. Such tax is expected to be composed of the following: a maintenance and operations tax rate of \$0.410 per \$100 of assessed taxable valuation; a Utility System debt service tax rate of \$0.485 per \$100 of assessed taxable valuation; and a Road System debt service tax rate of \$0.280 per \$100 of assessed taxable valuation.
  - (f) Requirement of debt service on the Outstanding Bonds and the Bonds. See "Debt Service Requirements."

### Debt Service Requirements

The following sets forth the debt service requirements on the Outstanding Bonds plus the principal and interest requirements on the Bonds.

| Calendar<br>Year | Outstanding<br>Debt Service | Plus: The Bonds    |                     |                     | Total<br>Debt Service |
|------------------|-----------------------------|--------------------|---------------------|---------------------|-----------------------|
|                  |                             | Principal          | Interest            | Debt Service        |                       |
| 2024             | \$ 2,149,956                | \$ 160,000         | \$ 236,400          | \$ 396,400          | \$ 2,546,356          |
| 2025             | 2,152,306                   | 125,000            | 272,338             | 397,338             | 2,549,644             |
| 2026             | 2,169,231                   | 130,000            | 264,213             | 394,213             | 2,563,444             |
| 2027             | 2,179,159                   | 140,000            | 255,763             | 395,763             | 2,574,921             |
| 2028             | 2,188,221                   | 145,000            | 246,663             | 391,663             | 2,579,884             |
| 2029             | 2,190,271                   | 150,000            | 237,238             | 387,238             | 2,577,509             |
| 2030             | 2,210,161                   | 160,000            | 227,488             | 387,488             | 2,597,649             |
| 2031             | 2,207,974                   | 165,000            | 217,088             | 382,088             | 2,590,061             |
| 2032             | 2,233,949                   | 175,000            | 210,488             | 385,488             | 2,619,436             |
| 2033             | 2,231,869                   | 185,000            | 203,488             | 388,488             | 2,620,356             |
| 2034             | 2,241,963                   | 190,000            | 195,625             | 385,625             | 2,627,588             |
| 2035             | 2,254,069                   | 200,000            | 187,550             | 387,550             | 2,641,619             |
| 2036             | 2,038,431                   | 210,000            | 178,550             | 388,550             | 2,426,981             |
| 2037             | 1,760,338                   | 220,000            | 169,100             | 389,100             | 2,149,438             |
| 2038             | 1,758,808                   | 230,000            | 158,650             | 388,650             | 2,147,458             |
| 2039             | 1,760,008                   | 240,000            | 147,725             | 387,725             | 2,147,733             |
| 2040             | 1,497,570                   | 255,000            | 136,325             | 391,325             | 1,888,895             |
| 2041             | 989,925                     | 265,000            | 124,213             | 389,213             | 1,379,138             |
| 2042             | 640,625                     | 275,000            | 111,294             | 386,294             | 1,026,919             |
| 2043             | 473,438                     | 290,000            | 97,888              | 387,888             | 861,325               |
| 2044             | 331,613                     | 305,000            | 83,750              | 388,750             | 720,363               |
| 2045             | 184,050                     | 320,000            | 68,500              | 388,500             | 572,550               |
| 2046             | -                           | 335,000            | 52,500              | 387,500             | 387,500               |
| 2047             | -                           | 350,000            | 35,750              | 385,750             | 385,750               |
| 2048             | -                           | 365,000            | 18,250              | 383,250             | 383,250               |
| <b>Total</b>     | <b>\$37,843,933</b>         | <b>\$5,585,000</b> | <b>\$ 4,136,831</b> | <b>\$ 9,721,831</b> | <b>\$ 47,565,764</b>  |

Average Annual Debt Service Requirement (2024–2048) .....\$1,902,631

Maximum Annual Debt Service Requirement (2035).....\$2,641,619

## Unlimited Tax Bonds Authorized but Unissued

| Date of Authorization | Purpose                    | Authorized     | Issued to Date    | Unissued       |
|-----------------------|----------------------------|----------------|-------------------|----------------|
| 05/10/08              | Utility System             | \$ 104,000,000 | \$ 26,772,959     | \$ 77,227,041  |
| 05/10/08              | Parks and Recreation       | \$ 9,000,000   | \$ -              | \$ 9,000,000   |
| 05/10/08              | Refunding (Utility System) | \$ 156,000,000 | \$ 5,720,000      | \$ 150,280,000 |
| 05/10/08              | Refunding (Road System)    | \$ 120,000,000 | \$ -              | \$ 120,000,000 |
| 11/03/09              | Road System                | \$ 80,000,000  | \$ 14,765,000 (a) | \$ 65,235,000  |

(a) Includes the Bonds.

## Investment Authority and Investment Practices of the District

The District has adopted an Investment Policy (the "Investment Policy") as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act"). The District's goal is to preserve principal and maintain liquidity in a diversified portfolio while securing a competitive yield on its portfolio. Funds of the District are to be invested only in accordance with the Investment Policy. The Investment Policy states that the funds of the District may be invested in short term obligations of the U.S. or its agencies or instrumentalities, in certificates of deposits insured by the Federal Deposit Insurance Corporation ("FDIC") and secured by collateral authorized by the Act, and in TexPool and Texas Class, which are public funds investment pools rated in the highest rating category by a nationally recognized rating service.

## Direct and Estimated Overlapping Debt Statement

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from several sources, including information contained in the "Texas Municipal Report," published by the Municipal Advisory Council of Texas. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes of debt service, and the tax burden for operation, maintenance and/or general purposes is not included in these figures. Totals may not sum due to rounding.

| Taxing Jurisdiction                             | Outstanding Debt | Overlapping |                   |
|---|------------------|-------------|-------------------|
|   | July 31, 2023    | Percent     | Amount            |
| Brazoria County                                 | \$ 207,948,313   | 0.69%       | \$ 1,443,695      |
| Alvin Community College District                | 21,940,000       | 1.79        | 391,697           |
| Alvin Independent School District               | 940,120,000      | 1.65        | 15,523,264        |
| Pearland Independent School District            | 358,840,000      | 3.34        | <u>11,986,621</u> |
| Total Estimated Overlapping Debt                |                  |             | \$ 29,345,277     |
| Direct Debt (a)                                 |                  |             | \$ 34,160,000     |
| Total Direct and Estimated Overlapping Debt (a) |                  |             | \$ 63,505,277     |

(a) Includes the Bonds.

## Debt Ratios

|   | 2023 Certified<br>Taxable Assessed<br>Valuation |
|---|---|
| Direct Debt (a)                               | 10.23%  |
| Total Direct & Estimated Overlapping Debt (a) | 19.01%  |

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(a) Includes the Bonds.

## TAX DATA

### General

Taxable property within the District is subject to the assessment, levy and collection by the District of a continuing direct, annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (and any future tax-supported bonds which may be issued from time to time as authorized). Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, in an amount not to exceed \$1.250 per \$100 of assessed valuation for operation and maintenance purposes and \$0.100 for recreational facilities maintenance. For the 2022 tax year, the District levied a total tax rate of \$1.205 per \$100 of assessed valuation, composed of the following: a tax rate of \$0.360 per \$100 of assessed valuation for maintenance and operations purposes; a tax rate of \$0.180 per \$100 of assessed valuation for payment of debt service on bonds issued for the purpose of purchasing, constructing, operating, and maintaining the Road System; and a tax rate of \$0.665 per \$100 of assessed valuation for payment of debt service on bonds issued for the purpose of purchasing, constructing, operating, and maintaining the Utility System. The District is authorized to levy separate taxes to pay debt service for bonds issued for the Road System and to pay debt service for bonds issued for the Utility System; both such taxes are unlimited as to rate or amount.

### Tax Rate Limitation

|                          |  |
|--------------------------|--|
| Debt Service:            | Unlimited (no legal limit as to rate or amount). |
| Road Facilities:         | Unlimited (no legal limit as to rate or amount). |
| Maintenance:             | \$1.250 per \$100 of Assessed Valuation.         |
| Recreational Facilities: | \$0.100 per \$100 of Assessed Valuation.         |

### Debt Service Tax

The Board covenants in the Bond Order 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. For the 2022 tax year, the District levied a tax rate of \$0.180 per \$100 of assessed valuation for payment of debt service on bonds issued for the purpose of purchasing, constructing, operating, and maintaining the Road System and a tax of \$0.665 per \$100 of assessed valuation for payment of debt service on bonds issued for the purpose of purchasing, constructing, operating, and maintaining the Utility System. Such taxes are in addition to taxes that the District is authorized to levy for maintenance and operation purposes.

### Maintenance and Operation Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by vote of the District's electors. On May 10, 2008, the Board was authorized to levy such a maintenance and operations tax in an amount not to exceed \$1.250 per \$100 of assessed valuation and a recreational facilities maintenance tax not to exceed \$0.100 per

\$100 of assessed valuation. For the 2022 tax year, the District levied a tax rate of \$0.360 per \$100 of assessed valuation for maintenance and operations purposes. Such tax is in addition to taxes which the District is authorized to levy for paying principal and interest on the District's bonds.

**Tax Exemption**

As discussed in the section entitled "TAXING PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. The District does not exempt any percentage of the market value of any residential homesteads from taxation.

**Additional Penalties**

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

**Historical Tax Collections**

The following table illustrates the collection history of the District for the 2018–2022 tax years:

| Tax Year | Assessed Valuation | Tax Rate/<br>\$100 (a) | Adjusted Levy | Collections<br>Current Year | Current Year<br>End | Collections<br>07/31/2023 |
|----------|--------------------|------------------------|---------------|-----------------------------|---------------------|---------------------------|
| 2018     | \$228,651,038      | \$1.250                | \$2,858,138   | 99.89 %                     | 2019                | 100.00%                   |
| 2019     | 244,302,556        | 1.250                  | 3,053,782     | 99.97                       | 2020                | 99.99                     |
| 2020     | 257,414,881        | 1.250                  | 3,217,686     | 99.58                       | 2021                | 99.97                     |
| 2021     | 267,696,827        | 1.230                  | 3,292,671     | 99.80                       | 2022                | 99.99                     |
| 2022     | 315,791,158        | 1.205                  | 3,563,008     | 99.69 (b)                   | 2023                | 99.69                     |

(a) Includes a tax for maintenance and operation purposes. See "– Tax Rate Distribution" below.  
 (b) Collected as of July 31, 2023.

**Tax Rate Distribution**

The following table sets out the components of the District's tax levy for each of the 2018-2022 tax years.

|                             | 2022 (a)      | 2021          | 2020          | 2019          | 2018          |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|
| Road System Debt Service    | 0.1800        | 0.2050        | 0.1900        | 0.1500        | 0.1500        |
| Utility System Debt Service | 0.6650        | 0.6250        | 0.6550        | 0.6550        | 0.6550        |
| Maintenance & Operation     | <u>0.3600</u> | <u>0.4000</u> | <u>0.4050</u> | <u>0.4450</u> | <u>0.4450</u> |
| Total                       | 1.2050        | 1.2300        | 1.2500        | 1.2500        | 1.2500        |

(a) The District has authorized the publication of the intended total tax rate of \$1.175 per \$100 of assessed taxable valuation for the 2023 tax year. Such tax is expected to be composed of the following: a maintenance and operations tax rate of \$0.410 per \$100 of assessed taxable valuation; a Utility System debt service tax rate of \$0.485 per \$100 of assessed taxable valuation; and a Road System debt service tax rate of \$0.280 per \$100 of assessed taxable valuation.

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**Analysis of Tax Base**

The following table illustrates the District’s total taxable assessed value for the 2019–2023 tax years by type of property.

| Type of Property  | 2023<br>Assessed<br>Valuation (a) | 2022<br>Assessed<br>Valuation | 2021<br>Assessed<br>Valuation | 2020<br>Assessed<br>Valuation | 2019<br>Assessed<br>Valuation |
|-------------------|-----------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Land              | \$ 74,732,180                     | \$ 53,976,870                 | \$ 53,767,340                 | \$ 53,432,600                 | \$ 54,575,530                 |
| Improvements      | 257,978,885                       | 256,235,108                   | 225,284,890                   | 214,773,519                   | 197,859,229                   |
| Personal Property | 5,591,240                         | 5,822,290                     | 6,119,160                     | 5,864,370                     | 5,640,970                     |
| Exemptions        | (22,871,147)                      | (20,348,970)                  | (17,474,563)                  | (165,655,608)                 | (13,773,173)                  |
| <b>Total</b>      | <b>\$ 315,791,158</b>             | <b>\$ 295,685,298</b>         | <b>\$ 267,696,827</b>         | <b>\$ 257,414,881</b>         | <b>\$ 244,302,556</b>         |

(a) Does not include \$18,190,233 of uncertified value which remains under review.

**Principal Taxpayers**

The following represents the principal taxpayers, type of property, and their assessed values as of January 1, 2023:

| Taxpayer                                      | Type of Property      | Assessed Valuation<br>2023 Tax Roll |
|---|-----------------------|-------------------------------------|
| Lone Star Scholastics and Childcare Inc.      | Land and Improvements | \$ 4,900,000                        |
| Egledale Manvel LLC & Masters 96th Manvel LLC | Land and Improvements | 4,527,370                           |
| 10309 Bailey LLC                              | Land and Improvements | 4,447,230                           |
| A-L-L 141 Sedona Lakes LP                     | Land and Improvements | 3,950,000                           |
| Victor George Real Estate Holdings LLC        | Land and Improvements | 2,886,270                           |
| Lucky Jupiter Inc.                            | Land and Improvements | 2,600,000                           |
| Ashton Houston Residential LLC (a)            | Land and Improvements | 1,701,920                           |
| Homeowner                                     | Land and Improvements | 1,113,214                           |
| CVS Pharmacy Inc.                             | Land and Improvements | 947,690                             |
| HPI Self Storage Manvel Sedona LLC            | Land and Improvements | 940,040                             |
| <b>Total</b>                                  |                       | <b>\$ 28,013,734</b>                |
| Percentage of the 2023 Assessed Valuation     |                       | 8.87 %                              |

(a) See “THE DEVELOPER AND PRINCIPAL LANDOWNER.”

**Tax Rate Calculations**

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of taxable assessed valuation that would be required to meet certain debt service requirements if no growth in the District occurs beyond the 2023 Assessed Taxable Valuation (\$333,981,391). The following further assumes collection of 95% of taxes levied and the sale of no additional bonds:

|  |             |
|--|-------------|
| Average Annual Debt Service Requirement of the Outstanding Bonds and Bonds (2024–2048) ..... | \$1,902,631 |
| Debt Service Tax of \$0.60 on 2023 Assessed Taxable Valuation .....                          | \$1,903,694 |
| Maximum Annual Debt Service Requirement of Outstanding Bonds and Bonds (2035) .....          | \$2,641,619 |
| Debt Service Tax of \$0.84 on 2023 Assessed Taxable Valuation .....                          | \$2,665,172 |

## Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions.

In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions (see "DISTRICT FINANCIAL DATA – Estimated Overlapping Debt Statement"), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes. Set forth below is a compilation of all 2022 taxes levied by such jurisdictions per \$100 of assessed valuation. Such levies do not include local assessments for community associations, fire department contributions, charges for solid waste disposal, or any other dues or charges made by entities other than political subdivisions.

| <b>Taxing Jurisdiction</b>                                  | <b>Alvin ISD<br/>2022 Tax Rate</b> | <b>Pearland ISD<br/>2022 Tax Rate</b> |
|---|------------------------------------|---------------------------------------|
| The District  | \$1.205000                         | \$1.205000                            |
| Alvin Independent School District                           | 1.377700                           | —                                     |
| Pearland Independent School District                        | —                                  | 1.302700                              |
| Alvin Community College District                            | 0.164100                           | 0.164100                              |
| Brazoria County Emergency Service District No. 3            | 0.097745                           | 0.097745                              |
| Brazoria County   | 0.291106                           | 0.291106                              |
| Brazoria County Conservation and Reclamation District No. 3 | <u>0.150000</u>                    | <u>0.150000</u>                       |
| Estimated Total Tax Rate                                    | \$3.285651                         | \$3.210651                            |

## THE ROAD SYSTEM

The roads within the District vary in width in accordance with standards adopted by Brazoria County, but are sized to accommodate the anticipated traffic demands of full build-out of the property within the District.

## THE UTILITY SYSTEM

### General

The water, wastewater and drainage facilities, the purchase, acquisition and construction of which have been financed by the District with the proceeds of the Bonds, have been designed in accordance with accepted engineering practices and the recommendation of certain governmental agencies having regulatory or supervisory jurisdiction over construction and operation of such facilities, including, among others, the TCEQ. According to the Engineer, the design of all such facilities has been approved by all governmental agencies, which have jurisdiction over the District.

### Description of the Utility System

#### - Water Supply and Distribution -

Water supply is provided by ground water from a water plant located within to the District. The water plant, which was constructed by a private entity and subsequently purchased and expanded by the Developer and conveyed to the District, serves the District. The District's water supply is capable of serving 1,500 ESFCs, which is sufficient to serve development in the District.

The District currently operates a 150 gallon per minute ("gpm") groundwater well ("Water Well No. 1"), a 400 gpm groundwater well ("Water Well No. 2"), and a 1000 gpm groundwater well ("Water Well No. 3"). Water Well No. 3 provides a capacity of 1,667 connections, which will provide sufficient capacity for the District's ultimate build-out according to the current land plan. Water Well No. 1 and Water Well No. 2 will be used for backup and emergency situations. The water plant also includes one 165,000 gallon ground storage tank, one 265,000 gallon storage tank, two 15,000 gallon hydro-pneumatic tanks, and four 750 gpm booster pumps.

#### - Wastewater Treatment and Conveyance System -

The District receives wastewater treatment capacity from a 300,000 gpd wastewater treatment plant located within the District. The wastewater treatment plant was constructed in two phases pursuant to a lease-

purchase agreement between the District and AUC Group, L.P. The District purchased the original 150,000 gpd (Phase 1) plant from proceeds of a prior bond issue and is now making monthly lease payments on the additional 150,000 gpd Phase II facility. Based on design criteria of 315 gpd per ESFC, the existing 300,000 gpd plant will be sufficient to serve 952 ESFCs, which is sufficient to serve development in the District.

- Drainage -

Natural drainage patterns in the District slope toward Mustang Bayou, which generally travels from northwest to east through the middle of the District. Rainfall runoff drains overland to Mustang Bayou, which then flows southeasterly into Chocolate Bay.

Storm-water runoff flows from curb and gutter streets into a system of underground storm sewers which outfall at various points into detention ponds. The detention ponds eventually outfall to Mustang Bayou.

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### Historical Operations of the Utility System

The following is a summary of the District's operating fund for the last five years. The figures for the fiscal years ended October 31, 2018, through October 31, 2022, were obtained from the District's annual financial statements, reference to which is hereby made. See "APPENDIX A." The figures for the period ending October 30, 2020, are from the draft audit and are subject to change. The District is required by statute to have an independent certified public accountant audit the District's financial statements annually, such audited financial statements are filed with the TCEQ.

| <u>Revenues</u>                   | <u>10/30/22</u>     | <u>10/31/21</u>     | <u>10/31/20</u>     | <u>10/31/19</u>     | <u>10/31/18</u>     |
|-----------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Water service                     | \$ 377,440          | \$ 324,665          | \$ 331,693          | \$ 314,637          | \$ 303,690          |
| Sewer service                     | 476,711             | 443,858             | 437,710             | 411,164             | 388,244             |
| Property taxes                    | 1,071,637           | 1,042,202           | 1,220,517           | 1,015,501           | 912,062             |
| Penalties and interest            | 17,876              | 11,482              | 6,144               | 14,018              | 12,509              |
| Tap connection and inspection     | 149,095             | 4,975               | 104,060             | 55,533              | 62,099              |
| Miscellaneous                     | 5,353               | 4,707               | 31,748              | 4,991               | 11,563              |
| Investment earnings               | \$ 29,943           | 6,751               | 17,185              | 28,232              | 12,648              |
| <b>Total Revenues</b>             | <b>\$ 2,128,055</b> | <b>\$ 1,838,640</b> | <b>\$ 2,149,057</b> | <b>\$ 1,844,076</b> | <b>\$ 1,702,815</b> |
| <br>                              |                     |                     |                     |                     |                     |
| <u>Expenditures</u>               |                     |                     |                     |                     |                     |
| Professional fees                 | \$ 134,209          | \$ 208,995          | \$ 145,260          | \$ 204,948          | \$ 285,512          |
| Contracted services               | 328,336             | 281,109             | 322,896             | 269,577             | 264,634             |
| Repairs and maintenance           | 495,709             | 555,049             | 387,295             | 375,194             | 400,299             |
| Utilities                         | 69,772              | 62,887              | 60,419              | 58,255              | 58,576              |
| Regional Water Authority fees     | -                   | -                   | -                   | -                   | 3,000               |
| Administrative                    | 43,086              | 34,175              | 30,896              | 34,114              | 40,531              |
| Other                             | 51,858              | 6,682               | 14,339              | 6,722               | 2,488               |
| Lease                             | -                   | 39,360              | 78,720              | 78,720              | 78,720              |
| Capital outlay                    | -                   | 34                  | 21,932              | 583,519             | -                   |
| <b>Total Expenditures</b>         | <b>\$ 1,122,970</b> | <b>\$ 1,188,291</b> | <b>\$ 1,061,757</b> | <b>\$ 1,611,049</b> | <b>\$ 1,133,760</b> |
| <b>Revenues over expenditures</b> | <b>\$ 1,005,085</b> | <b>\$ 650,349</b>   | <b>\$ 1,807,300</b> | <b>\$ 233,027</b>   | <b>\$ 569,055</b>   |

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## TAXING PROCEDURES

### **Authority to Levy Taxes**

The Board is authorized to levy an annual ad valorem tax on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see "INVESTMENT CONSIDERATIONS – Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order 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 is also authorized to levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations if authorized by its voters. See "TAX DATA – Tax Rate Limitation."

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

The Texas Property Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized herein.

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county 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 Brazoria Central Appraisal District (the "Appraisal District"). The Appraisal District has the responsibility of appraising property for all taxing units within the County, including the District. Such appraisal values will be subject to review and change by the Brazoria County Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll, as approved by the Appraisal Review Board, will be used by the District in establishing its tax rolls and tax rate.

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

*General:* Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: property owned by 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; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. The District may be required to offer such exemptions if a majority of voters approve same at an election, which the District would be required to call upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. Property owned by a disabled veteran or a veteran who died while on active duty has been granted a statutory exemption up to \$3,000 of assessed value. Partially exempt to between to between \$5,000 and \$12,000 of assessed value, depending upon the disability rating of the veteran, is property owned by a disabled veteran or spouse or certain children. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residence homestead. Also exempt, if approved by the Board or through a process of petition and referendum by the District's voters, are residential homesteads of person sixty-five (65) years or older and of certain disabled persons to the extent of \$3,000 of appraised value or more. The Tax Assessor/Collector is authorized by statute to disregard such exemptions for the elderly and disabled if granting the exemptions would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemptions by the District.

A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization at some or no cost to the veteran. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption would be transferrable to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

*Residential Homestead Exemptions:* The Property Tax Code authorizes the governing body of each political subdivision in Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than \$5,000, if any exemption is granted, 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 District has never adopted a general homestead exemption. In addition, the District has exempted \$10,000 of the appraised value of residential homesteads of persons 65 years of age or older and certain disabled persons for the 2020 tax year.

*Freeport Goods and Goods-in-Transit 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" may apply for the 2012 and subsequent tax years to certain tangible personal property that is acquired in or imported into Texas for assembling, storing, manufacturing or fabrication purposes which is destined to be forwarded to another location in Texas not later than 175 days after acquisition or importation, so long as the location where said goods are detained is not directly or indirectly owned by the owner of the goods. The District has not taken action to allow taxation of goods-in-transit. A taxpayer may not claim both a Freeport Goods Exemption and a Goods-in-Transit Exemption on the same property.

### **Tax Abatement**

The County may designate all or part of the area within the District as a reinvestment zone. Thereafter, the County and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. At this time, the County has not designated any of the area within the District as a reinvestment zone.

### **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.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property. The plan must provide for appraisal of all real property in the Appraisal District as least once every three 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 current estimate of appraised values within the District or an estimate of any new

property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses formally to include such values on its appraisal roll.

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

During the 2<sup>nd</sup> Special Session, convened on June 27, 2023, the Texas Legislature passed Senate Bill 2 ("SB 2"), which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5,000,000 (the "Maximum Property Value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property (collectively, the "Appraisal Cap"). After the 2024 tax year, through December 31, 2026, the Appraisal Cap may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in consumer price index, as applicable, to the Maximum Property Value. SB 2 was signed into law by the Governor on July 22, 2023; however, the provisions described hereinabove will take effect January 1, 2024, but only if the constitutional amendment proposed by H.J.R. 2, 88<sup>th</sup> Legislature, 2<sup>nd</sup> Called Session, 2023, is approved by the voters.

### **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 of 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.

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

Chapter 49 of the Texas Water Code, as amended, classifies municipal utility districts differently based on the current operation and maintenance tax rate or on the percentage of projected 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 herein as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all land, 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 in the district, 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 the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the District in the preceding tax year on a residence homestead appraised at the average appraised value of a resident homestead in the District in that year, subject to certain homestead exemptions.

*Developed Districts:* Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, plus any unused increment rates, as calculated and described in Section 26.013 of the Property 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 the operation and maintenance tax rate that would impose 1.035 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions, plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor 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 imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, 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 the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the District in the preceding tax year on a residence homestead appraised at the average appraised value of a resident homestead in the District in that year, subject to certain homestead exemptions.

*The District:* A determination as to the District's status as a Special Taxing Unit, Developed District or Developing District is made by the Board of Directors on an annual basis. For the 2023 tax year, the District was determined to be a Developing District by the Board of Directors. 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.

### **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. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board based on valuation of property within the District as of the preceding January 1.

Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. 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 of up to twenty percent (20%) to defray collection costs if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances. Under certain circumstances, property owners located within a

natural disaster area affected by a disaster may pay property taxes in four (4) equal installments following the disaster. Further, a person 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 his residential homestead in installments or to defer tax without penalty during the time he owns and occupies the property as his residential homestead.

### **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 in which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units. A tax lien on real property takes priority over the claims of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within two years for residential and agricultural property and six months for commercial property and all other types of property after the purchaser's deed at the foreclosure sale is filed in the county records.

## **INVESTMENT CONSIDERATIONS**

### **General**

The Bonds, which are obligations of the District and are not obligations of Texas, the County, the City, or any other political subdivision, will be secured by a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property located within the District. (See "THE BONDS – Source of Payment.") The ultimate security for payment of principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by the 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 property within the District will accumulate or maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for the property. See "Registered Owners' Remedies" below.

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

*Economic Factors:* The rate of development within the District is directly related to the vitality of the single-family housing industry in the Houston metropolitan area. New single-family construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of such construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development in the District. See "DEVELOPMENT WITHIN THE DISTRICT."

*Location and Access:* The District is located in an outlying area of the Houston metropolitan area, approximately 20 miles south from the central business district of Houston. Many of the single-family developments with which the District competes are in a more developed state and have lower taxes. As a result, particularly during times of increased competition, the Developer within the District may be at a competitive disadvantage to the developers in other single-family projects located closer to major urban centers or in a more developed state. See "THE DISTRICT" and "DEVELOPMENT WITHIN THE DISTRICT."

*Principal Landowners' Obligations to the District:* The District's tax base is concentrated in a small number of taxpayers. As reflected in this Official Statement under the caption "TAX DATA – Principal Taxpayers," the District's ten principal taxpayers in 2023 owned property located in the District, the aggregate assessed

valuation of which comprised approximately 8.87% of the 2023 assessed valuation of the District. The District cannot represent that its tax base will in the future be (i) distributed among a significantly larger number of taxpayers, or (ii) less concentrated in property owned by a relatively small number of property owners, than it is currently. Failure by one or more of the District's principal property owners to make full and timely payments of taxes due may have an adverse effect on the investment quality or security of the Bonds. If any one or more of the principal District taxpayers did not pay taxes due, the District might need to levy additional taxes or use other debt service funds available to meet its debt service requirements.

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners.

*Competition:* The demand for and construction of taxable improvements in the District could be affected by competition from other developments near the District. In addition to competition for new single-family home sales from other developments, there are numerous previously-owned single-family homes in more established commercial centers and neighborhoods closer to Houston that are for sale. Such existing developments could represent additional competition for new development proposed to be constructed within the District.

The competitive position of the Developer in the sale of land, leasing of residences is affected by most of the factors discussed in this section. Such a competitive position is directly related to the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developer will be implemented or, if implemented, will be successful.

*Developers Under No Obligation to the District:* The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developer, or any other subsequent landowners to whom a party may sell all or a portion of their holdings within the District, to implement any plan of development. Furthermore, there is no restriction on the Developer's right to sell its land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developer. Failure to construct taxable improvements on developed lots and tracts and failure of the Developer to develop its land would restrict the rate of growth of taxable value in the District. The District is also dependent upon the Developer (see "TAX DATA - Principal Taxpayers") for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of the Developer will be or what effect, if any, such conditions may have on their ability to pay taxes. See "THE DEVELOPER AND PRINCIPAL LANDOWNER," and "DEVELOPMENT WITHIN THE DISTRICT."

*Impact on District Tax Rates:* Assuming no further development or construction of taxable improvements, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners within the District to pay their taxes. As noted throughout this Official Statement, the 2023 assessed taxable valuation of the District is \$333,981,391.

After issuance of the Bonds, the maximum annual debt service requirement of the Outstanding Bonds and the Bonds (2035) will be \$2,641,619, and the average annual debt service requirement of the Outstanding Bonds and the Bonds (2024-2048) will be \$1,902,631. Based on the 2023 assessed taxable valuation and no use of funds on hand, a tax rate of \$0.84 per \$100 of assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of the Outstanding Bonds and the Bonds (2035) and a tax rate of \$0.60 per \$100 of assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of the Outstanding Bonds and the Bonds (2024-2048). See "TAX DATA - Tax Rate Calculations."

### **Tax Collection and Foreclosure Remedies**

The District has a right to seek judicial foreclosure on a tax lien, but such remedy may prove to be costly and time consuming and, since the future market or resale market, if any, of the taxable real property within the District is uncertain, there can be no assurance that such property could be sold and delinquent taxes paid. See "TAXING PROCEDURES."

## **Registered Owners' Remedies**

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 Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the registered owners of the Bonds (the "Registered Owners") have the right to seek 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 Order. Except for mandamus, the Bond Order 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 Order 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.

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

The enforceability of the rights and remedies of 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. 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 U.S. Bankruptcy Code, 11 USC sections 901-946. The filing of such petition would automatically stay the enforcement of registered owners' remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. 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 generally 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 has negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiations are impracticable. Under Texas law, a municipal utility district, such as the District, must obtain the approval of the TCEQ as a condition to seeking relief under the U.S. 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, a 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 determining the decision of whether to grant the petitioning district relief from its creditors. While such a decision might be applicable, the concomitant delay and loss of remedies to the registered owners could potentially and adversely impair the value of the registered owners' claims.

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the U.S. 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 a registered owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating



collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the registered owner's claim against a district.

A special purpose district cannot be placed into bankruptcy involuntarily.

### **Environmental Regulation**

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

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

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

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

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) ("CGP"), with an effective date of March 5, 2023, 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. The CGP has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act ("CWA") and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district's ability to obtain and maintain compliance with TPDES permits.

The TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit") on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. While the District is currently not subject to the MS4 Permit, if the District's inclusion were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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.

## **Potential Impact of Natural Disaster**

The District is located approximately forty (40) miles from the Texas Gulf Coast and, as it has in the past, could be impacted by high winds, heavy rains, and flooding caused by a hurricane, tornado, tropical storm, or other adverse weather event. In the event that a natural disaster should damage or destroy improvements and personal property in the District, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed value of the District or an increase in the District's tax rates. See "TAXING PROCEDURES – Valuation of Property for Taxation."

There can be no assurance that a casualty will be covered by insurance (certain casualties, including flood, are usually excepted unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild, repair, or replace any taxable properties in the District that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could be a lengthy period in which assessed values in the District would be adversely affected. There can be no assurance the District will not sustain damage from weather-related events.

## **Hurricane Harvey and Tropical Storm Imelda**

The City, including the District, experienced historic levels of rainfall and widespread flooding following landfall of Hurricane Harvey on August 25, 2017, and during Tropical Storm Imelda on September 19, 2019. While no facilities or homes had been built prior to Hurricane Harvey, according to the District's engineer, Imelda did not cause damage to the District's water, sanitary sewer and drainage facilities, and there was no interruption of water and sewer service in the District. Further, to the best knowledge of the Developer and the Engineer, no homes in the District experienced structural flooding or other material damage. The District is located near the Texas Gulf Coast and, as it has in the past, could be impacted by high winds and flooding caused by a hurricane, tornado, tropical storm, or other adverse weather event.

The District cannot predict the effect that additional extreme weather events may have upon the District and the City. Additional extreme weather events have the potential to cause damage within the District and the City generally could have a negative effect on taxable assessed valuations in the District and the economy of the District and the region. See "TAXING PROCEDURES – Valuation of Property for Taxation."

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

The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values within the District. The District cannot predict the impact that negative conditions in the oil industry could have on property values in the District.

## **Changes in Tax Legislation**

Certain tax legislation, whether currently proposed or proposed in the future, may directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, may also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed, pending or future legislation.

## **Specific Flood Type Risks**

The District may be subject to the following flood 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 can also 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 can also 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.

### **National Weather Service Atlas 14 Rainfall Study**

The National Weather Service recently completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties and consequently leaving less developable property within the District. 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.

Approximately 52 acres within the District are located within the permanent floodplain.

### **Marketability**

The District has no understanding with the Initial Purchaser 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 for 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.

### **Consolidation**

Under Texas law, the District may be consolidated with other municipal utility districts, with the assets and liabilities of the consolidated districts belonging to the consolidated district. No representation is made that the District will ever consolidate with one or more other districts, although no consolidation is presently contemplated by the District.

### **Continuing Compliance with Certain Covenants**

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

### **Future Debt**

After issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: \$65,235,000 for the purpose of purchasing, constructing, operating, and maintaining the Road System; \$77,227,041 for the purpose of purchasing, constructing, operating, and maintaining the Utility System; \$270,280,000 for refunding purposes; and \$9,000,000 for the purpose of purchasing, constructing, operating, and maintaining the Park System (see "THE BONDS - Issuance of Additional Debt"); and such additional bonds as may hereafter be approved by both the Board and voters of the District. The District also has the right to issue certain other additional bonds, special project bonds, and other obligations, as described in the Bond Order. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

Following the issuance of the Bonds, the District will owe the Developer approximately \$3,373,092 for reimbursable expenditures advanced for the purpose of purchasing, constructing, operating, and maintaining the Utility System and the Road System.

### **Approval of the Bonds**

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

TCEQ approval of the Bonds is not required and, therefore no engineering report or bond application has been submitted to the TCEQ and neither the Bonds, the project, nor the feasibility on the District will be reviewed, considered or approved by the TCEQ with respect to the Bonds.

### **Annexation by and Strategic Partnership with the City**

Chapter 42, Texas 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, the extraterritorial jurisdiction consists of all the contiguous unincorporated areas, not a part of any other city or any other city's extraterritorial jurisdiction and within two (2) miles of the corporate limits of the City. 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.

Effective July 27, 2009, the District and the City entered into a Strategic Partnership Agreement ("SPA" or the "Agreement") under which the City may annex certain commercial areas of the District for limited purposes of applying City planning, zoning, health and safety ordinances in the area annexed for limited purposes. The City may impose its one percent (1%) sales tax in the areas annexed for limited purposes. In addition, the City has agreed that it will not annex the District for full purposes (a traditional annexation) until ninety (90) percent of the District's water, wastewater, and drainage facilities have been constructed or the Developer has been reimbursed by the District to the maximum extent permitted by the rules of the TCEQ or the City assumes the obligation to reimburse the Developer.

### **Tax Collection Limitations**

The District's ability to make debt service payments may be adversely affected by difficulties in collecting ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by 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 proceedings against a taxpayer; (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property; or (d) the taxpayer's right to redeem the property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. See "TAXING PROCEDURES."

### **Bond Insurance Risk Factors**

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable Bond Insurance Policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the insurer (the "Bond Insurer") at such time and in

such amounts as would have been due absence such prepayment by the District unless the Bond Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer's consent may be required in connection with amendments to any applicable bond documents.

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

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its claim paying ability. The Bond 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 Bond Insurer and of the ratings on the Bonds insured by the Bond 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 "MUNICIPAL BOND INSURANCE" and "RATINGS."

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

Neither the District or the Initial Purchaser have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond 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 Bond Insurer, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE" and "RATINGS" for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

### **Proposed Legislation**

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

## **LEGAL MATTERS**

### **Legal Opinions**

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of Texas payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or

amount, upon all taxable property within the District and based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds; the approving legal opinion of Bond Counsel, to a like effect, and to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, and interest on the Bonds is not subject to the alternative minimum tax on individuals.

Bond Counsel has reviewed the information appearing in this Official Statement under "THE BONDS" (except for information under the subheadings "Book-Entry-Only System"), "SOURCES AND USES OF FUNDS," "THE DISTRICT – General," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information is an accurate summary of matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold, and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

#### **No-Litigation Certificate**

The District will furnish to the initial purchaser of the Bonds (the "Initial Purchaser") a certificate, dated as of the date of delivery of the Bonds, executed by both the President or Vice President and Secretary or Assistant Secretary of the Board, to the effect that no litigation of any nature has been filed or is to their actual knowledge then pending or threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for 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.

#### **No Material Adverse Change**

The obligations of the Initial Purchaser 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, receipt of, and payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District subsequent to the date of sale from that set forth or contemplated in the Preliminary Official Statement, as it may have been supplemented or amended, through the date of sale.

#### **TAX MATTERS**

The delivery of Bonds is subject to an opinion of Bond Counsel to the effect that, assuming continuing compliance by the District with the provisions of the Bond Order subsequent to the issuance of the Bonds pursuant to Section 103 of the Code, and existing regulations, published rulings and court decision procedures, interest on the bonds (i) will be excludable from the income, as defined in Section 61 of the Code, of the owners thereof for federal income tax purposes and (ii) 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 (as defined in Section 59(k) of the Code) for the purpose of determining the alternative minimum tax imposed on corporations. The statutes, regulations, published rulings, and court decisions on which such opinion is based are subject to change.

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 Bond Counsel assumes the accuracy of these representations and compliance with these covenants.

Bond 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 Bond 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 Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excludable 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. Bond 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 Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond 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, Bond 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.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the 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 Beneficial Owners to incur significant expense.

### **Proposed Tax Legislation**

Tax legislation, administrative actions taken by tax authorities, and court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to state income taxation, or otherwise prevent the beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. For example, future legislation to resolve certain federal budgetary issues may significantly reduce the benefit of, or otherwise affect, the exclusion from gross income for federal income tax purposes of interest on all state and local obligations, including the Bonds. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) could affect the market price or marketability of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and its impact on their individual situations, as to which Bond Counsel expresses no opinion.

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

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 entitled to be 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.

### **Qualified Tax-Exempt Obligations**

The District has designated the Bonds as "qualified tax-exempt obligations" and will represent that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2023 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2023. Pursuant to Section 265 of the Code, a qualifying financial institution may be allowed a deduction from its own federal corporate income tax for the portion of interest expense the financial institution is able to allocate to designated bank-qualified investments. Notwithstanding these exceptions, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

The discussion contained herein may not be exhaustive. Investors, including those who are subject to special provisions of the code, should consult their own tax advisors as to the tax treatment which may be anticipated to result from the purchase, ownership, and disposition of tax-exempt obligations before determining whether to purchase the Bonds.

### **CONTINUING DISCLOSURE OF INFORMATION**

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

## **Annual Reports**

The District will provide certain updated financial information and operating data to the EMMA annually.

The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings "DISTRICT FINANCIAL DATA" (except under the subheading "Estimated Overlapping Debt Statement"), "TAX DATA," and "APPENDIX A."

The District will update and provide this information within six (6) months after the end of each of its fiscal years. Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to EMMA within such six month period, and audited financial statements when the audit report becomes available.

The District's fiscal year end is currently October 31. Accordingly, it must provide updated information by April 30 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify EMMA of the change.

## **Event Notices**

The District will provide timely notices of certain specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the IRS 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 within the meaning of the Rule; (13) consummation of a merger, consolidation, or acquisition involving the District within the meaning of the Rule, the sale of all or substantially all of the assets of the District within the meaning of the Rule, other than in the ordinary course of business, or 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, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the District, any of which reflect financial difficulties. The term "financial obligation" when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term "financial obligation" does not include municipal securities for which a final official statement has been provided to the MSRB consistent with the Rule. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

## **Availability of Information**

The District has agreed to provide the foregoing notices to the MSRB. The District is required to file its continuing disclosure information using EMMA, which is the format currently prescribed by the MSRB and has

been established by the MSRB to make such continuing disclosure information available to investors free of charge. Investors may access continuing disclosure information filed with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org).

### **Limitations and Amendments**

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

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District or the Developer, but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of such rule or a court of final jurisdiction determines that such provisions are invalid, but in either case only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described 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 (5) years, the District has complied in all material respects with its previous continuing disclosure agreements in accordance with the Rule.

## **OFFICIAL STATEMENT**

### **Preparation**

The information in this Official Statement has been obtained from sources as set forth herein under the following captions:

"THE DISTRICT"; "THE UTILITY SYSTEM"; "THE DEVELOPER AND PRINCIPAL LANDOWNER"; "DEVELOPMENT WITHIN THE DISTRICT"; "DISTRICT FINANCIAL DATA – Estimated Overlapping Debt Statement"; "TAX DATA"; "INVESTMENT CONSIDERATIONS – Annexation by and Strategic Partnership with the City"; "THE BONDS"; "CONTINUING DISCLOSURE"; "TAXING PROCEDURES"; "LEGAL MATTERS" and "TAX MATTERS."

### **Experts**

In approving this Official Statement, the District has relied upon the following experts in addition to the Financial Advisor.

*The Engineer:* The information contained in the Official Statement relating to engineering matters and to the description of the Utility System and Road System and, in particular, that information included in "THE DISTRICT," "THE UTILITY SYSTEM," and "THE ROAD SYSTEM" has been provided by the Engineer, and has been included in reliance upon the authority of said firm as experts in the field of civil engineering.

*Tax Assessor/Collector and Appraisal District:* The information contained in the Official Statement relating to principal taxpayers and tax collection rates and the certified assessed valuation of property in the District and, in particular such information included in "TAX DATA" has been provided by the Tax

Assessor/Collector and Appraisal District, in reliance upon their authority as experts in appraising and tax assessing.

### **Certification as to Official Statement**

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

### **Updating 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 Initial Purchaser, of any adverse event which causes the Official Statement to be materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Initial Purchaser, provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser, unless the Initial Purchaser 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 (but not more than ninety (90) days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

### **CONCLUDING STATEMENT**

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

This Official Statement was approved by the Board of Directors of Sedona Lakes Municipal Utility District No. 1 of Brazoria County, as of the date shown on the cover of this Official Statement.

/s/ Jim Forrest  
President, Board of Directors  
Sedona Lakes Municipal Utility District No. 1 of  
Brazoria County

ATTEST:

/s/ Lambert D. Austin  
Secretary, Board of Directors  
Sedona Lakes Municipal Utility District No. 1 of  
Brazoria County

**APPENDIX A**  
**FINANCIAL STATEMENTS OF THE DISTRICT**

**SEDONA LAKES MUNICIPAL  
UTILITY DISTRICT NO. 1**

**BRAZORIA COUNTY, TEXAS**

**FINANCIAL REPORT**

**October 31, 2022**

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# McGRATH & CO., PLLC

*Certified Public Accountants*

2900 North Loop West, Suite 880

Houston, Texas 77092

## Independent Auditor's Report

Board of Directors  
Sedona Lakes Municipal Utility District No. 1 of Brazoria County  
Brazoria County, Texas

### Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Sedona Lakes Municipal Utility District No. 1 of Brazoria County (the "District"), as of and for the year ended October 31, 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 Sedona Lakes Municipal Utility District No. 1 of Brazoria County, as of October 31, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

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

### Responsibilities of Management for the Financial Statements

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

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



***Board of Directors  
Sedona Lakes Municipal Utility District No. 1 of Brazoria County  
Brazoria County, Texas***

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied

***Board of Directors  
Sedona Lakes Municipal Utility District No. 1 of Brazoria County  
Brazoria County, Texas***

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 a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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.

*McGuire & Co, P.C.*

Houston, Texas  
February 2, 2023

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

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***Sedona Lakes Municipal Utility District No. 1 of Brazoria County  
Management's Discussion and Analysis  
October 31, 2022***

**Using this Annual Report**

Within this section of the financial report of Sedona Lakes Municipal Utility District No. 1 of Brazoria County (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended October 31, 2022. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

In addition to this discussion and analysis, this annual report consists of:

- The District's basic financial statements;
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements;
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget; and
- Other Texas supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (TCEQ).

**Overview of the Financial Statements**

The District prepares its basic financial statements using a format that combines fund financial statements and government-wide statements onto one financial statement. The combined statements are the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. Each statement contains an adjustments column which quantifies the differences between the government-wide and fund level statements. Additional details of the adjustments are provided in Note 2 to the basic financial statements.

**Government-Wide Financial Statements**

The focus of government-wide financial statements is on the overall financial position and activities of the District, both long-term and short-term. The District's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*, which are prepared using the accrual basis of accounting. The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position. Over time, changes in net position may provide a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

Accounting standards establish three components of net position. The net investment in capital assets component represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted component of net position consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties. The unrestricted component of net position represents resources not included in the other components.

***Sedona Lakes Municipal Utility District No. 1 of Brazoria County  
Management’s Discussion and Analysis  
October 31, 2022***

The *Statement of Activities* reports how the District’s net position has changed during the fiscal year. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

**Fund Financial Statements**

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District’s use of available financial resources and the balances of available financial resources at the end of the year. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties, governmental statutes or regulations.

For further discussion on the government-wide and fund financial statements, please refer to Note 1 in the financial statements.

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

The District’s net position at October 31, 2022, was negative \$10,674,159. The District’s net position is negative because the District incurs debt to construct certain road facilities which it conveys to other governmental entities. A comparative summary of the District’s overall financial position, as of October 31, 2022 and 2021, is as follows:

|  | <u>2022</u>            | <u>2021</u>            |
|--|------------------------|------------------------|
| Current and other assets                 | \$ 9,945,771           | \$ 8,660,309           |
| Capital assets                           | 20,969,019             | 21,462,861             |
| Total assets                             | <u>30,914,790</u>      | <u>30,123,170</u>      |
| <br>Total deferred outflows of resources | <br><u>100,664</u>     | <br><u>108,081</u>     |
| <br>Current liabilities                  | <br>1,562,283          | <br>1,525,706          |
| Long-term liabilities                    | 36,633,492             | 37,839,596             |
| Total liabilities                        | <u>38,195,775</u>      | <u>39,365,302</u>      |
| <br>Total deferred inflows of resources  | <br><u>3,493,838</u>   | <br><u>3,295,620</u>   |
| <br>Net position                         |                        |                        |
| Net investment in capital assets         | (5,476,496)            | (5,488,986)            |
| Restricted                               | 1,244,003              | 1,162,420              |
| Unrestricted                             | <u>(6,441,666)</u>     | <u>(8,103,105)</u>     |
| Total net position                       | <u>\$ (10,674,159)</u> | <u>\$ (12,429,671)</u> |

***Sedona Lakes Municipal Utility District No. 1 of Brazoria County  
Management's Discussion and Analysis  
October 31, 2022***

The total net position of the District increased during the current fiscal year by \$1,755,512. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

|  | <u>2022</u>            | <u>2021</u>            |
|--|------------------------|------------------------|
| Revenues                                 |                        |                        |
| Property taxes, penalties and interest   | \$ 3,321,640           | \$ 3,246,576           |
| Water and sewer service                  | 854,151                | 768,523                |
| Other                                    | 195,026                | 20,616                 |
| Total revenues                           | <u>4,370,817</u>       | <u>4,035,715</u>       |
| Expenses                                 |                        |                        |
| Current service operations               | 1,162,015              | 1,266,580              |
| Debt interest and fees                   | 959,448                | 956,277                |
| Developer interest                       |                        | 216,607                |
| Debt issuance costs                      |                        | 557,951                |
| Depreciation                             | 493,842                | 493,842                |
| Total expenses                           | <u>2,615,305</u>       | <u>3,491,257</u>       |
| Change in net position before other item | 1,755,512              | 544,458                |
| Other item                               |                        |                        |
| Transfers to other governments           |                        | <u>(417,234)</u>       |
| Change in net position                   | 1,755,512              | 127,224                |
| Net position, beginning of year          | <u>(12,429,671)</u>    | <u>(12,556,895)</u>    |
| Net position, end of year                | <u>\$ (10,674,159)</u> | <u>\$ (12,429,671)</u> |

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

The District's combined fund balances, as of October 31, 2022, were \$6,239,195, which consists of \$4,848,542 in the General Fund, \$1,391,093 in the Debt Service Fund, and negative \$440 in the Capital Projects Fund.

*General Fund*

A comparative summary of the General Fund's financial position as of October 31, 2022 and 2021 is as follows:

|  | <u>2022</u>         | <u>2021</u>         |
|--|---------------------|---------------------|
| Total assets   | <u>\$ 6,097,285</u> | <u>\$ 5,114,367</u> |
| Total liabilities                                    | \$ 202,396          | \$ 196,043          |
| Total deferred inflows                               | 1,046,347           | 1,074,867           |
| Total fund balance                                   | <u>4,848,542</u>    | <u>3,843,457</u>    |
| Total liabilities, deferred inflows and fund balance | <u>\$ 6,097,285</u> | <u>\$ 5,114,367</u> |



***Sedona Lakes Municipal Utility District No. 1 of Brazoria County  
Management’s Discussion and Analysis  
October 31, 2022***

A comparative summary of the General Fund’s activities for the current and prior fiscal year is as follows:

|                            | <u>2022</u>         | <u>2021</u>        |
|----------------------------|---------------------|--------------------|
| Total revenues             | \$ 2,128,055        | \$ 1,838,640       |
| Total expenditures         | <u>(1,122,970)</u>  | <u>(1,188,291)</u> |
| Revenues over expenditures | <u>\$ 1,005,085</u> | <u>\$ 650,349</u>  |

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District’s primary financial resources in the General Fund are from a property tax levy, the provision of water and sewer services to customers within the District and tap connection fees charged to homebuilders in the District. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. The 2021 levy was recognized as revenues in the 2022 fiscal year, while the 2020 levy was recognized in the 2021 fiscal year (to the extent that these amounts were collected). While the District decreased its maintenance tax levy, property tax revenues increased because assessed values in the District increased from the prior year.
- Water and sewer revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District’s control.
- Tap connection fees fluctuate with homebuilding activity within the District.

*Debt Service Fund*

A comparative summary of the Debt Service Fund’s financial position as of October 31, 2022 and 2021 is as follows:

|  | <u>2022</u>         | <u>2021</u>         |
|--|---------------------|---------------------|
| Total assets   | <u>\$ 3,848,686</u> | <u>\$ 3,545,942</u> |
| Total liabilities                                    | \$ 499              | \$ 506              |
| Total deferred inflows                               | 2,457,094           | 2,231,770           |
| Total fund balance                                   | <u>1,391,093</u>    | <u>1,313,666</u>    |
| Total liabilities, deferred inflows and fund balance | <u>\$ 3,848,686</u> | <u>\$ 3,545,942</u> |

***Sedona Lakes Municipal Utility District No. 1 of Brazoria County  
Management’s Discussion and Analysis  
October 31, 2022***

A comparative summary of the Debt Service Fund’s activities for the current and prior fiscal year is as follows:

|                               | <u>2022</u>        | <u>2021</u>        |
|-------------------------------|--------------------|--------------------|
| Total revenues                | \$ 2,244,176       | \$ 2,194,197       |
| Total expenditures            | <u>(2,166,749)</u> | <u>(2,172,729)</u> |
| Revenues over expenditures    | 77,427             | 21,468             |
| Other changes in fund balance |                    | 115,000            |
| Net change in fund balance    | <u>\$ 77,427</u>   | <u>\$ 136,468</u>  |

The District’s financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues. The difference between these financial resources and debt service requirements resulted in an increase in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

During the prior year, the District issued \$3,250,000 in refunding bonds to refund \$3,135,000 of its outstanding Series 2012 bonds and saved the District \$416,322 in future debt service payments.

*Capital Projects Fund*

A comparative summary of the Capital Projects Fund’s financial position as of October 31, 2022 and 2021 is as follows:

|                                    | <u>2022</u>  | <u>2021</u> |
|------------------------------------|--------------|-------------|
| Total assets                       | <u>\$ -</u>  | <u>\$ -</u> |
| Total liabilities                  | \$ 440       | \$ 15       |
| Total fund balance                 | <u>(440)</u> | <u>(15)</u> |
| Total liabilities and fund balance | <u>\$ -</u>  | <u>\$ -</u> |

A comparative summary of activities in the Capital Projects Fund for the current and prior fiscal year is as follows:

|                               | <u>2022</u>     | <u>2021</u>        |
|-------------------------------|-----------------|--------------------|
| Total revenues                | \$ -            | \$ -               |
| Total expenditures            | <u>(425)</u>    | <u>(6,010,976)</u> |
| Revenues under expenditures   | (425)           | (6,010,976)        |
| Other changes in fund balance |                 | 6,070,000          |
| Net change in fund balance    | <u>\$ (425)</u> | <u>\$ 59,024</u>   |

***Sedona Lakes Municipal Utility District No. 1 of Brazoria County  
Management’s Discussion and Analysis  
October 31, 2022***

The District did not have any significant capital asset activity during the current year. The District’s prior year activity was financed with proceeds from the issuance of its Series 2020 Unlimited Tax Bonds and Series 2021 Unlimited Tax Road Bonds.

**General Fund Budgetary Highlights**

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board did not amend the budget during the fiscal year.

Since the District’s budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$913,825 greater than budgeted. The *Budgetary Comparison Schedule* on page 32 of this report provides variance information per financial statement line item.

**Capital Assets**

The District has entered into financing agreements with its developer for the financing of the construction of capital assets within the District. The developer will be reimbursed from proceeds of future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District’s financial statements upon completion of construction.

Capital assets held by the District at October 31, 2022 and 2021 are summarized as follows:

|                                      | <u>2022</u>          | <u>2021</u>          |
|--------------------------------------|----------------------|----------------------|
| Capital assets not being depreciated |                      |                      |
| Land and improvements                | \$ 4,914,112         | \$ 4,914,112         |
| Capital assets being depreciated     |                      |                      |
| Infrastructure                       | 18,644,236           | 18,644,236           |
| Other facilities                     | 1,957,488            | 1,957,488            |
|                                      | <u>20,601,724</u>    | <u>20,601,724</u>    |
| Less accumulated depreciation        |                      |                      |
| Infrastructure                       | (3,641,617)          | (3,225,442)          |
| Other facilities                     | (905,200)            | (827,533)            |
|                                      | <u>(4,546,817)</u>   | <u>(4,052,975)</u>   |
| Depreciable capital assets, net      | <u>16,054,907</u>    | <u>16,548,749</u>    |
| Capital assets, net                  | <u>\$ 20,969,019</u> | <u>\$ 21,462,861</u> |

*Sedona Lakes Municipal Utility District No. 1 of Brazoria County  
 Management’s Discussion and Analysis  
 October 31, 2022*

**Long-Term Debt and Related Liabilities**

As of October 31, 2022, the District owes approximately \$8,044,031 to developers for completed projects. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District’s financial statements upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

At October 31, 2022 and 2021, the District had total bonded debt outstanding as shown below:

| Series         | 2022          | 2021          |
|----------------|---------------|---------------|
| 2012           | \$ -          | \$ 160,000    |
| 2014           | 3,090,000     | 3,205,000     |
| 2015           | 3,935,000     | 4,085,000     |
| 2015 Road      | 2,705,000     | 2,810,000     |
| 2017           | 4,570,000     | 4,730,000     |
| 2017 Road      | 2,260,000     | 2,335,000     |
| 2019           | 2,075,000     | 2,140,000     |
| 2019 Refunding | 2,215,000     | 2,340,000     |
| 2020           | 2,510,000     | 2,600,000     |
| 2020 Refunding | 3,200,000     | 3,220,000     |
| 2021 Road      | 3,220,000     | 3,325,000     |
|                | \$ 29,780,000 | \$ 30,950,000 |

At October 31, 2022, the District had \$77,227,041 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District; \$9,000,000 for parks and recreational facilities; \$70,820,000 for road improvements and \$270,280,000 for refunding purposes.

**Next Year’s Budget**

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes and water/sewer services and the projected cost of operating the District and providing services to customers. A comparison of next year’s budget to current year actual amounts for the General Fund is as follows:

|                            | 2022 Actual  | 2023 Budget  |
|----------------------------|--------------|--------------|
| Total revenues             | \$ 2,128,055 | \$ 1,902,100 |
| Total expenditures         | (1,122,970)  | (1,884,775)  |
| Revenues over expenditures | 1,005,085    | 17,325       |
| Beginning fund balance     | 3,843,457    | 4,848,542    |
| Ending fund balance        | \$ 4,848,542 | \$ 4,865,867 |

*Sedona Lakes Municipal Utility District No. 1 of Brazoria County  
Management's Discussion and Analysis  
October 31, 2022*

**Property Taxes**

The District's property tax base increased approximately \$22,159,000 for the 2022 tax year from \$267,785,634 to \$289,945,062. This increase was primarily due to new construction in the District and increased property values. For the 2022 tax year, the District has levied a maintenance tax rate of \$0.36 per \$100 of assessed value, a water, sewer, and drainage debt service tax rate of \$0.665 per \$100 of assessed value, and a road debt service tax rate of \$0.18 per \$100 of assessed value, for a total combined tax rate of \$1.205 per \$100 of assessed value. Tax rates for the 2021 tax year were \$0.40 per \$100 for maintenance and operations, \$0.625 per \$100 for water, sewer and drainage debt service, and \$0.205 per \$100 for road debt service, for a combined total of \$1.23 per \$100 of assessed value.

## **Basic Financial Statements**

**Sedona Lakes Municipal Utility District No. 1 of Brazoria County**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**October 31, 2022**

|   | General<br>Fund     | Debt<br>Service<br>Fund | Capital<br>Projects<br>Fund | Total               | Adjustments            | Statement of<br>Net Position |
|---|---------------------|-------------------------|-----------------------------|---------------------|------------------------|------------------------------|
| <b>Assets</b>   |                     |                         |                             |                     |                        |                              |
| Cash  | \$ 686,215          | \$ 241,222              | \$ -                        | \$ 927,437          | \$ -                   | \$ 927,437                   |
| Investments   | 4,245,000           | 1,145,000               |                             | 5,390,000           |                        | 5,390,000                    |
| Taxes receivable  | 1,046,347           | 2,457,094               |                             | 3,503,441           |                        | 3,503,441                    |
| Customer service receivables  | 93,546              |                         |                             | 93,546              |                        | 93,546                       |
| Internal balances   | (549)               | 749                     | (200)                       |                     |                        |                              |
| Other receivables   | 26,726              | 4,621                   |                             | 31,347              |                        | 31,347                       |
| Capital assets not being depreciated  |                     |                         |                             |                     | 4,914,112              | 4,914,112                    |
| Capital assets, net   |                     |                         |                             |                     | 16,054,907             | 16,054,907                   |
| <b>Total Assets</b>   | <b>\$ 6,097,285</b> | <b>\$ 3,848,686</b>     | <b>\$ (200)</b>             | <b>\$ 9,945,771</b> | <b>20,969,019</b>      | <b>30,914,790</b>            |
| <b>Deferred Outflows of Resources</b>   |                     |                         |                             |                     |                        |                              |
| Deferred difference on refunding  |                     |                         |                             |                     | 100,664                | 100,664                      |
| <b>Liabilities</b>  |                     |                         |                             |                     |                        |                              |
| Accounts payable  | \$ 119,601          | \$ -                    | \$ -                        | \$ 119,601          |                        | 119,601                      |
| Cash overdraft  |                     |                         | 240                         | 240                 |                        | 240                          |
| Other payables  |                     | 499                     |                             | 499                 |                        | 499                          |
| Customer deposits   | 79,795              |                         |                             | 79,795              |                        | 79,795                       |
| Builder deposits  | 3,000               |                         |                             | 3,000               |                        | 3,000                        |
| Accrued interest payable  |                     |                         |                             |                     | 154,148                | 154,148                      |
| Due to developer  |                     |                         |                             |                     | 8,044,031              | 8,044,031                    |
| Long-term debt  |                     |                         |                             |                     |                        |                              |
| Due within one year   |                     |                         |                             |                     | 1,205,000              | 1,205,000                    |
| Due after one year  |                     |                         |                             |                     | 28,589,461             | 28,589,461                   |
| <b>Total Liabilities</b>  | <b>202,396</b>      | <b>499</b>              | <b>240</b>                  | <b>203,135</b>      | <b>37,992,640</b>      | <b>38,195,775</b>            |
| <b>Deferred Inflows of Resources</b>  |                     |                         |                             |                     |                        |                              |
| Deferred property taxes   | 1,046,347           | 2,457,094               |                             | 3,503,441           | (9,603)                | 3,493,838                    |
| <b>Fund Balances/Net Position</b>   |                     |                         |                             |                     |                        |                              |
| <b>Fund Balances</b>  |                     |                         |                             |                     |                        |                              |
| Restricted  |                     | 1,391,093               |                             | 1,391,093           | (1,391,093)            |                              |
| Unassigned  | 4,848,542           |                         | (440)                       | 4,848,102           | (4,848,102)            |                              |
| <b>Total Fund Balances</b>  | <b>4,848,542</b>    | <b>1,391,093</b>        | <b>(440)</b>                | <b>6,239,195</b>    | <b>(6,239,195)</b>     |                              |
| <b>Total Liabilities, Deferred Inflows<br/>of Resources and Fund Balances</b> | <b>\$ 6,097,285</b> | <b>\$ 3,848,686</b>     | <b>\$ (200)</b>             | <b>\$ 9,945,771</b> |                        |                              |
| <b>Net Position</b>   |                     |                         |                             |                     |                        |                              |
| Net investment in capital assets  |                     |                         |                             |                     | (5,476,496)            | (5,476,496)                  |
| Restricted for debt service   |                     |                         |                             |                     | 1,244,003              | 1,244,003                    |
| Unrestricted  |                     |                         |                             |                     | (6,441,666)            | (6,441,666)                  |
| <b>Total Net Position</b>   |                     |                         |                             |                     | <b>\$ (10,674,159)</b> | <b>\$ (10,674,159)</b>       |

See notes to basic financial statements.

*Sedona Lakes Municipal Utility District No. 1 of Brazoria County*  
*Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances*  
*For the Year Ended October 31, 2022*

|   | General<br>Fund     | Debt<br>Service<br>Fund | Capital<br>Projects<br>Fund | Total               | Adjustments            | Statement of<br>Activities |
|---|---------------------|-------------------------|-----------------------------|---------------------|------------------------|----------------------------|
| <b>Revenues</b>                               |                     |                         |                             |                     |                        |                            |
| Water service                                 | \$ 377,440          | \$ -                    | \$ -                        | \$ 377,440          | \$ -                   | \$ 377,440                 |
| Sewer service                                 | 476,711             |                         |                             | 476,711             |                        | 476,711                    |
| Property taxes                                | 1,071,637           | 2,223,080               |                             | 3,294,717           | (1,801)                | 3,292,916                  |
| Penalties and interest                        | 17,876              | 10,461                  |                             | 28,337              | 387                    | 28,724                     |
| Tap connection and inspection                 | 149,095             |                         |                             | 149,095             |                        | 149,095                    |
| Miscellaneous                                 | 5,353               |                         |                             | 5,353               |                        | 5,353                      |
| Investment earnings                           | 29,943              | 10,635                  |                             | 40,578              |                        | 40,578                     |
| <b>Total Revenues</b>                         | <b>2,128,055</b>    | <b>2,244,176</b>        |                             | <b>4,372,231</b>    | <b>(1,414)</b>         | <b>4,370,817</b>           |
| <b>Expenditures/Expenses</b>                  |                     |                         |                             |                     |                        |                            |
| Current service operations                    |                     |                         |                             |                     |                        |                            |
| Professional fees                             | 134,209             |                         |                             | 134,209             |                        | 134,209                    |
| Contracted services                           | 328,336             | 32,854                  |                             | 361,190             |                        | 361,190                    |
| Repairs and maintenance                       | 495,709             |                         |                             | 495,709             |                        | 495,709                    |
| Utilities                                     | 69,772              |                         |                             | 69,772              |                        | 69,772                     |
| Administrative                                | 43,086              | 5,176                   |                             | 48,262              |                        | 48,262                     |
| Other   | 51,858              | 590                     | 425                         | 52,873              |                        | 52,873                     |
| Debt service                                  |                     |                         |                             |                     |                        |                            |
| Principal                                     |                     | 1,170,000               |                             | 1,170,000           | (1,170,000)            |                            |
| Interest and fees                             |                     | 958,129                 |                             | 958,129             | 1,319                  | 959,448                    |
| Depreciation                                  |                     |                         |                             |                     | 493,842                | 493,842                    |
| <b>Total Expenditures/Expenses</b>            | <b>1,122,970</b>    | <b>2,166,749</b>        | <b>425</b>                  | <b>3,290,144</b>    | <b>(674,839)</b>       | <b>2,615,305</b>           |
| <b>Revenues Over/(Under)<br/>Expenditures</b> | <b>1,005,085</b>    | <b>77,427</b>           | <b>(425)</b>                | <b>1,082,087</b>    | <b>(1,082,087)</b>     |                            |
| <b>Change in Net Position</b>                 |                     |                         |                             |                     | <b>1,755,512</b>       | <b>1,755,512</b>           |
| Fund Balance/Net Position                     |                     |                         |                             |                     |                        |                            |
| Beginning of the year                         | 3,843,457           | 1,313,666               | (15)                        | 5,157,108           | (17,586,779)           | (12,429,671)               |
| <b>End of the year</b>                        | <b>\$ 4,848,542</b> | <b>\$ 1,391,093</b>     | <b>\$ (440)</b>             | <b>\$ 6,239,195</b> | <b>\$ (16,913,354)</b> | <b>\$ (10,674,159)</b>     |

See notes to basic financial statements.



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***Sedona Lakes Municipal Utility District No. 1 of Brazoria County***  
***Notes to Financial Statements***  
***October 31, 2022***

**Note 1 – Summary of Significant Accounting Policies**

The accounting policies of Sedona Lakes Municipal Utility District No. 1 of Brazoria County (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

**Creation**

The District was organized, created and established pursuant to an order of the Texas Commission on Environmental Quality, dated February 22, 2008, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on March 5, 2008 and the first bonds were issued on June 28, 2011.

The District’s primary activities include construction, maintenance and operation of water, sewer and drainage facilities and the construction of roads. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

**Reporting Entity**

The District is a political subdivision of the State of Texas governed by an elected five-member board. The GASB has established the criteria for determining the reporting entity for financial statement reporting purposes. To qualify as a primary government, a government must have a separately elected governing body, be legally separate, and be fiscally independent of other state and local governments, while a component unit is a legally separate government for which the elected officials of a primary government are financially accountable. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statements as component units.

**Government-Wide and Fund Financial Statements**

Government-wide financial statements display information about the District as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Interfund activity, if any, has been removed from these statements. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*.

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have many funds; however, governmental financial statements focus on the most important or “major” funds with non-major funds aggregated in a single column. The District has three governmental funds, which are all considered major funds.

*Sedona Lakes Municipal Utility District No. 1 of Brazoria County*  
*Notes to Financial Statements*  
*October 31, 2022*

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Government-Wide and Fund Financial Statements (continued)**

The following is a description of the various funds used by the District:

- The General Fund is used to account for the operations of the District’s water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes and water and sewer service fees. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District’s general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District’s water, sewer, drainage, and road facilities.

As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing an adjustments column for reconciling items between the two.

**Measurement Focus and Basis of Accounting**

The government-wide financial statements use the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, interest earned on investments and income from District operations. Property taxes receivable at the end of the fiscal year are treated as deferred inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

Note 2 further details the adjustments from the governmental fund presentation to the government-wide presentation.

**Use of Restricted Resources**

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At October 31, 2022, an allowance for uncollectible accounts was not considered necessary.

**Interfund Activity**

During the course of operations, transactions occur between individual funds. This can include internal transfers, payables and receivables. This activity is combined as internal balances and is eliminated in both the government-wide and fund financial statement presentation.

**Capital Assets**

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$50,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciable capital assets, which primarily consist of water, wastewater and drainage facilities, are depreciated using the straight-line method as follows:

| <u>Assets</u>    | <u>Useful Life</u> |
|------------------|--------------------|
| Infrastructure   | 20-45 years        |
| Other facilities | 20-30 years        |

The District’s detention facilities and drainage channels are considered improvements to land and are non-depreciable.

**Deferred Inflows and Outflows of Financial Resources**

A deferred inflow of financial resources is the acquisition of resources in one period that is applicable to a future period, while a deferred outflow of financial resources is the consumption of financial resources in one period that is applicable to a future period. A deferred inflow results from the acquisition of an asset without a corresponding revenue or assumption of a liability. A deferred outflow results from the use of an asset without a corresponding expenditure or reduction of a liability.

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Deferred Inflows and Outflows of Financial Resources (continued)**

At the fund level, property taxes receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources. Additionally, collections of the 2022 property tax levy are not considered current year revenues and, consequently, are also reported as deferred property taxes.

Deferred outflows of financial resources at the government-wide level are from a refunding bond transaction in which the amount required to repay the old debt exceeded the net carrying amount of the old debt. This amount is being amortized to interest expense. Deferred inflows of financial resources at the government-wide level consist of the 2022 property tax levy, which was levied to finance the 2023 fiscal year.

**Net Position – Governmental Activities**

Governmental accounting standards establish the following three components of net position:

Net investment in capital assets – represents the District’s investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets.

Restricted – consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties.

Unrestricted – resources not included in the other components.

**Fund Balances – Governmental Funds**

Governmental accounting standards establish the following fund balance classifications:

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

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District’s restricted fund balances consist of property taxes levied for debt service in the Debt Service Fund.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District does not have any committed fund balances.

*Sedona Lakes Municipal Utility District No. 1 of Brazoria County*  
*Notes to Financial Statements*  
*October 31, 2022*

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Fund Balances – Governmental Funds (continued)**

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

Unassigned - all other spendable amounts in the General Fund and deficit balances in other funds.

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

**Use of 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 and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the useful lives and impairment of capital assets; the value of amounts due to developer; and the value of capital assets for which the developer has not been fully reimbursed. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

*Sedona Lakes Municipal Utility District No. 1 of Brazoria County*  
*Notes to Financial Statements*  
*October 31, 2022*

**Note 2 – Adjustment from Governmental to Government-wide Basis**

**Reconciliation of the *Governmental Funds Balance Sheet* to the *Statement of Net Position***

|  |    |           |
|--|----|-----------|
| Total fund balance, governmental funds | \$ | 6,239,195 |
|--|----|-----------|

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

|                               |                    |            |
|-------------------------------|--------------------|------------|
| Historical cost               | \$ 25,515,836      |            |
| Less accumulated depreciation | <u>(4,546,817)</u> |            |
| Change due to capital assets  |                    | 20,969,019 |

The difference between the face amount of bonds refunded and the amount paid to the escrow agent is recorded as a deferred difference on refunding in the *Statement of Net Position* and amortized to interest expense. It is not recorded in the fund statements because it is not a financial resource.

|  |         |
|--|---------|
|  | 100,664 |
|--|---------|

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:

|                              |                  |              |
|------------------------------|------------------|--------------|
| Bonds payable, net           | (29,794,461)     |              |
| Interest payable on bonds    | <u>(154,148)</u> |              |
| Change due to long-term debt |                  | (29,948,609) |

Amounts due to the District's developer for prefunded construction are recorded as a liability in the *Statement of Net Position*.

|  |             |
|--|-------------|
|  | (8,044,031) |
|--|-------------|

The unavailable portion of property taxes receivable and collections of the 2022 property tax levy are reported as deferred inflows in the fund financial statements. In the government wide statements, however, deferred inflows consist of the entire 2022 property tax levy.

|   |                    |       |
|---|--------------------|-------|
| Fund level deferred property taxes            | 3,503,441          |       |
| Government wide level deferred property taxes | <u>(3,493,838)</u> |       |
|   |                    | 9,603 |

|  |    |                            |
|--|----|----------------------------|
| Total net position - governmental activities | \$ | <u><u>(10,674,159)</u></u> |
|--|----|----------------------------|

**Sedona Lakes Municipal Utility District No. 1 of Brazoria County**  
**Notes to Financial Statements**  
**October 31, 2022**

**Note 2 – Adjustment from Governmental to Government-wide Basis (continued)**

**Reconciliation of the *Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances* to the *Statement of Activities***

Net change in fund balances - total governmental funds \$ 1,082,087

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and penalties and interest. (1,414)

In the *Statement of Activities*, the cost of capital assets is charged to expense over the estimated useful life of the asset. (493,842)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Other elements of debt financing are reported differently between the fund and government wide statements.

|                          |           |           |
|--------------------------|-----------|-----------|
| Principal payments       | 1,170,000 |           |
| Interest expense accrual | (1,319)   |           |
|                          |           | 1,168,681 |

Change in net position of governmental activities \$ 1,755,512

**Note 3 – Deposits and Investments**

**Deposit Custodial Credit Risk**

Custodial credit risk as it applies to deposits (i.e. cash and certificates of deposit) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the District’s deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third-party custodian. The act further specifies the types of securities that can be used as collateral. The District’s written investment policy establishes additional requirements for collateralization of deposits.



*Sedona Lakes Municipal Utility District No. 1 of Brazoria County*  
*Notes to Financial Statements*  
*October 31, 2022*

**Note 3 – Deposits and Investments (continued)**

**Investments**

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) certain insured or collateralized certificates of deposit and share certificates, (8) certain fully collateralized repurchase agreements, (9) bankers’ acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The District has adopted a written investment policy to establish the principles by which the District’s investment program should be managed. This policy further restricts the types of investments in which the District may invest.

As of October 31, 2022, the District’s investments consist of the following:

| <u>Type</u>             | <u>Fund</u>  | <u>Carrying Value</u> |
|-------------------------|--------------|-----------------------|
| Certificates of deposit | General      | \$ 4,245,000          |
|                         | Debt Service | 1,145,000             |
| Total                   |              | <u>\$ 5,390,000</u>   |

The District’s investments in certificates of deposit are reported at cost.

**Note 4 – Interfund Balances and Transactions**

Amounts due to/from other funds at October 31, 2022, consist of the following:

| <u>Receivable Fund</u> | <u>Payable Fund</u>   | <u>Amounts</u> | <u>Purpose</u>   |
|------------------------|-----------------------|----------------|--|
| Debt Service Fund      | General Fund          | \$ 749         | Tax transfers in excess of maintenance tax collections |
| General Fund           | Capital Projects Fund | 200            | Bank service fees paid by the General Fund             |

Amounts reported as internal balances between funds are considered temporary balances and will be paid during the following fiscal year.

**Sedona Lakes Municipal Utility District No. 1 of Brazoria County**  
**Notes to Financial Statements**  
**October 31, 2022**

**Note 5 – Capital Assets**

A summary of changes in capital assets, for the year ended October 31, 2022, is as follows:

|                                      | Beginning<br>Balances | Additions/<br>Adjustments | Ending<br>Balances   |
|--------------------------------------|-----------------------|---------------------------|----------------------|
| Capital assets not being depreciated |                       |                           |                      |
| Land and improvements                | \$ 4,914,112          | \$ -                      | \$ 4,914,112         |
| Capital assets being depreciated     |                       |                           |                      |
| Infrastructure                       | 18,644,236            |                           | 18,644,236           |
| Other facilities                     | 1,957,488             |                           | 1,957,488            |
|                                      | <u>20,601,724</u>     |                           | <u>20,601,724</u>    |
| Less accumulated depreciation        |                       |                           |                      |
| Infrastructure                       | (3,225,442)           | (416,175)                 | (3,641,617)          |
| Other facilities                     | (827,533)             | (77,667)                  | (905,200)            |
|                                      | <u>(4,052,975)</u>    | <u>(493,842)</u>          | <u>(4,546,817)</u>   |
| Depreciable capital assets, net      | <u>16,548,749</u>     | <u>(493,842)</u>          | <u>16,054,907</u>    |
| Capital assets, net                  | <u>\$ 21,462,861</u>  | <u>\$ (493,842)</u>       | <u>\$ 20,969,019</u> |

Depreciation expense for the current year was \$493,842.

**Note 6 – Due to Developers**

The District has entered into financing agreements with its developer for the financing of the construction of water, sewer, drainage, and park and recreational facilities, and road improvements. Under the agreements, the developers will advance funds for the construction of facilities to serve the District. The developers will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable. The District does not record the capital asset and related liability on the government-wide statements until construction of the facilities is complete. The initial cost is estimated based on construction costs plus 10-15% for engineering and other fees. Estimates are trued up when the developer is reimbursed.

The amount due to developer at October 31, 2022 is approximately \$8,044,031. There was no change in this liability from the prior year.

In addition, the District’s developer has requested reimbursement of approximately \$6 million for projects completed in previous years that are not included in the amount reported as due to developer. Reimbursement of these amounts is a contingent liability of the District pending approval of the projects by the Board of Directors, approval of a bond application by TCEQ and verification of costs by the District’s independent auditor.

*Sedona Lakes Municipal Utility District No. 1 of Brazoria County*  
*Notes to Financial Statements*  
*October 31, 2022*

**Note 7 – Long-Term Debt**

Long-term debt is comprised of the following:

|                       |                      |
|-----------------------|----------------------|
| Bonds payable         | \$ 29,780,000        |
| Unamortized discounts | (215,695)            |
| Unamortized premium   | 230,156              |
|                       | <u>\$ 29,794,461</u> |
| Due within one year   | <u>\$ 1,205,000</u>  |

The District’s bonds payable at October 31, 2022, consists of unlimited tax bonds as follows:

| Series            | Amounts<br>Outstanding | Original<br>Issue | Interest<br>Rates | Maturity Date,<br>Serially,<br>Beginning/<br>Ending | Interest<br>Payment<br>Dates | Call<br>Dates        |
|-------------------|------------------------|-------------------|-------------------|---|------------------------------|----------------------|
| 2012              | \$ -                   | \$ 4,335,000      | 2.80% - 2.90%     | September 1,<br>2014/2036                           | March 1,<br>September 1      | September 1,<br>2020 |
| 2014              | 3,090,000              | 3,790,000         | 2.50% - 4.50%     | September 1,<br>2016/2039                           | March 1,<br>September 1      | September 1,<br>2022 |
| 2015              | 3,935,000              | 4,920,000         | 2.00% - 4.00%     | September 1,<br>2016/2040                           | March 1,<br>September 1      | September 1,<br>2023 |
| 2015<br>Road      | 2,705,000              | 3,190,000         | 2.00% - 4.00%     | September 1,<br>2018/2040                           | March 1,<br>September 1      | September 1,<br>2023 |
| 2017              | 4,570,000              | 5,480,000         | 2.00% - 3.75%     | September 1,<br>2017/2041                           | March 1,<br>September 1      | September 1,<br>2025 |
| 2017<br>Road      | 2,260,000              | 2,620,000         | 2.00% - 3.50%     | September 1,<br>2018/2042                           | March 1,<br>September 1      | September 1,<br>2025 |
| 2019              | 2,075,000              | 2,265,000         | 3.00% - 4.00%     | September 1,<br>2020/2043                           | March 1,<br>September 1      | September 1,<br>2025 |
| 2019<br>Refunding | 2,215,000              | 2,470,000         | 3.00% - 4.00%     | September 1,<br>2020/2035                           | March 1,<br>September 1      | September 1,<br>2025 |
| 2020              | 2,510,000              | 2,700,000         | 2.00% - 2.50%     | September 1,<br>2021/2044                           | March 1,<br>September 1      | September 1,<br>2028 |
| 2020<br>Refunding | 3,200,000              | 3,250,000         | 2.00% - 2.125%    | September 1,<br>2021/2036                           | March 1,<br>September 1      | September 1,<br>2028 |
| 2021<br>Road      | 3,220,000              | 3,370,000         | 2.00% - 3.00%     | September 1,<br>2021/2045                           | March 1,<br>September 1      | September 1,<br>2026 |
|                   | <u>\$ 29,780,000</u>   |                   |                   |   |                              |                      |

*Sedona Lakes Municipal Utility District No. 1 of Brazoria County*  
*Notes to Financial Statements*  
*October 31, 2022*

**Note 7 – Long-Term Debt (continued)**

Payments of principal and interest on all series of bonds are to be provided from taxes levied on all properties within the District. Investment income realized by the Debt Service Fund from investment of idle funds will be used to pay outstanding bond principal and interest. The District is in compliance with the terms of its bond resolutions.

At October 31, 2022, the District had authorized but unissued bonds in the amount of \$77,227,041 for water, sewer and drainage facilities; \$9,000,000 for park and recreational facilities; \$70,820,000 for road improvements; and \$270,280,000 for refunding purposes.

The change in the District’s long-term debt during the year is as follows:

|                                  |                             |
|----------------------------------|-----------------------------|
| Bonds payable, beginning of year | \$ 30,950,000               |
| Bonds retired                    | <u>(1,170,000)</u>          |
| Bonds payable, end of year       | <u><u>\$ 29,780,000</u></u> |

As of October 31, 2022, annual debt service requirements on bonds outstanding are as follows:

| Year | Principal                   | Interest                    | Totals                      |
|------|-----------------------------|-----------------------------|-----------------------------|
| 2023 | \$ 1,205,000                | \$ 924,889                  | \$ 2,129,889                |
| 2024 | 1,255,000                   | 894,956                     | 2,149,956                   |
| 2025 | 1,290,000                   | 862,307                     | 2,152,307                   |
| 2026 | 1,345,000                   | 824,231                     | 2,169,231                   |
| 2027 | 1,395,000                   | 784,159                     | 2,179,159                   |
| 2028 | 1,445,000                   | 743,221                     | 2,188,221                   |
| 2029 | 1,490,000                   | 700,272                     | 2,190,272                   |
| 2030 | 1,555,000                   | 655,160                     | 2,210,160                   |
| 2031 | 1,600,000                   | 607,974                     | 2,207,974                   |
| 2032 | 1,675,000                   | 558,947                     | 2,233,947                   |
| 2033 | 1,725,000                   | 506,869                     | 2,231,869                   |
| 2034 | 1,790,000                   | 451,962                     | 2,241,962                   |
| 2035 | 1,860,000                   | 394,070                     | 2,254,070                   |
| 2036 | 1,705,000                   | 333,432                     | 2,038,432                   |
| 2037 | 1,480,000                   | 280,339                     | 1,760,339                   |
| 2038 | 1,530,000                   | 228,809                     | 1,758,809                   |
| 2039 | 1,585,000                   | 175,008                     | 1,760,008                   |
| 2040 | 1,380,000                   | 117,570                     | 1,497,570                   |
| 2041 | 920,000                     | 69,926                      | 989,926                     |
| 2042 | 600,000                     | 40,625                      | 640,625                     |
| 2043 | 450,000                     | 23,437                      | 473,437                     |
| 2044 | 320,000                     | 11,612                      | 331,612                     |
| 2045 | 180,000                     | 4,050                       | 184,050                     |
|      | <u><u>\$ 29,780,000</u></u> | <u><u>\$ 10,193,819</u></u> | <u><u>\$ 39,973,819</u></u> |

***Sedona Lakes Municipal Utility District No. 1 of Brazoria County***  
***Notes to Financial Statements***  
***October 31, 2022***

**Note 8 – Property Taxes**

On May 10, 2008, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.25 per \$100 of assessed value and recreational facilities maintenance limited to \$0.10 per \$100 of assessed value. On November 3, 2009, the District voted to authorize road bonds and a tax rate with no limitation. 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 and exempt status, if any, are determined by the Brazoria County Appraisal District. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2022 fiscal year was financed through the 2021 tax levy, pursuant to which the District levied property taxes of \$1.23 per \$100 of assessed value, of which \$0.40 was allocated to maintenance and operations, \$0.625 was allocated to water, sewer, and drainage debt service, and \$0.205 was allocated to road debt service. The resulting tax levy was \$3,293,763 on the adjusted taxable value of \$267,785,634.

Property taxes levied each October are intended to finance the next fiscal year and are, therefore, not considered available for the District’s use during the current fiscal year. On the government-wide *Statement of Net Position*, the full 2022 tax levy of \$3,493,838 is reported as deferred inflows. These amounts will be recognized as revenue in 2023.

Total property taxes receivable, at October 31, 2022, consisted of the following:

|                                 |                            |
|---------------------------------|----------------------------|
| Current year taxes receivable   | \$ 3,493,838               |
| Prior years taxes receivable    | 7,805                      |
|                                 | <u>3,501,643</u>           |
| Penalty and interest receivable | 1,798                      |
| Total property taxes receivable | <u><u>\$ 3,503,441</u></u> |

**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 personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

## **Required Supplementary Information**

*Sedona Lakes Municipal Utility District No. 1 of Brazoria County*  
*Required Supplementary Information - Budgetary Comparison Schedule - General Fund*  
*For the Year Ended October 31, 2022*

|                                   | Original and<br>Final Budget | Actual              | Variance<br>Positive<br>(Negative) |
|-----------------------------------|------------------------------|---------------------|------------------------------------|
| <b>Revenues</b>                   |                              |                     |                                    |
| Water service                     | \$ 306,000                   | \$ 377,440          | \$ 71,440                          |
| Sewer service                     | 430,000                      | 476,711             | 46,711                             |
| Property taxes                    | 1,000,350                    | 1,071,637           | 71,287                             |
| Penalties and interest            | 10,000                       | 17,876              | 7,876                              |
| Tap connection and inspection     | 1,750                        | 149,095             | 147,345                            |
| Miscellaneous                     | 5,000                        | 5,353               | 353                                |
| Investment earnings               | 5,000                        | 29,943              | 24,943                             |
| Total Revenues                    | <u>1,758,100</u>             | <u>2,128,055</u>    | <u>369,955</u>                     |
| <b>Expenditures</b>               |                              |                     |                                    |
| Current service operations        |                              |                     |                                    |
| Professional fees                 | 751,500                      | 134,209             | 617,291                            |
| Contracted services               | 258,000                      | 328,336             | (70,336)                           |
| Repairs and maintenance           | 537,000                      | 495,709             | 41,291                             |
| Utilities                         | 60,650                       | 69,772              | (9,122)                            |
| Administrative                    | 52,690                       | 43,086              | 9,604                              |
| Other                             | 7,000                        | 51,858              | (44,858)                           |
| Total Expenditures                | <u>1,666,840</u>             | <u>1,122,970</u>    | <u>543,870</u>                     |
| <b>Revenues Over Expenditures</b> | 91,260                       | 1,005,085           | 913,825                            |
| <b>Fund Balance</b>               |                              |                     |                                    |
| Beginning of the year             | 3,843,457                    | 3,843,457           |                                    |
| <b>End of the year</b>            | <u>\$ 3,934,717</u>          | <u>\$ 4,848,542</u> | <u>\$ 913,825</u>                  |

*Sedona Lakes Municipal Utility District No. 1 of Brazoria County*  
*Notes to Required Supplementary Information*  
*October 31, 2022*

**Budgets and Budgetary Accounting**

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. There were no amendments to the budget during the year.



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## **Texas Supplementary Information**

**Sedona Lakes Municipal Utility District No. 1 of Brazoria County**  
**TSI-1. Services and Rates**  
**October 31, 2022**

1. Services provided by the District During the Fiscal Year:

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

2. Retail Service Providers

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

|             | Minimum Charge | Minimum Usage | Flat Rate (Y / N) | Rate per 1,000 Gallons Over Minimum Usage | Usage Levels       |
|-------------|----------------|---------------|-------------------|---|--------------------|
| Water:      | \$ 32.00       | 10,000        | N                 | \$ 2.90                                   | 10,001 to 20,000   |
|             |                |               |                   | \$ 3.50                                   | 20,001 to 25,000   |
|             |                |               |                   | \$ 4.40                                   | 25,001 to no limit |
| Wastewater: | \$ 32.00       | 10,000        | N                 | \$ 1.50                                   | 10,001 to 20,000   |
|             |                |               |                   | \$ 1.75                                   | 20,001 to 25,000   |
|             |                |               |                   | \$ 2.00                                   | 25,001 to no limit |

District employs winter averaging for wastewater usage?  Yes  No

Total charges per 10,000 gallons usage: Water \$ 32.00 Wastewater \$ 32.00

b. Water and Wastewater Retail Connections:

| Meter Size       | Total Connections | Active Connections | ESFC Factor | Active ESFC'S |
|------------------|-------------------|--------------------|-------------|---------------|
| Unmetered        |                   |                    | x 1.0       |               |
| less than 3/4"   | 482               | 482                | x 1.0       | 482           |
| 1"               | 174               | 174                | x 2.5       | 435           |
| 1.5"             | 4                 | 4                  | x 5.0       | 20            |
| 2"               | 18                | 17                 | x 8.0       | 136           |
| 3"               | 2                 | 2                  | x 15.0      | 30            |
| 4"               |                   |                    | x 25.0      |               |
| 6"               |                   |                    | x 50.0      |               |
| 8"               |                   |                    | x 80.0      |               |
| 10"              |                   |                    | x 115.0     |               |
| Total Water      | 680               | 679                |             | 1,103         |
| Total Wastewater | 659               | 658                | x 1.0       | 658           |

See accompanying auditor's report.

***Sedona Lakes Municipal Utility District No. 1 of Brazoria County***  
***TSI-1. Services and Rates***  
***October 31, 2022***

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):

|                                      |                    |  |
|--------------------------------------|--------------------|--|
| Gallons pumped into system:          | <u>119,152,000</u> | Water Accountability Ratio:<br>(Gallons billed / Gallons pumped) |
| Gallons provided by another district | <u>44,000</u>      |  |
| Gallons billed to customers:         | <u>118,591,000</u> | <u>99.49%</u>  |

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes  No

If yes, Date of the most recent commission Order: \_\_\_\_\_

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

If yes, Date of the most recent commission Order: \_\_\_\_\_

5. Location of District:

Is the District located entirely within one county? Yes  No

County(ies) in which the District is located: Brazoria County

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

City(ies) in which the District is located: \_\_\_\_\_

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

Entirely  Partly  Not at all

ETJs in which the District is located: City of Manvel

Are Board members appointed by an office outside the district? Yes  No

If Yes, by whom? \_\_\_\_\_

See accompanying auditors' report.

*Sedona Lakes Municipal Utility District No. 1 of Brazoria County*  
*TSI-2. General Fund Expenditures*  
*For the Year Ended October 31, 2022*

|                               |                     |
|-------------------------------|---------------------|
| Professional fees             |                     |
| Legal                         | \$ 77,996           |
| Audit                         | 12,000              |
| Engineering                   | 44,213              |
|                               | <u>134,209</u>      |
| Contracted services           |                     |
| Bookkeeping                   | 13,379              |
| Operator                      | 74,130              |
| Garbage collection            | 169,950             |
| Tap connection and inspection | 57,826              |
| Sludge removal                | 13,051              |
|                               | <u>328,336</u>      |
| Repairs and maintenance       | <u>495,709</u>      |
| Utilities                     | <u>69,772</u>       |
| Administrative                |                     |
| Directors fees                | 8,563               |
| Insurance                     | 25,797              |
| Other                         | 8,726               |
|                               | <u>43,086</u>       |
| Other                         | <u>51,858</u>       |
| Total expenditures            | <u>\$ 1,122,970</u> |

See accompanying auditors' report.

*Sedona Lakes Municipal Utility District No. 1 of Brazoria County*  
*TSI-3. Investments*  
*October 31, 2022*

| Fund                   | Interest<br>Rate | Maturity<br>Date | Balance at End<br>of Year | Interest<br>Receivable |
|------------------------|------------------|------------------|---------------------------|------------------------|
| General                |                  |                  |                           |                        |
| Certificate of deposit | 0.50%            | 11/22/22         | \$ 245,000                | \$ 554                 |
| Certificate of deposit | 2.70%            | 02/22/23         | 4,000,000                 | 20,712                 |
|                        |                  |                  | <u>4,245,000</u>          | <u>21,266</u>          |
| Debt Service           |                  |                  |                           |                        |
| Certificate of deposit | 2.70%            | 02/22/23         | 600,000                   | 3,107                  |
| Certificate of deposit | 3.00%            | 04/22/23         | 300,000                   | 222                    |
| Certificate of deposit | 2.75%            | 02/22/23         | 245,000                   | 1,292                  |
|                        |                  |                  | <u>1,145,000</u>          | <u>4,621</u>           |
| Total - All Funds      |                  |                  | <u>\$ 5,390,000</u>       | <u>\$ 25,887</u>       |

See accompanying auditors' report.

**Sedona Lakes Municipal Utility District No. 1 of Brazoria County**  
**TSI-4. Taxes Levied and Receivable**  
**October 31, 2022**

|   | Maintenance<br>Taxes | Road Debt<br>Service Taxes | W-S-D Debt<br>Service Taxes | Totals         |
|---|----------------------|----------------------------|-----------------------------|----------------|
| Taxes Receivable, Beginning of Year                 | \$ 1,058,364         | \$ 542,269                 | \$ 1,653,845                | \$ 3,254,478   |
| Adjustments   | (685)                | (347)                      | (1,074)                     | (2,106)        |
| Adjusted Receivable                                 | 1,057,679            | 541,922                    | 1,652,771                   | 3,252,372      |
| 2022 Original Tax Levy                              | 943,845              | 471,922                    | 1,743,491                   | 3,159,258      |
| Adjustments   | 99,957               | 49,979                     | 184,644                     | 334,580        |
| Adjusted Tax Levy                                   | 1,043,802            | 521,901                    | 1,928,135                   | 3,493,838      |
| Total to be accounted for                           | 2,101,481            | 1,063,823                  | 3,580,906                   | 6,746,210      |
| Tax collections                                     |                      |                            |                             |                |
| 2022  | -                    | -                          | -                           | -              |
| Prior years   | 1,055,134            | 540,642                    | 1,648,791                   | 3,244,567      |
| Total Collections                                   | 1,055,134            | 540,642                    | 1,648,791                   | 3,244,567      |
| Taxes Receivable, End of Year                       | \$ 1,046,347         | \$ 523,181                 | \$ 1,932,115                | \$ 3,501,643   |
| Taxes Receivable, By Years                          |                      |                            |                             |                |
| 2022  | \$ 1,043,802         | \$ 521,901                 | \$ 1,928,135                | \$ 3,493,838   |
| 2021  | 2,142                | 1,098                      | 3,346                       | 6,586          |
| 2020  | 358                  | 168                        | 580                         | 1,106          |
| 2019 and prior                                      | 45                   | 14                         | 54                          | 113            |
| Taxes Receivable, End of Year                       | \$ 1,046,347         | \$ 523,181                 | \$ 1,932,115                | \$ 3,501,643   |
|   | 2022                 | 2021                       | 2020                        | 2019           |
| Property Valuations                                 |                      |                            |                             |                |
| Land  | \$ 52,886,020        | \$ 53,767,340              | \$ 53,432,600               | \$ 54,575,530  |
| Improvements  | 250,665,850          | 225,284,890                | 214,773,519                 | 197,859,229    |
| Personal Property                                   | 5,822,180            | 6,119,160                  | 5,864,370                   | 5,640,970      |
| Exemptions  | (19,428,988)         | (17,385,756)               | (16,650,608)                | (13,768,173)   |
| Total Property Valuations                           | \$ 289,945,062       | \$ 267,785,634             | \$ 257,419,881              | \$ 244,307,556 |
| Tax Rates per \$100 Valuation                       |                      |                            |                             |                |
| Maintenance tax rates                               | \$ 0.360             | \$ 0.400                   | \$ 0.405                    | \$ 0.50        |
| Road debt service tax rates                         | 0.180                | 0.205                      | 0.190                       | 0.15           |
| W-S-D debt service tax rates                        | 0.665                | 0.625                      | 0.655                       | 0.60           |
| Total Tax Rates per \$100 Valuation                 | \$ 1.205             | \$ 1.230                   | \$ 1.25                     | \$ 1.250       |
| Adjusted Tax Levy                                   | \$ 3,493,838         | \$ 3,293,763               | \$ 3,217,749                | \$ 3,053,844   |
| Percentage of Taxes Collected<br>to Taxes Levied ** | 0.00%                | 99.80%                     | 99.99%                      | 100.00%        |

\* Maximum Maintenance Tax Rate Approved by Voters: \$1.25 on May 10, 2008

\* Maximum Recreational Facilities Maintenance Tax Rate Approved by Voters: \$0.10 on May 10, 2008

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

See accompanying auditors' report.

*Sedona Lakes Municipal Utility District No. 1 of Brazoria County*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2014--by Years*  
*October 31, 2022*

| Due During Fiscal<br>Years Ending | Principal Due<br>September 1 | Interest Due<br>March 1,<br>September 1 | Total               |
|-----------------------------------|------------------------------|---|---------------------|
| 2023                              | \$ 120,000                   | \$ 129,345                              | \$ 249,345          |
| 2024                              | 125,000                      | 125,625                                 | 250,625             |
| 2025                              | 130,000                      | 121,500                                 | 251,500             |
| 2026                              | 140,000                      | 116,950                                 | 256,950             |
| 2027                              | 145,000                      | 111,840                                 | 256,840             |
| 2028                              | 155,000                      | 106,403                                 | 261,403             |
| 2029                              | 160,000                      | 100,203                                 | 260,203             |
| 2030                              | 170,000                      | 93,643                                  | 263,643             |
| 2031                              | 175,000                      | 86,630                                  | 261,630             |
| 2032                              | 185,000                      | 79,280                                  | 264,280             |
| 2033                              | 195,000                      | 71,325                                  | 266,325             |
| 2034                              | 205,000                      | 62,550                                  | 267,550             |
| 2035                              | 215,000                      | 53,325                                  | 268,325             |
| 2036                              | 225,000                      | 43,650                                  | 268,650             |
| 2037                              | 235,000                      | 33,525                                  | 268,525             |
| 2038                              | 250,000                      | 22,950                                  | 272,950             |
| 2039                              | 260,000                      | 11,700                                  | 271,700             |
|                                   | <u>\$ 3,090,000</u>          | <u>\$ 1,370,443</u>                     | <u>\$ 4,460,443</u> |

See accompanying auditors' report.



*Sedona Lakes Municipal Utility District No. 1 of Brazoria County*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2015--by Years*  
*October 31, 2022*

| Due During Fiscal<br>Years Ending | Principal Due<br>September 1 | Interest Due<br>March 1,<br>September 1 | Total               |
|-----------------------------------|------------------------------|---|---------------------|
| 2023                              | \$ 155,000                   | \$ 127,356                              | \$ 282,356          |
| 2024                              | 165,000                      | 123,869                                 | 288,869             |
| 2025                              | 170,000                      | 119,744                                 | 289,744             |
| 2026                              | 175,000                      | 115,069                                 | 290,069             |
| 2027                              | 180,000                      | 110,256                                 | 290,256             |
| 2028                              | 190,000                      | 104,856                                 | 294,856             |
| 2029                              | 195,000                      | 99,156                                  | 294,156             |
| 2030                              | 205,000                      | 93,306                                  | 298,306             |
| 2031                              | 210,000                      | 87,156                                  | 297,156             |
| 2032                              | 220,000                      | 80,856                                  | 300,856             |
| 2033                              | 225,000                      | 73,981                                  | 298,981             |
| 2034                              | 235,000                      | 66,950                                  | 301,950             |
| 2035                              | 245,000                      | 59,313                                  | 304,313             |
| 2036                              | 255,000                      | 51,350                                  | 306,350             |
| 2037                              | 265,000                      | 43,064                                  | 308,064             |
| 2038                              | 270,000                      | 33,126                                  | 303,126             |
| 2039                              | 280,000                      | 23,000                                  | 303,000             |
| 2040                              | 295,000                      | 11,800                                  | 306,800             |
|                                   | <u>\$ 3,935,000</u>          | <u>\$ 1,424,208</u>                     | <u>\$ 5,359,208</u> |

See accompanying auditors' report.

*Sedona Lakes Municipal Utility District No. 1 of Brazoria County*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2015 Road--by Years*  
*October 31, 2022*

| Due During Fiscal<br>Years Ending | Principal Due<br>September 1 | Interest Due<br>March 1,<br>September 1 | Total               |
|-----------------------------------|------------------------------|---|---------------------|
| 2023                              | \$ 110,000                   | \$ 92,031                               | \$ 202,031          |
| 2024                              | 110,000                      | 89,281                                  | 199,281             |
| 2025                              | 115,000                      | 86,531                                  | 201,531             |
| 2026                              | 120,000                      | 83,081                                  | 203,081             |
| 2027                              | 125,000                      | 79,481                                  | 204,481             |
| 2028                              | 130,000                      | 75,731                                  | 205,731             |
| 2029                              | 135,000                      | 71,831                                  | 206,831             |
| 2030                              | 140,000                      | 67,444                                  | 207,444             |
| 2031                              | 145,000                      | 62,894                                  | 207,894             |
| 2032                              | 150,000                      | 58,181                                  | 208,181             |
| 2033                              | 155,000                      | 53,306                                  | 208,306             |
| 2034                              | 160,000                      | 48,075                                  | 208,075             |
| 2035                              | 170,000                      | 42,675                                  | 212,675             |
| 2036                              | 175,000                      | 36,725                                  | 211,725             |
| 2037                              | 180,000                      | 30,600                                  | 210,600             |
| 2038                              | 190,000                      | 23,400                                  | 213,400             |
| 2039                              | 195,000                      | 15,800                                  | 210,800             |
| 2040                              | 200,000                      | 8,000                                   | 208,000             |
|                                   | <u>\$ 2,705,000</u>          | <u>\$ 1,025,067</u>                     | <u>\$ 3,730,067</u> |

See accompanying auditors' report.

*Sedona Lakes Municipal Utility District No. 1 of Brazoria County*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2017--by Years*  
*October 31, 2022*

| Due During Fiscal<br>Years Ending | Principal Due<br>September 1 | Interest Due<br>March 1,<br>September 1 | Total               |
|-----------------------------------|------------------------------|---|---------------------|
| 2023                              | \$ 165,000                   | \$ 153,300                              | \$ 318,300          |
| 2024                              | 170,000                      | 149,175                                 | 319,175             |
| 2025                              | 180,000                      | 144,075                                 | 324,075             |
| 2026                              | 185,000                      | 138,675                                 | 323,675             |
| 2027                              | 195,000                      | 133,125                                 | 328,125             |
| 2028                              | 200,000                      | 127,275                                 | 327,275             |
| 2029                              | 210,000                      | 121,275                                 | 331,275             |
| 2030                              | 220,000                      | 114,713                                 | 334,713             |
| 2031                              | 225,000                      | 107,838                                 | 332,838             |
| 2032                              | 235,000                      | 100,525                                 | 335,525             |
| 2033                              | 245,000                      | 92,888                                  | 337,888             |
| 2034                              | 255,000                      | 84,313                                  | 339,313             |
| 2035                              | 265,000                      | 75,388                                  | 340,388             |
| 2036                              | 275,000                      | 66,113                                  | 341,113             |
| 2037                              | 285,000                      | 56,488                                  | 341,488             |
| 2038                              | 295,000                      | 46,513                                  | 341,513             |
| 2039                              | 310,000                      | 36,188                                  | 346,188             |
| 2040                              | 320,000                      | 24,563                                  | 344,563             |
| 2041                              | 335,000                      | 12,563                                  | 347,563             |
|                                   | <u>\$ 4,570,000</u>          | <u>\$ 1,784,988</u>                     | <u>\$ 6,354,988</u> |

See accompanying auditors' report.

*Sedona Lakes Municipal Utility District No. 1 of Brazoria County*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2017 Road--by Years*  
*October 31, 2022*

| Due During Fiscal<br>Years Ending | Principal Due<br>September 1 | Interest Due<br>March 1,<br>September 1 | Total               |
|-----------------------------------|------------------------------|---|---------------------|
| 2023                              | \$ 75,000                    | \$ 72,306                               | \$ 147,306          |
| 2024                              | 80,000                       | 70,056                                  | 150,056             |
| 2025                              | 80,000                       | 67,656                                  | 147,656             |
| 2026                              | 85,000                       | 65,256                                  | 150,256             |
| 2027                              | 90,000                       | 62,706                                  | 152,706             |
| 2028                              | 95,000                       | 60,006                                  | 155,006             |
| 2029                              | 95,000                       | 57,156                                  | 152,156             |
| 2030                              | 100,000                      | 54,306                                  | 154,306             |
| 2031                              | 105,000                      | 51,306                                  | 156,306             |
| 2032                              | 110,000                      | 48,156                                  | 158,156             |
| 2033                              | 115,000                      | 44,719                                  | 159,719             |
| 2034                              | 115,000                      | 41,125                                  | 156,125             |
| 2035                              | 120,000                      | 37,388                                  | 157,388             |
| 2036                              | 125,000                      | 33,488                                  | 158,488             |
| 2037                              | 130,000                      | 29,425                                  | 159,425             |
| 2038                              | 135,000                      | 25,200                                  | 160,200             |
| 2039                              | 140,000                      | 20,813                                  | 160,813             |
| 2040                              | 150,000                      | 16,088                                  | 166,088             |
| 2041                              | 155,000                      | 11,025                                  | 166,025             |
| 2042                              | 160,000                      | 5,600                                   | 165,600             |
|                                   | <u>\$ 2,260,000</u>          | <u>\$ 873,781</u>                       | <u>\$ 3,133,781</u> |

See accompanying auditors' report.

*Sedona Lakes Municipal Utility District No. 1 of Brazoria County*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2019--by Years*  
*October 31, 2022*

| Due During Fiscal<br>Years Ending | Principal Due<br>September 1 | Interest Due<br>March 1,<br>September 1 | Total               |
|-----------------------------------|------------------------------|---|---------------------|
| 2023                              | \$ 65,000                    | \$ 74,263                               | \$ 139,263          |
| 2024                              | 70,000                       | 72,313                                  | 142,313             |
| 2025                              | 70,000                       | 70,213                                  | 140,213             |
| 2026                              | 75,000                       | 67,413                                  | 142,413             |
| 2027                              | 75,000                       | 64,413                                  | 139,413             |
| 2028                              | 80,000                       | 61,413                                  | 141,413             |
| 2029                              | 85,000                       | 58,213                                  | 143,213             |
| 2030                              | 85,000                       | 54,812                                  | 139,812             |
| 2031                              | 90,000                       | 51,412                                  | 141,412             |
| 2032                              | 95,000                       | 47,812                                  | 142,812             |
| 2033                              | 95,000                       | 44,012                                  | 139,012             |
| 2034                              | 100,000                      | 40,212                                  | 140,212             |
| 2035                              | 105,000                      | 36,212                                  | 141,212             |
| 2036                              | 110,000                      | 32,012                                  | 142,012             |
| 2037                              | 115,000                      | 28,437                                  | 143,437             |
| 2038                              | 115,000                      | 24,700                                  | 139,700             |
| 2039                              | 120,000                      | 20,962                                  | 140,962             |
| 2040                              | 125,000                      | 17,062                                  | 142,062             |
| 2041                              | 130,000                      | 13,000                                  | 143,000             |
| 2042                              | 135,000                      | 8,775                                   | 143,775             |
| 2043                              | 135,000                      | 4,387                                   | 139,387             |
|                                   | <u>\$ 2,075,000</u>          | <u>\$ 892,048</u>                       | <u>\$ 2,967,048</u> |

See accompanying auditors' report.

*Sedona Lakes Municipal Utility District No. 1 of Brazoria County*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2019 Refunding--by Years*  
*October 31, 2022*

| Due During Fiscal<br>Years Ending | Principal Due<br>September 1 | Interest Due<br>March 1,<br>September 1 | Total               |
|-----------------------------------|------------------------------|---|---------------------|
| 2023                              | \$ 135,000                   | \$ 85,900                               | \$ 220,900          |
| 2024                              | 135,000                      | 81,850                                  | 216,850             |
| 2025                              | 140,000                      | 77,800                                  | 217,800             |
| 2026                              | 150,000                      | 72,200                                  | 222,200             |
| 2027                              | 155,000                      | 66,200                                  | 221,200             |
| 2028                              | 160,000                      | 60,000                                  | 220,000             |
| 2029                              | 165,000                      | 53,600                                  | 218,600             |
| 2030                              | 175,000                      | 47,000                                  | 222,000             |
| 2031                              | 180,000                      | 40,000                                  | 220,000             |
| 2032                              | 195,000                      | 32,800                                  | 227,800             |
| 2033                              | 200,000                      | 25,000                                  | 225,000             |
| 2034                              | 205,000                      | 17,000                                  | 222,000             |
| 2035                              | 220,000                      | 8,800                                   | 228,800             |
|                                   | <u>\$ 2,215,000</u>          | <u>\$ 668,150</u>                       | <u>\$ 2,883,150</u> |

See accompanying auditors' report.

*Sedona Lakes Municipal Utility District No. 1 of Brazoria County*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2020--by Years*  
*October 31, 2022*

| Due During Fiscal<br>Years Ending | Principal Due<br>September 1 | Interest Due<br>March 1,<br>September 1 | Total               |
|-----------------------------------|------------------------------|---|---------------------|
| 2023                              | \$ 90,000                    | \$ 55,413                               | \$ 145,413          |
| 2024                              | 95,000                       | 53,612                                  | 148,612             |
| 2025                              | 95,000                       | 51,713                                  | 146,713             |
| 2026                              | 95,000                       | 49,812                                  | 144,812             |
| 2027                              | 100,000                      | 47,913                                  | 147,913             |
| 2028                              | 100,000                      | 45,912                                  | 145,912             |
| 2029                              | 100,000                      | 43,913                                  | 143,913             |
| 2030                              | 105,000                      | 41,912                                  | 146,912             |
| 2031                              | 105,000                      | 39,813                                  | 144,813             |
| 2032                              | 110,000                      | 37,712                                  | 147,712             |
| 2033                              | 110,000                      | 35,513                                  | 145,513             |
| 2034                              | 115,000                      | 33,312                                  | 148,312             |
| 2035                              | 115,000                      | 30,869                                  | 145,869             |
| 2036                              | 120,000                      | 28,425                                  | 148,425             |
| 2037                              | 120,000                      | 25,875                                  | 145,875             |
| 2038                              | 125,000                      | 22,995                                  | 147,995             |
| 2039                              | 125,000                      | 19,995                                  | 144,995             |
| 2040                              | 130,000                      | 16,995                                  | 146,995             |
| 2041                              | 135,000                      | 13,875                                  | 148,875             |
| 2042                              | 135,000                      | 10,500                                  | 145,500             |
| 2043                              | 140,000                      | 7,125                                   | 147,125             |
| 2044                              | 145,000                      | 3,625                                   | 148,625             |
|                                   | <u>\$ 2,510,000</u>          | <u>\$ 716,829</u>                       | <u>\$ 3,226,829</u> |

See accompanying auditors' report.

*Sedona Lakes Municipal Utility District No. 1 of Brazoria County*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2020 Refunding--by Years*  
*October 31, 2022*

| Due During Fiscal<br>Years Ending | Principal Due<br>September 1 | Interest Due<br>March 1,<br>September 1 | Total               |
|-----------------------------------|------------------------------|---|---------------------|
| 2023                              | \$ 185,000                   | \$ 65,000                               | \$ 250,000          |
| 2024                              | 195,000                      | 61,300                                  | 256,300             |
| 2025                              | 200,000                      | 57,400                                  | 257,400             |
| 2026                              | 205,000                      | 53,400                                  | 258,400             |
| 2027                              | 215,000                      | 49,300                                  | 264,300             |
| 2028                              | 215,000                      | 45,000                                  | 260,000             |
| 2029                              | 225,000                      | 40,700                                  | 265,700             |
| 2030                              | 230,000                      | 36,200                                  | 266,200             |
| 2031                              | 235,000                      | 31,600                                  | 266,600             |
| 2032                              | 245,000                      | 26,900                                  | 271,900             |
| 2033                              | 250,000                      | 22,000                                  | 272,000             |
| 2034                              | 260,000                      | 17,000                                  | 277,000             |
| 2035                              | 265,000                      | 11,475                                  | 276,475             |
| 2036                              | 275,000                      | 5,844                                   | 280,844             |
|                                   | <u>\$ 3,200,000</u>          | <u>\$ 523,119</u>                       | <u>\$ 3,723,119</u> |

See accompanying auditors' report.



*Sedona Lakes Municipal Utility District No. 1 of Brazoria County*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2021 Road--by Years*  
*October 31, 2022*

| Due During Fiscal<br>Years Ending | Principal Due<br>September 1 | Interest Due<br>March 1,<br>September 1 | Total               |
|-----------------------------------|------------------------------|---|---------------------|
| 2023                              | \$ 105,000                   | \$ 69,975                               | \$ 174,975          |
| 2024                              | 110,000                      | 67,875                                  | 177,875             |
| 2025                              | 110,000                      | 65,675                                  | 175,675             |
| 2026                              | 115,000                      | 62,375                                  | 177,375             |
| 2027                              | 115,000                      | 58,925                                  | 173,925             |
| 2028                              | 120,000                      | 56,625                                  | 176,625             |
| 2029                              | 120,000                      | 54,225                                  | 174,225             |
| 2030                              | 125,000                      | 51,825                                  | 176,825             |
| 2031                              | 130,000                      | 49,325                                  | 179,325             |
| 2032                              | 130,000                      | 46,725                                  | 176,725             |
| 2033                              | 135,000                      | 44,125                                  | 179,125             |
| 2034                              | 140,000                      | 41,425                                  | 181,425             |
| 2035                              | 140,000                      | 38,625                                  | 178,625             |
| 2036                              | 145,000                      | 35,825                                  | 180,825             |
| 2037                              | 150,000                      | 32,925                                  | 182,925             |
| 2038                              | 150,000                      | 29,925                                  | 179,925             |
| 2039                              | 155,000                      | 26,550                                  | 181,550             |
| 2040                              | 160,000                      | 23,062                                  | 183,062             |
| 2041                              | 165,000                      | 19,463                                  | 184,463             |
| 2042                              | 170,000                      | 15,750                                  | 185,750             |
| 2043                              | 175,000                      | 11,925                                  | 186,925             |
| 2044                              | 175,000                      | 7,987                                   | 182,987             |
| 2045                              | 180,000                      | 4,050                                   | 184,050             |
|                                   | <u>\$ 3,220,000</u>          | <u>\$ 915,187</u>                       | <u>\$ 4,135,187</u> |

See accompanying auditors' report.

*Sedona Lakes Municipal Utility District No. 1 of Brazoria County*  
*TSI-5. Long-Term Debt Service Requirements*  
*All Bonded Debt Series--by Years*  
*October 31, 2022*

| <u>Due During Fiscal<br/>Years Ending</u> | <u>Principal Due<br/>September 1</u> | <u>Interest Due<br/>March 1,<br/>September 1</u> | <u>Total</u>         |
|---|--------------------------------------|--|----------------------|
| 2023                                      | \$ 1,205,000                         | \$ 924,889                                       | \$ 2,129,889         |
| 2024                                      | 1,255,000                            | 894,956  | 2,149,956            |
| 2025                                      | 1,290,000                            | 862,307  | 2,152,307            |
| 2026                                      | 1,345,000                            | 824,231  | 2,169,231            |
| 2027                                      | 1,395,000                            | 784,159  | 2,179,159            |
| 2028                                      | 1,445,000                            | 743,221  | 2,188,221            |
| 2029                                      | 1,490,000                            | 700,272  | 2,190,272            |
| 2030                                      | 1,555,000                            | 655,160  | 2,210,160            |
| 2031                                      | 1,600,000                            | 607,974  | 2,207,974            |
| 2032                                      | 1,675,000                            | 558,947  | 2,233,947            |
| 2033                                      | 1,725,000                            | 506,869  | 2,231,869            |
| 2034                                      | 1,790,000                            | 451,962  | 2,241,962            |
| 2035                                      | 1,860,000                            | 394,070  | 2,254,070            |
| 2036                                      | 1,705,000                            | 333,432  | 2,038,432            |
| 2037                                      | 1,480,000                            | 280,339  | 1,760,339            |
| 2038                                      | 1,530,000                            | 228,809  | 1,758,809            |
| 2039                                      | 1,585,000                            | 175,008  | 1,760,008            |
| 2040                                      | 1,380,000                            | 117,570  | 1,497,570            |
| 2041                                      | 920,000                              | 69,926   | 989,926              |
| 2042                                      | 600,000                              | 40,625   | 640,625              |
| 2043                                      | 450,000                              | 23,437   | 473,437              |
| 2044                                      | 320,000                              | 11,612   | 331,612              |
| 2045                                      | 180,000                              | 4,050  | 184,050              |
|   | <u>\$ 29,780,000</u>                 | <u>\$ 10,193,819</u>                             | <u>\$ 39,973,819</u> |

See accompanying auditors' report.

|                                       | Bond Issue   |                     |                      |                       |
|---------------------------------------|--|---------------------|----------------------|-----------------------|
|                                       | Series 2012  | Series 2014         | Series 2015          | Series 2015 Road      |
| Interest rate                         | 2.80% - 2.90%  | 2.50% - 4.50%       | 2.00% - 4.00%        | 2.00% - 4.00%         |
| Dates interest payable                | 3/1; 9/1   | 3/1; 9/1            | 3/1; 9/1             | 3/1; 9/1              |
| Maturity dates                        | 9/1/14 - 9/1/22  | 9/1/16 - 9/1/39     | 9/1/16 - 9/1/40      | 9/1/18 - 9/1/40       |
| Beginning bonds outstanding           | \$ 160,000   | \$ 3,205,000        | \$ 4,085,000         | \$ 2,810,000          |
| Bonds retired                         | (160,000)  | (115,000)           | (150,000)            | (105,000)             |
| Ending bonds outstanding              | <u>\$ -</u>  | <u>\$ 3,090,000</u> | <u>\$ 3,935,000</u>  | <u>\$ 2,705,000</u>   |
| Interest paid during fiscal year      | <u>\$ 4,640</u>  | <u>\$ 132,795</u>   | <u>\$ 130,356</u>    | <u>\$ 94,656</u>      |
| Paying agent's name and city          | The Bank of New York Mellon Trust Company, N.A., Dallas, Texas |                     |                      |                       |
| Series 2012                           | Amegy Bank, N.A., Houston, TX                                  |                     |                      |                       |
| Series 2014, 2015, 2015 Road and 2017 | ZB, National Association dba Amegy Bank, Houston, Texas        |                     |                      |                       |
| All other Series                      |  |                     |                      |                       |
| Bond Authority:                       | Water, Sewer and<br>Drainage Bonds                             | Park Bonds          | Road Bonds           | Refunding Bonds       |
| Amount Authorized by Voters           | \$ 104,000,000   | \$ 9,000,000        | \$ 80,000,000        | \$ 276,000,000        |
| Amount Issued                         | (26,772,959)   |                     | (9,180,000)          | (5,720,000)           |
| Remaining To Be Issued                | <u>\$ 77,227,041</u>   | <u>\$ 9,000,000</u> | <u>\$ 70,820,000</u> | <u>\$ 270,280,000</u> |

All bonds are secured with tax revenues. Bonds may also be secured with other revenues in combination with taxes.

Debt Service Fund cash and investment balances as of October 31, 2022: \$ 1,386,222

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 1,737,992

See accompanying auditors' report.

| Bond Issue          |                     |                     |                       |                     |
|---------------------|---------------------|---------------------|-----------------------|---------------------|
| Series 2017         | Series 2017 Road    | Series 2019         | Series 2019 Refunding | Series 2020         |
| 2.00% - 3.75%       | 2.00% - 3.50%       | 3.00% - 4.00%       | 3.00% - 4.00%         | 2.00% - 2.50%       |
| 3/1; 9/1            | 3/1; 9/1            | 3/1; 9/1            | 3/1; 9/1              | 3/1; 9/1            |
| 9/1/17 - 9/1/41     | 9/1/18 - 9/1/42     | 9/1/20 - 9/1/43     | 9/1/20 - 9/1/35       | 9/1/21 - 9/1/44     |
| \$ 4,730,000        | \$ 2,335,000        | \$ 2,140,000        | \$ 2,340,000          | \$ 2,600,000        |
| (160,000)           | (75,000)            | (65,000)            | (125,000)             | (90,000)            |
| <u>\$ 4,570,000</u> | <u>\$ 2,260,000</u> | <u>\$ 2,075,000</u> | <u>\$ 2,215,000</u>   | <u>\$ 2,510,000</u> |
| <u>\$ 157,300</u>   | <u>\$ 74,556</u>    | <u>\$ 76,213</u>    | <u>\$ 89,650</u>      | <u>\$ 57,212</u>    |

*Sedona Lakes Municipal Utility District No. 1 of Brazoria County*  
*TSI-6. Change in Long-Term Bonded Debt*  
*October 31, 2022*

|                                  | Bond Issue               |                     | Totals               |
|----------------------------------|--------------------------|---------------------|----------------------|
|                                  | Series 2020<br>Refunding | Series 2021<br>Road |                      |
| Interest rate                    | 2.00% - 2.125%           | 2.00% - 3.00%       |                      |
| Dates interest payable           | 3/1; 9/1                 | 3/1; 9/1            |                      |
| Maturity dates                   | 9/1/21 - 9/1/36          | 9/1/21 - 9/1/45     |                      |
| Beginning bonds outstanding      | \$ 3,220,000             | \$ 3,325,000        | \$ 30,950,000        |
| Bonds retired                    | (20,000)                 | (105,000)           | (1,170,000)          |
| Ending bonds outstanding         | <u>\$ 3,200,000</u>      | <u>\$ 3,220,000</u> | <u>\$ 29,780,000</u> |
| Interest paid during fiscal year | <u>\$ 65,400</u>         | <u>\$ 72,075</u>    | <u>\$ 954,853</u>    |

See accompanying auditors' report.

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**Sedona Lakes Municipal Utility District No. 1 of Brazoria County**  
**TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund**  
**For the Last Five Fiscal Years**

|  | Amounts             |                   |                     |                   |                   |
|--|---------------------|-------------------|---------------------|-------------------|-------------------|
|  | 2022                | 2021              | 2020                | 2019              | 2018              |
| Revenues                                   |                     |                   |                     |                   |                   |
| Water service                              | \$ 377,440          | \$ 324,665        | \$ 331,693          | \$ 314,637        | \$ 303,690        |
| Sewer service                              | 476,711             | 443,858           | 437,710             | 411,164           | 388,244           |
| Property taxes                             | 1,071,637           | 1,042,202         | 1,220,517           | 1,015,501         | 912,062           |
| Penalties and interest                     | 17,876              | 11,482            | 6,144               | 14,018            | 12,509            |
| Tap connection and inspection              | 149,095             | 4,975             | 104,060             | 55,533            | 62,099            |
| Miscellaneous                              | 5,353               | 4,707             | 17,185              | 4,991             | 11,563            |
| Investment earnings                        | 29,943              | 6,751             | 31,748              | 28,232            | 12,648            |
| <b>Total Revenues</b>                      | <b>2,128,055</b>    | <b>1,838,640</b>  | <b>2,149,057</b>    | <b>1,844,076</b>  | <b>1,702,815</b>  |
| Expenditures                               |                     |                   |                     |                   |                   |
| Current service operations                 |                     |                   |                     |                   |                   |
| Professional fees                          | 134,209             | 208,995           | 145,260             | 204,948           | 285,512           |
| Contracted services                        | 328,336             | 281,109           | 322,896             | 269,577           | 264,634           |
| Repairs and maintenance                    | 495,709             | 555,049           | 387,295             | 375,194           | 400,299           |
| Utilities                                  | 69,772              | 62,887            | 60,419              | 58,255            | 58,576            |
| Regional Water Authority fees              |                     |                   |                     |                   | 3,000             |
| Administrative                             | 43,086              | 34,175            | 30,896              | 34,114            | 40,531            |
| Other                                      | 51,858              | 6,682             | 14,339              | 6,722             | 2,488             |
| Lease                                      |                     | 39,360            | 78,720              | 78,720            | 78,720            |
| Capital outlay                             |                     | 34                | 21,932              | 583,519           |                   |
| <b>Total Expenditures</b>                  | <b>1,122,970</b>    | <b>1,188,291</b>  | <b>1,061,757</b>    | <b>1,611,049</b>  | <b>1,133,760</b>  |
| <b>Revenues Over Expenditures</b>          | <b>\$ 1,005,085</b> | <b>\$ 650,349</b> | <b>\$ 1,087,300</b> | <b>\$ 233,027</b> | <b>\$ 569,055</b> |
| Total Active Retail Water Connections      | 679                 | 669               | 668                 | 652               | 610               |
| Total Active Retail Wastewater Connections | 658                 | 651               | 652                 | 636               | 597               |

\*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

| 2022 | 2021 | 2020 | 2019 | 2018 |
|------|------|------|------|------|
| 18%  | 18%  | 15%  | 17%  | 18%  |
| 22%  | 24%  | 20%  | 22%  | 22%  |
| 51%  | 57%  | 57%  | 55%  | 53%  |
| 1%   | 1%   | *    | 1%   | 1%   |
| 7%   | *    | 5%   | 3%   | 4%   |
| *    | *    | 1%   | *    | 1%   |
| 1%   | *    | 2%   | 2%   | 1%   |
| 100% | 100% | 100% | 100% | 100% |

|     |     |     |     |     |
|-----|-----|-----|-----|-----|
| 6%  | 11% | 7%  | 11% | 17% |
| 15% | 15% | 15% | 15% | 16% |
| 23% | 30% | 18% | 20% | 24% |
| 3%  | 3%  | 3%  | 3%  | 3%  |
|     |     |     |     | *   |
| 2%  | 2%  | 1%  | 2%  | 2%  |
| 2%  | *   | 1%  | *   | *   |
|     | 2%  | 4%  | 4%  | 5%  |
|     | *   | 1%  | 32% |     |
| 51% | 63% | 50% | 87% | 67% |
| 49% | 37% | 50% | 13% | 33% |



***Sedona Lakes Municipal Utility District No. 1 of Brazoria County***  
***TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund***  
***For the Last Five Fiscal Years***

|                                    | Amounts          |                  |                  |                  |                    |
|------------------------------------|------------------|------------------|------------------|------------------|--------------------|
|                                    | 2022             | 2021             | 2020             | 2019             | 2018               |
| Revenues                           |                  |                  |                  |                  |                    |
| Property taxes                     | \$ 2,223,080     | \$ 2,174,222     | \$ 1,831,292     | \$ 1,836,494     | \$ 1,621,292       |
| Penalties and interest             | 10,461           | 15,792           | 12,780           | 13,204           | 15,127             |
| Investment earnings                | 10,635           | 4,183            | 28,170           | 28,686           | 15,269             |
| Total Revenues                     | <u>2,244,176</u> | <u>2,194,197</u> | <u>1,872,242</u> | <u>1,878,384</u> | <u>1,651,688</u>   |
| Expenditures                       |                  |                  |                  |                  |                    |
| Tax collection services            | 38,030           | 37,581           | 36,591           | 32,340           | 33,391             |
| Other                              | 590              | 23,540           |                  |                  |                    |
| Debt service                       |                  |                  |                  |                  |                    |
| Principal                          | 1,170,000        | 1,090,000        | 875,000          | 775,000          | 760,000            |
| Interest and fees                  | 958,129          | 939,985          | 921,853          | 932,123          | 892,073            |
| Debt issuance costs                |                  | 81,623           |                  | 123,187          |                    |
| Total Expenditures                 | <u>2,166,749</u> | <u>2,172,729</u> | <u>1,833,444</u> | <u>1,862,650</u> | <u>1,685,464</u>   |
| Revenues Over/(Under) Expenditures | <u>\$ 77,427</u> | <u>\$ 21,468</u> | <u>\$ 38,798</u> | <u>\$ 15,734</u> | <u>\$ (33,776)</u> |

\*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

| 2022 | 2021 | 2020 | 2019 | 2018 |
|------|------|------|------|------|
| 100% | 99%  | 97%  | 97%  | 98%  |
| *    | 1%   | 1%   | 1%   | 1%   |
| *    | *    | 2%   | 2%   | 1%   |
| 100% | 100% | 100% | 100% | 100% |
| 2%   | 2%   | 2%   | 2%   | 2%   |
| *    | 1%   |      |      |      |
| 52%  | 50%  | 47%  | 41%  | 46%  |
| 43%  | 43%  | 49%  | 50%  | 54%  |
|      | 4%   |      | 7%   |      |
| 97%  | 100% | 98%  | 100% | 102% |
| 3%   | 0%   | 2%   | 0%   | (2%) |

***Sedona Lakes Municipal Utility District No. 1 of Brazoria County  
TSI-8. Board Members, Key Personnel and Consultants  
For the Year Ended October 31, 2022***

Complete District Mailing Address: 1980 Post Oak Boulevard, Suite 1380, Houston, TX 77056  
 District Business Telephone Number: (713) 850-9000  
 Submission Date of the most recent District Registration Form  
 (TWC Sections 36.054 and 49.054): May 31, 2018  
 Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200  
 (Set by Board Resolution -- TWC Section 49.0600)

| Names:  | Term of Office<br>(Elected or<br>Appointed) or<br>Date Hired | Fees of<br>Office Paid<br>*          | Expense<br>Reimburse-<br>ments | Title at Year End          |
|---|--|--------------------------------------|--------------------------------|----------------------------|
| <b>Board Members</b>  |  |                                      |                                |                            |
| Jim Forrest   | 05/22 - 05/26  | \$ 2,550                             | \$ 2,388                       | President                  |
| Lambert Austin  | 05/22 - 05/26  | 1,500                                | 236                            | Vice President             |
| Ezra Sillas   | 05/20 - 05/24  | 1,800                                | 236                            | Secretary                  |
| Spencer Gauthier  | 05/21 - 05/24  | 1,200                                | 184                            | Assistant Secretary        |
| Wallace Trochesset  | 05/21 - 05/24  | 1,500                                | 236                            | Assistant Secretary        |
| <b>Consultants</b>  |  |                                      |                                |                            |
| Sanford Kuhl Hagan Kugle Parker Kahn LLP<br><i>General legal fees</i> | 2008   | <u>Amounts<br/>Paid</u><br>\$ 77,495 |                                | Attorney                   |
| Municipal District Services   | 2011   | 412,308                              |                                | Operator                   |
| L & S District Services   | 2016   | 13,288                               |                                | Bookkeeper                 |
| Utility Tax Service, LLC  | 2009   | 9,689                                |                                | Tax Collector              |
| Brazoria County Appraisal District                                    | Legislation  | 20,130                               |                                | Property Valuation         |
| Perdue, Brandon, Fielder, Collins,<br>& Mott, LLP                     | 2021   | 3,034                                |                                | Delinquent Tax<br>Attorney |
| Brown & Gay Engineers, Inc.   | 2011   | 44,578                               |                                | Engineer                   |
| McGrath & Co., PLLC   | 2010   | 12,000                               |                                | Auditor                    |
| Robert W. Baird   | 2015   |                                      |                                | Financial Advisor          |

\* *Fees of Office* are the amounts actually paid to a director during the District's fiscal year.  
 See accompanying auditors' report.

**APPENDIX B**  
**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**



**BAM**

**MUNICIPAL BOND  
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

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

MEMBER: [NAME OF MEMBER]

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

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

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

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

SPECIAL MEMBER

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

Email:

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

Address:

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

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN