

OFFICIAL STATEMENT DATED OCTOBER 26, 2023

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND INTEREST ON THE BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS; 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 BOND COUNSEL'S OPINION.

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

NEW ISSUE - Book-Entry Only

**Ratings: S&P Global Ratings (BAM Insured)... "AA" (stable outlook)
See "BOND INSURANCE" and "RATING" herein**

\$6,260,000

**BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
(A Political Subdivision of the State of Texas located within Brazoria County, Texas)
UNLIMITED TAX BONDS, SERIES 2023**

Dated Date: November 1, 2023

Due: September 1, as shown on inside cover

Interest to Accrue from: Date of Delivery

Principal of the above bonds (the "Bonds") is payable by the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N. A., currently in Dallas, Texas, or any successor paying agent/registrar (the "Paying Agent," "Registrar" or "Paying Agent/Registrar"). Interest on the Bonds accrues from the date of initial delivery (expected November 17, 2023) (the "Date of Delivery"), and is payable on September 1, 2024, and on each March 1 and September 1 thereafter until the earlier of maturity or redemption. The Bonds are issued in denominations of \$5,000 or any integral multiple thereof in fully registered form only.

The Bonds, including the Term Bonds, maturing on and after September 1, 2029, are subject to redemption prior to maturity at the option of Brazoria County Municipal Utility District No. 24 (the "District"), as a whole or in part, on September 1, 2028, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of the Bonds to be redeemed shall be selected by the District in integral multiples of \$5,000 within any one maturity. If fewer than all of the Bonds of any given maturity are to be redeemed at any time, the particular Bonds to be redeemed shall be selected by such method of random selection as determined by the Registrar (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Registrar for payment of the redemption price on the portion of the Bond so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

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

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



See Maturity Schedule on the inside cover

The Bonds constitute the initial series of bonds issued by the District for the purpose of acquiring and constructing a waterworks, sanitary sewer and storm drainage system (the "System") to serve the District. THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS DESCRIBED HEREIN. SEE "RISK FACTORS." Voters in the District authorized a total of \$210,000,000 principal amount of unlimited tax bonds for the purpose of acquiring and constructing the System and for refunding such bonds, \$40,800,000 principal amount of unlimited tax bonds for the purpose of constructing roads and refunding such bonds, \$16,200,000 principal amount of unlimited tax bonds for the purpose of acquiring and constructing recreational facilities and refunding such bonds, \$54,900,000 for refunding purposes only, and \$300,000 principal amount of unlimited tax bonds for the purpose of fire-fighting facilities. Following the issuance of the Bonds, \$203,740,000 principal amount of unlimited tax bonds for the acquisition or construction of the System and refunding such bonds, all \$40,800,000 principal amount of unlimited tax bonds for constructing roads and refunding such bonds, all \$54,900,000 for refunding purposes only, all \$16,200,000 principal amount of unlimited tax bonds for recreational facilities and refunding such bonds, and all \$300,000 principal amount of unlimited tax bonds for the purpose of fire-fighting facilities will remain authorized but unissued. See "THE BONDS – Issuance of Additional Debt."

The Bonds, when issued, constitute valid and binding obligations of the District, and are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. See "THE BONDS – Source of Payment." Neither the State of Texas, the City of Alvin, Texas, Brazoria County, Texas, nor any political subdivision other than the District shall be obligated to pay the principal of and interest on the Bonds. Neither the faith and credit nor the taxing power of the State of Texas, the City of Alvin, Texas, or Brazoria County, Texas, is pledged to the payment of the principal of and interest on the Bonds.

The Bonds are offered when, as and if issued by the District, subject among other things to the approval of the Attorney General of Texas and of Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about November 17, 2023.

MATURITY SCHEDULE

CUSIP Prefix (a): 10605R

\$2,060,000 Serial Bonds

<u>Maturity (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Reoffering Yield (b)</u>	<u>CUSIP Suffix (a)</u>
2026	\$105,000	7.750%	4.40%	AA6
2027	110,000	7.750	4.40	AB4
2028	115,000	7.750	4.40	AC2
2029 (c)	120,000	7.750	4.45	AD0
2030 (c)	125,000	7.750	4.50	AE8
2031 (c)	135,000	7.750	4.55	AF5
2032 (c)	140,000	7.750	4.60	AG3
2033 (c)	150,000	6.875	4.65	AH1
2034 (c)	155,000	5.250	4.85	AJ7
2035 (c)	165,000	5.250	5.00	AK4
2036 (c)	170,000	5.250	5.05	AL2
2037 (c)	180,000	5.250	5.10	AM0
2038 (c)	190,000	5.250	5.15	AN8
2039 (c)	200,000	5.250	5.20	AP3

\$665,000 Term Bonds, Due September 1, 2042(c)(d), CUSIP Suffix AS7 (a), Interest Rate 5.25% (Yield 5.25%)(b)
\$775,000 Term Bonds, Due September 1, 2045(c)(d), CUSIP Suffix AV0 (a), Interest Rate 5.25% (Yield 5.269%)(b)
\$905,000 Term Bonds, Due September 1, 2048(c)(d), CUSIP Suffix AY4 (a), Interest Rate 5.25% (Yield 5.286%)(b)
\$1,855,000 Term Bonds, Due September 1, 2053(c)(d), CUSIP Suffix BD9 (a), Interest Rate 5.25% (Yield 5.30%)(b)

- (a) CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the District, the Financial Advisor (as defined herein), nor the Underwriter (as defined herein) take any responsibility for the accuracy of CUSIP numbers.
- (b) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriter. Initial reoffering yields represent the initial offering price to the public which has been established by the Underwriter for public offerings, and which subsequently may be changed.
- (c) Subject to optional redemption as described on the front cover.
- (d) Subject to mandatory sinking fund redemption by lot or other customary method of random selection on September 1 in the years and in the amounts set forth herein under the caption "THE BONDS – Redemption Provisions."

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

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

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

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net interest cost to the District, which was tendered by SAMCO Capital Markets, Inc. (referred to herein as the “Underwriter” or the “Initial Purchaser”) to purchase the Bonds bearing the interest rates shown under “MATURITY SCHEDULE” at a price of 97.001506% of the principal amount thereof, which resulted in a net effective interest rate of 5.527426%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

The District has no control over the 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.

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

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

Securities Laws

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

BOND INSURANCE

Bond Insurance Policy

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

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure 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. BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects 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, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

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

Additional Information Available from BAM

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

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

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

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

BOND INSURANCE RISK FACTORS

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

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

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

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

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

RATING

The Bonds have received an insured rating of “AA” (stable outlook) from S&P based upon the issuance of the Policy by the Insurer at the time of delivery of the Bonds. The District has made no application for an underlying municipal bond rating of the Bonds, nor is it expected that the District would have been successful in receiving an investment grade rating had such an application been made.

An explanation of the significance of the foregoing rating may only be obtained from S&P. The foregoing rating expresses only the view of S&P at the time the rating is given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that the 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. Any such downward change in or withdrawal of such 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 rating of S&P. See “BOND INSURANCE” and “BOND INSURANCE RISK FACTORS.”

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

The Issuer	Brazoria County Municipal Utility District No. 24 (the “District”), a political subdivision of the State of Texas, is located in Brazoria County, Texas. See “THE DISTRICT.”
The Issue.....	Brazoria County Municipal Utility District No. 24 Unlimited Tax Bonds, Series 2023, in the aggregate principal amount of \$6,260,000 (the “Bonds”) are dated November 1, 2023, and interest on the Bonds accrues from the Date of Delivery (as defined herein), at the rates shown on the inside cover page hereof, with interest payable on September 1, 2024, and on each March 1 and September 1 thereafter until maturity or prior redemption. An aggregate of \$2,060,000 of the Bonds are issued as serial bonds maturing on September 1 in each of the years 2026 through 2039, both inclusive, in the principal amounts set forth on the inside cover page of this Official Statement. An aggregate of \$4,200,000 of the Bonds are issued as term bonds maturing on September 1 in each of the years 2042, 2045, 2048 and 2053 (collectively, the “Term Bonds”), in the principal amounts and at the rates set forth on the inside cover page of this Official Statement. The Bonds, including the Term Bonds, scheduled to mature on and after September 1, 2029, are subject to redemption, in whole or in part, prior to their scheduled maturities, on September 1, 2028, or on any date thereafter at the option of the District. Upon redemption, the Bonds will be payable at a price equal to the principal amount of the Bonds, or portions thereof, so called for redemption, plus accrued interest to the date of redemption. In addition to being subject to optional redemption, the Term Bonds are also subject to mandatory sinking fund redemption on September 1 in the years and in the amounts as is more completely described in this Official Statement under the caption “THE BONDS - Redemption Provisions - Mandatory Redemption.” The Bonds will be issued pursuant to a Bond Resolution (the “Bond Resolution”) adopted by the Board of Directors of the District. The Bonds are being issued pursuant to Article XVI, Section 59 of the Texas Constitution and general laws of the State of Texas under the authority of Chapters 49 and 54 of the Texas Water Code, as amended, an order of the Texas Commission on Environmental Quality (the “TCEQ”) and an election held within the District.
Book-Entry-Only System.....	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC (defined herein), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (hereinafter defined) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent

payment to the beneficial owners of the Bonds (see “THE BONDS - Book-Entry-Only System”).

Source of Payment.....

Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. See “THE BONDS - Source of Payment,” “TAX DATA - Tax Rate Calculations,” and “INVESTMENT CONSIDERATIONS - Maximum Impact on District Tax Rates.” The Bonds are obligations of the District, and are not obligations of the State of Texas, Brazoria County, Texas, the City of Alvin, Texas, or any entity other than the District.

Other Characteristics

The Bonds are issued in fully registered form, without coupons, in the denomination of \$5,000 each, or any integral multiple thereof.

Use of Bond Proceeds

Proceeds of the sale of the Bonds will be used by the District to (i) finance the District’s cost of (a) acquisition or construction of underground water distribution, wastewater collection and storm drainage facilities to serve Martha’s Vineyard, Section 1; and (b) land acquisition costs; (ii) pay interest on advances made on behalf of the District; (iii) pay Impact Fees to the City of Alvin; and (iv) pay for administrative and issuance costs, legal fees, fiscal agent’s fees, a fee to the Texas Commission on Environmental Quality (the “TCEQ” or the “Commission”), engineering fees, certain costs associated with the initial creation of the District, costs associated with the operation of the District, certain financing costs related to the issuance of the Bonds; certain financing costs related to the issuance of the BAN (defined below) and the Bonds, and to capitalize an amount of \$492,975 from the proceeds of the sale of the Bonds which the District will deposit in the District’s Debt Service Fund. The District will also retire its \$2,880,000 Bond Anticipation Note, Series 2023 (the “BAN”), with a portion of the proceeds of the sale of the Bonds. The District utilized the proceeds of the BAN to interim finance certain of the aforementioned facilities that it is financing with the proceeds of the sale of the Bonds. See “THE BONDS - Use and Distribution of Bond Proceeds.”

Payment Record

The Bonds constitute the initial series of unlimited tax bonds issued by the District for the purpose of acquiring and constructing a waterworks, sanitary sewer, and storm drainage system (the “System”) to serve the District. The District will capitalize an amount equal to \$492,975 of interest payments from the proceeds of the sale of the Bonds, and will deposit such sum in the District’s Debt Service Fund.

Qualified Tax-Exempt Obligations

The District has designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended. See “TAX MATTERS - Qualified Tax-Exempt Obligations.”

Authorized But Unissued Bonds.....

\$203,740,000 bonds for waterworks, wastewater and drainage facilities and for refunding such bonds, \$16,200,000 for recreational facilities and for refunding such bonds, \$40,800,000 for constructing roads and for refunding such bonds and \$300,000 bonds for fire-fighting facilities will

remain authorized but unissued after issuance of the Bonds. See “THE BONDS - Authority for Issuance” and - “Issuance of Additional Debt,” “THE SYSTEM” and “RISK FACTORS - Future Debt.”

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

Municipal Bond Rating S&P Global Ratings (BAM Insured) “AA” (stable outlook). The District has made no application for an underlying municipal bond rating of the Bonds, nor is it expected that the District would have been successful in receiving an investment grade rating had such an application been made. See “BOND INSURANCE,” “BOND INSURANCE RISK FACTORS” and “RATING.”

Legal Opinion Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. See “LEGAL MATTERS.”

THE DISTRICT

Description The District, a political subdivision of the State of Texas, was created by Order of the TCEQ, dated August 27, 2004. The District contains approximately 742.3891 acres of land. The District is located entirely within the extraterritorial jurisdiction of the City of Alvin, Texas (the “City”). The District is located approximately 34 miles southeast of the central business district of Houston, Texas. The District is located generally at the intersection of State Highway 6 and State Highway 35. The District lies within the Alvin Independent School District. See “THE DISTRICT - General” and - “Description,” and “APPENDIX A - LOCATION MAP.”

The District obtains water, sewer and drainage service from the City. The City and Lesco Enterprises, Inc. (the initial developer of land in the District) entered into a Utility Services Contract (the “Utility Agreement”), to provide a water distribution system, sanitary sewer collection system and drainage system (the “System”) to serve the District. The District approved and assumed the Utility Agreement on February 4, 2016. In consideration of the District acquiring and constructing the System on behalf of the City, the City agreed, pursuant to the terms and conditions of the Utility Agreement, to own and operate the System (other than detention facilities, which are owned and operated by the District).

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

Development and Home Construction..... As of September 1, 2023, the District contained 314 fully developed single-family residential lots on which 217 homes have been constructed, including 185 completed homes and 32 homes under construction. According to the District's Engineer, underground water distribution, wastewater

collection, and storm drainage/detention facilities and street paving have been completed to serve the 314 single family residential lots located in Martha's Vineyard, Sections 1 through 3 (approximately 60.24 total acres) in the District. See "DEVELOPMENT AND HOME CONSTRUCTION."

The current primary developer of land within the District is R. West Development Co., Inc., a Texas corporation ("R. West" or the "Developer"). The Developer has completed the development of such 314 single family residential lots located in the District. Martha's Vineyard LLC, an affiliate of the Developer, owns approximately 18.05 acres of undeveloped land located within the District that are available for future development, all of which it expects to be utilized for future commercial development. Golf Land Inc. owns approximately 289.64 acres located within the District that are available for future development. Harris County Flood Control District owns approximately 329.6 acres located within the District. The remaining acreage of the District is comprised of streets, drainage easements and open space. Since no party, including the Developer, Martha's Vineyard LLC, or Golf Land Inc., is under any obligation to the District to undertake the development of any currently undeveloped portion of the District, the District can make no representation as to when, or whether, the undeveloped portions of the District might be developed.

The District is financing the acquisition or construction of underground water distribution, wastewater collection, and storm drainage facilities, including land acquisition, to serve Martha's Vineyard, Section 1 with a portion of the proceeds of the sale of the Bonds. In addition to the components of the System that the District is financing with proceeds of the Bonds, the District expects to finance the acquisition or construction of additional components of the System with the proceeds of bonds, if any, to be issued by the District in the future.

Developer and Other Principal Landowners.....

The current primary developer of land within the District is R. West Development Co., Inc., a Texas corporation ("R. West" or the "Developer"). The Developer has completed the development of 314 single family residential lots located in Martha's Vineyard, Sections 1 through 3 (approximately 60.24 total acres). Martha's Vineyard LLC, an affiliate of the Developer, owns approximately 18.05 acres of undeveloped land located within the District that are available for future development, all of which it expects to be utilized for future commercial development.

Golf Land Inc. owns approximately 289.64 acres located within the District that are available for future development. Harris County Flood Control District owns approximately 329.6 acres located within the District. The remaining acreage of the District is comprised of streets, drainage easements and open space.

Builders

According to R. West, Anglia Homes is currently constructing homes in Martha's Vineyard that range in size from approximately 1,848 to 2,653 square feet of living area and in sales price from approximately \$330,990 to \$406,990.

According to R. West, Castlerock Homes is currently constructing homes in Martha's Vineyard that range in size from approximately 1,801 to 4,052 square feet of living area and in sales price from approximately \$325,990 to \$529,990.

Anglia Homes and Castlerock Homes are herein referred to as the "Builders." The Builders may change the types, sizes and sales prices of the homes which they choose to construct within the District entirely within their discretion, or may suspend home construction activity entirely.

RISK FACTORS

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

**SELECTED FINANCIAL INFORMATION
(UNAUDITED)**

2022 Assessed Valuation	\$	43,506,471 (a)
(As of January 1, 2022)		
See "TAX DATA" and "TAXING PROCEDURES"		
2023 Assessed Valuation	\$	70,006,937 (b)
(As of January 1, 2023)		
See "TAX DATA" and "TAXING PROCEDURES"		
Estimated Valuation as of August 1, 2023	\$	73,446,940 (c)
See "TAX DATA" and "TAXING PROCEDURES"		
Direct Debt:		
The Bonds	\$	6,260,000 (d)
Estimated Overlapping Debt	\$	<u>2,544,583</u>
Total Direct and Estimated Overlapping Debt	\$	8,804,583
Direct Debt Ratio		
: as a percentage of 2022 Assessed Valuation.....		14.39 %
: as a percentage of 2023 Assessed Valuation.....		8.94 %
: as a percentage of Estimated Valuation as of August 1, 2023		8.52 %
Direct and Overlapping Debt Ratio		
: as a percentage of 2022 Assessed Valuation.....		20.24 %
: as a percentage of 2023 Assessed Valuation.....		12.58 %
: as a percentage of Estimated Valuation as of August 1, 2023		11.99 %
Debt Service Fund Balance Estimated as of Delivery of the Bonds.....	\$	492,975 (e)
General Fund Balance as of June 27, 2023.....	\$	879,715
2023 Tax Rate per \$100 of Assessed Valuation		
Debt Service Tax.....	\$	0.00
Maintenance Tax.....		<u>1.25</u>
Total	\$	1.25 (f)
Anticipated Approximate 2024 Tax Rate per \$100 of Assessed Valuation		
Debt Service Tax.....	\$	0.55
Maintenance Tax.....		<u>0.70</u>
Total	\$	1.25 (f)
Average Percentage of Total Tax Collections (2017-2022) as of June 30, 2023.....		99.98 %
Average Annual Debt Service Requirements on the Bonds (2026-2053)	\$	435,370
Maximum Annual Debt Service Requirements on the Bonds (2026)	\$	457,338

Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual
Debt Service Requirements on the Bonds
(2026-2053) at 95% Tax Collections

Based Upon 2022 Assessed Valuation.....	\$	1.06
Based Upon 2023 Assessed Valuation.....	\$	0.66
Based Upon Estimated Valuation as of August 1, 2023	\$	0.63

Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual
Debt Service Requirements on the Bonds
(2026) at 95% Tax Collections

Based Upon 2022 Assessed Valuation.....	\$	1.11
Based Upon 2023 Assessed Valuation.....	\$	0.69
Based Upon Estimated Valuation as of August 1, 2023	\$	0.66

Number of Single Family Homes (including 32 homes under construction) 217

- (a) As of January 1, 2022, and comprises the District's 2022 tax roll. All property located in the District is valued on the tax rolls by the Brazoria County Appraisal District (the "Appraisal District") at 100% of assessed value as of January 1 of each year. The District's tax roll is certified by the Brazoria County Appraisal Review Board (the "Appraisal Review Board"). See "RISK FACTORS - Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."
- (b) As of January 1, 2023, and comprises the District's 2023 tax roll. Such sum includes an uncertified component of \$4,795,001, which is included in the amount of \$70,006,937. The District's ultimate 2023 Assessed Valuation will not be determined until such uncertified values are certified by the Appraisal Review Board, and thus may vary from such sum of \$70,006,937. See "RISK FACTORS - Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."
- (c) Provided by the Appraisal District for informational purposes only; this amount is an estimate of the value of all taxable property located within the District as of August 1, 2023, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2023, through July 31, 2023. The ultimate Assessed Valuation of any land and improvements added from January 1, 2023, through July 31, 2023, which will be placed on the District's 2024 tax roll, may vary significantly from such estimate once the Appraisal Review Board certifies the value thereof in 2024.
- (d) In addition to the components of the System that the District is financing with proceeds of the Bonds, the District expects to finance the acquisition or construction of additional components of the System with the proceeds of bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt" and - "Use and Distribution of Bond Proceeds," "FUTURE DEVELOPMENT," "THE SYSTEM" and "RISK FACTORS - Future Debt."
- (e) The District will capitalize an amount equal to \$492,975 from the proceeds of the sale of the Bonds, and will deposit such sum in the Debt Service Fund. Neither Texas law nor the Bond Resolution requires the District to maintain any particular sum in the Debt Service Fund. The District's initial debt service payment on the Bonds is due on September 1, 2024, and consists of a principal and interest payment thereon.
- (f) The District has levied a tax of \$1.25 per \$100 of Assessed Valuation for 2023, consisting of a maintenance tax of only. The District anticipates levying its initial debt service tax in 2024 in the approximate amount of \$0.55 per \$100 of Assessed Valuation in connection with the issuance of the Bonds, plus a maintenance tax of approximately \$0.70 per \$100 of Assessed Valuation, for a combined total tax for 2024 of approximately \$1.25 per \$100 of Assessed Valuation. As is described in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2022 tax levies of all units of government which levy taxes against the property located within the District, plus the 2022 tax of the District is \$3.610696 per \$100 of Assessed Valuation. Such aggregate levy is higher than the aggregate of the tax levies of many municipal utility districts located in the greater Houston metropolitan area, but is within the range of the aggregate tax levies of many municipal utility districts in the Houston metropolitan area which are in stages of development comparable with the District. See "RISK FACTORS - Factors Affecting Taxable Values and Tax Payments."

\$6,260,000
BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
UNLIMITED TAX BONDS
SERIES 2023

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Brazoria County Municipal Utility District No. 24 (the “District”) of its \$6,260,000 Unlimited Tax Bonds, Series 2023 (the “Bonds”). The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including particularly Chapters 49 and 54, Texas Water Code, as amended, an order of the Texas Commission on Environmental Quality (the “TCEQ”), an election held within the District (see “THE BONDS - Authority for Issuance”), and a resolution authorizing issuance of the Bonds (the “Bond Resolution”) adopted by the Board of Directors of the District (the “Board”).

Included in this Official Statement are descriptions of the Bonds, the plan of financing, and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Allen Boone Humphries Robinson LLP, Phoenix Tower, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027, upon payment of duplication costs. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Resolution, except as otherwise indicated herein.

RISK FACTORS

General

The Bonds, which are obligations solely of the District and not of the State of Texas, Brazoria County, Texas, the City of Alvin, Texas, or any political subdivision or agency other than the District, are secured by the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied upon all taxable property within the District. The ultimate security for payment of the principal of and interest on the Bonds depends upon the District's ability to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representation that over the life of the Bonds the taxable property within the District will maintain a value sufficient to justify continued payment of taxes by property owners or that there will be a market for any property if the District forecloses on property to enforce its tax lien. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below. Further, the collection of delinquent taxes owed the District, and the enforcement by a Registered Owner of the District's obligation to collect sufficient taxes may be costly and lengthy processes. See “THE BONDS - Source of Payment” and - “Registered Owners' Remedies,” and “Tax Collection Limitations” and “Registered Owners' Remedies and Bankruptcy” below.

Factors Affecting Taxable Values and Tax Payments

Economic Factors: A substantial percentage of the assessed valuation of the property located within the District is attributable to the current market value of single-family residences that have been constructed within the District, of the single-family residential lots that have been developed by the Developer of the District and of the developed lots which have been sold by the Developer to homebuilders for the construction of primary residences. The market value of such homes and lots is related to general economic conditions affecting the demand for residences. Demand for residences of this type can be significantly affected by factors such as interest rates, credit availability, construction costs, energy costs and availability and the prosperity and demographic characteristics of the urban center toward which the marketing of homes and commercial enterprises is directed. Recent changes in federal tax law limiting deductions for ad valorem taxes may adversely affect the demand for housing and the prices thereof. Fluctuations in the price of oil could adversely affect job stability, wages and salaries, thereby negatively affecting the demand for housing as well

as the value of existing homes (see “Potential Effects of Oil Price Volatility on the Houston Area” below). Decreased levels of home construction activity would restrict the growth of property values in the District. Although development of the District has occurred to date as described in this Official Statement under the captions “DEVELOPMENT AND HOME CONSTRUCTION,” and “DEVELOPER AND OTHER PRINCIPAL LAND OWNERS,” and home construction has occurred to date as described under the caption “BUILDERS,” the District cannot predict the pace or magnitude of any future development or home construction in the District other than that which has occurred to date. See “FUTURE DEVELOPMENT.”

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

Credit Markets and Liquidity in the Financial Markets: Interest rates and the availability of mortgages and development funding have a direct impact on development and homebuilding activity, particularly short-term interest rates at which developers are able to obtain financing for development costs and at which homebuilders are able to finance the construction of new homes for sale. Interest rate levels may affect the ability of a developer with undeveloped property to undertake and complete development activities within the District and of homebuilders to initiate the construction of new homes for sale. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued development and/or home construction within the District. In addition, since the District is located approximately 34 miles southeast from the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston and further decline in real estate and financial markets in the United States could adversely affect development and homebuilding plans in the District and restrain the growth of the District’s property tax base.

Developer/Builder/Land Owner Obligation to the District: Anglia Homes, LP owns property the combined 2023 Assessed Valuation of which is \$7,480,201, or approximately 10.68% of the District’s 2023 tax roll. Castlerock Communities LLC owns property the combined 2023 Assessed Valuation of which is \$2,711,450, or approximately 3.87% of the District’s 2023 tax roll. Martha’s Vineyard LLC owns property the 2023 Assessed Valuation of which is \$2,079,370, or approximately 2.97% of the District’s 2023 tax roll. No other taxpayer owns property the 2023 Assessed Valuation of which exceeds 1.36% of the District’s 2023 tax roll. See “DEVELOPMENT AND HOME CONSTRUCTION,” “DEVELOPER AND OTHER PRINCIPAL LAND OWNERS,” “BUILDERS” and “TAX DATA - Principal 2023 Taxpayers.” The ability of Anglia Homes, LP, Castlerock Communities LLC, Martha’s Vineyard LLC or any other principal taxpayer within the District to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District’s ability to meet its debt service obligations. There is no commitment by or legal requirement of Anglia Homes, LP, Castlerock Communities LLC, Martha’s Vineyard LLC or any other landowner to the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of the Builders or any other home building company to proceed at any particular pace with the construction of homes in the District, and there is no restriction on any landowner’s right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of home construction activity in the District. See “FUTURE DEVELOPMENT.”

Maximum Impact on District Tax Rates

The value of the land and improvements currently located within the District will be a major determinant of the ability of the District to collect, and the willingness of District property owners to pay, ad valorem taxes levied by the District. The District's 2022 Assessed Valuation is \$43,506,471. After issuance of the Bonds, the Maximum Annual Debt Service Requirement on the Bonds will be \$457,338 (2026) and the Average Annual Debt Service Requirements will be \$435,370 (2026 through 2053, inclusive). Assuming no increase to nor decrease from the 2022 Assessed Valuation, no use of funds on hand, and the issuance of no additional bonds by the District, tax rates of \$1.11 and \$1.06 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively. The District's 2023 Assessed Valuation is \$70,006,937. Assuming no increase to nor decrease from the 2023 Assessed Valuation, no use of funds on hand, and the issuance of no additional bonds by the District, tax rates of \$0.69 and \$0.66 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively. The District's Estimated Valuation as of August 1, 2023, is \$73,446,940. Assuming no increase to nor decrease from the Estimated Valuation as of August 1, 2023, no use of funds on hand, and the issuance of no additional bonds by the District, tax rates of \$0.66 and \$0.63 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively.

The District has levied a tax of \$1.25 per \$100 of Assessed Valuation for 2023, consisting of a maintenance tax of only. The District anticipates levying its initial debt service tax in 2024 in the approximate amount of \$0.55 per \$100 of Assessed Valuation in connection with the issuance of the Bonds, plus a maintenance tax of approximately \$0.70 per \$100 of Assessed Valuation, for a combined total tax for 2024 of approximately \$1.25 per \$100 of Assessed Valuation. As the above table indicates, the anticipated approximate 2024 debt service rate is not sufficient to pay debt service on the Bonds, assuming taxable values in the District at the level of the 2023 Assessed Valuation or the Estimated Valuation as of August 1, 2023, assuming a tax collection rate of 95%, no use of funds on hand, and the issuance of no additional bonds by the District. However, the District's Debt Service Fund balance is estimated to be \$492,975 as the date of delivery of the Bonds. Although neither Texas law nor the Bond Resolution requires that any specific amount be retained in the Debt Service Fund at any time, the District expects to apply earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Bonds. Moreover, as is illustrated above under the caption "Historical Values and Tax Collection History," as of June 30, 2023, the District had collected an average annual percentage of its property taxes of 99.98% for the period 2017 through 2022. The District anticipates that, given these factors, and future increases in taxable values which are expected to occur as a consequence of the construction of homes on the lots developed by the Developer, it will be able to meet its debt service requirements on the Bonds without increasing the District's debt service tax rate above the rate which it anticipates levying for 2024 – approximately \$0.55 per \$100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. See "TAXING PROCEDURES." In addition to the components of the System that the District is financing with proceeds of the Bonds, the District expects to finance the acquisition or construction of additional components of the System with portions of the proceeds of bonds, if any, to be issued by the District in the future. See "THE BONDS - Authority for Issuance" and - "Issuance of Additional Debt," "DISTRICT DEBT - Debt Service Requirement Schedule," "THE SYSTEM" and "Future Debt" below.

As is enumerated in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District's rate, is \$3.610696 per \$100 of Assessed Valuation. Such aggregate levies are higher than the aggregate tax levies of many municipal utility districts in the Houston metropolitan area, including the area of the District, but are within the range of the aggregate levies of many municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District.

Tax Collection Limitations

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

Registered Owners' Remedies and Bankruptcy

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

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

The District may not be placed into bankruptcy involuntarily.

Marketability

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

Future Debt

The District reserved in the Bond Resolution the right to issue the remaining \$203,740,000 principal amount of unlimited tax bonds for the System and for refunding such bonds, \$40,800,000 principal amount of unlimited tax bonds for constructing roads and for refunding such bonds, \$16,200,000 principal amount of unlimited tax bonds for recreational facilities and for refunding such bonds, \$54,900,000 for refunding purposes only, \$300,000 for fire-fighting facilities, and such additional bonds as may hereafter be approved by the voters of the District. The District has also reserved the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Resolution. All of the remaining \$203,740,000 principal amount of unlimited tax bonds for the System

and for refunding such bonds, and \$16,200,000 principal amount of unlimited tax bonds for recreational facilities and for refunding such bonds which have heretofore been authorized by the voters of the District may be issued by the District from time to time as needed. The issuance of such \$203,740,000 principal amount of unlimited tax bonds for the System and for refunding such bonds, and \$16,200,000 principal amount of unlimited tax bonds for recreational facilities and for refunding such bonds is also subject to TCEQ authorization. If the District does issue parks and recreational facilities bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent but not greater than three percent of the value of the taxable property in the District. In addition to the components of the System that the District is financing with the proceeds of the Bonds, the District expects to finance the acquisition or construction of additional components of the System with portions of the proceeds of bonds, if any, to be issued by the District in the future. If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. See "THE BONDS - Authority for Issuance" and - "Issuance of Additional Debt," "DISTRICT DEBT - Debt Service Requirement Schedule," and "THE SYSTEM."

The District's Engineer currently estimates that the aforementioned \$203,740,000 authorized bonds which remain unissued will be adequate to finance the construction of all waterworks, wastewater, and drainage facilities to all of the currently undeveloped portions of the District. See "Maximum Impact on District Tax Rates" above, "THE BONDS," "DEVELOPMENT AND HOME CONSTRUCTION," "FUTURE DEVELOPMENT," and "THE SYSTEM." If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. See "THE BONDS - Issuance of Additional Debt."

Competitive Nature of Houston Residential Housing Market

The housing industry in the Houston area is very competitive, and the District can give no assurance that the development programs which are planned by the Developer or principal land owners in the District, or any future developer(s), or the home building programs which are planned by the Builders, or any future home builders(s), will be continued or completed. The respective competitive position of the Developer and any other developer(s) which might attempt future development projects in the District for home building purposes and the Builders or any other home builders(s) which might attempt future home building projects in the District in the construction and sale of single-family residential units are affected by most of the factors discussed in this section, and such competitive positions are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

Continuing Compliance with Certain Covenants

The Bond Resolution contains covenants by the District intended to preserve the exclusion from gross income of interest on the Bonds. Failure of the District to comply with such covenants on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "TAX MATTERS."

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 does not pass upon or guarantee the security of the Bonds as an investment, or the adequacy or accuracy of the information contained in this Official Statement.

Environmental Regulations

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

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

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

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

While the EPA has revoked the 1997 Ozone Standards, the EPA historically has not formally redesignated nonattainment areas for a revoked standard. As a result, the HGB Area remained subject to continuing severe nonattainment area “anti-backsliding” requirements, despite the fact that HGB Area air quality has been attaining the 1997 Ozone Standards since 2014. In late 2015, the EPA approved the TCEQ’s “redesignation substitute” for the HGB Area under the revoked 1997 Ozone Standards, leaving the HGB Area subject only to the nonattainment area requirements under the 2008 Ozone Standard (and later, the 2015 Ozone Standard).

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

The HGB Area is currently designated as a “severe” nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2027. If the EPA ultimately determines that the HGB Area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose

a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

The HGB Area is currently designated as a “moderate” nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2024. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

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

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

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

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

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

The District is subject to the TCEQ’s General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”), which was issued by the TCEQ on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. In order to maintain MS4 Permit compliance, the District is partnering with the city of Alvin (the “City”), to participate in the City’s program to develop, implement, and maintain the required plan (the “MS4 Permit Plan”) as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. While the District does not have its own independent MS4 Permit Plan, the District has taken all necessary steps required by the City to be included in the City’s MS4 Permit Plan in order to obtain MS4 Permit

compliance with the TCEQ. If at any time in the future the District were required to maintain independent coverage under the MS4 Permit, it is anticipated that the District could incur substantial additional costs to develop and implement its own program necessary to comply with the MS4 Permit.

Operations of 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.

Extreme Weather Events

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

The greater Houston area, including the District, has experienced multiple storms exceeding a 0.2% probability (i.e. “500 year flood” events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. The District had not yet commenced development of the District for home construction during Hurricane Harvey.

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

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.

Potential Effects of Oil Price Volatility on the Houston Area

The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values or development and construction activity 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.

THE BONDS

General

The Bonds are dated November 1, 2023, and interest accrues from the date of initial delivery (the “Date of Delivery”), at the rates shown on the inside cover page hereof, with interest payable on September 1, 2024, and on each March 1 and September 1 thereafter until the earlier of stated maturity or redemption. An aggregate of \$2,060,000 of the Bonds are issued as serial bonds maturing on September 1 in each of the years 2026 through 2039, both inclusive, in the principal amounts set forth on the inside cover page of this Official Statement. An aggregate of \$4,200,000 of the Bonds are issued as term bonds maturing on September 1 in each of the years 2042, 2045, 2048 and 2053 (collectively, the “Term Bonds”), in the principal amounts and at the rates set forth on the inside cover page of this Official Statement. The Bonds are issued in fully registered form, without coupons, in the denomination of \$5,000 each, or any integral multiple thereof. Principal of the Bonds will be payable by the paying agent/registrars, initially, The Bank of New York Mellon Trust Company, N.A., in Dallas, Texas, or any successor paying agent/registrars (the “Paying Agent,” “Paying Agent/Registrar,” or “Registrar”). Interest on the Bonds will be payable by check or draft, dated as of the interest payment date, and mailed by the Registrar to Registered Owners as shown on the records of the Registrar (“Registered Owners”) at the close of business on the 15th calendar day of the month next preceding the interest payment date (the “Record Date”).

Book-Entry-Only System

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

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

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

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”)

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

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

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

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the 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 transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

Assignments, Transfers and Exchanges

In the event the Book-Entry-Only System is discontinued, the Bonds may be transferred, registered and assigned only on the registration books of the Registrar, and such registration and transfer shall be without expense or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Registrar. Any Bond may be transferred or exchanged upon its presentment and surrender at the office of the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the owner in not more than three business days after the receipt of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in denominations of \$5,000 or any integral multiple thereof for any one maturity and for a like aggregate principal amount or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the District nor the Registrar is required (1) to transfer or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding interest payment date, or (2) to transfer or exchange any Bond selected for redemption in whole or in part within thirty (30) calendar days of the redemption date. The District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, or receipt of satisfactory evidence of such destruction, loss or theft and receipt by the District and the Registrar of security or indemnity to keep them harmless. The District will require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Redemption Provisions

Mandatory Redemption

The Term Bonds maturing on September 1 in each of the years 2042, 2045, 2048 and 2053 shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption, on September 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District’s reserved right of optional redemption, as provided under “Optional Redemption” below).

\$665,000 Term Bonds Maturing on September 1, 2042	
<u>Mandatory Redemption Dates</u>	<u>Principal Amount</u>
September 1, 2040	\$210,000
September 1, 2041	220,000
September 1, 2042 (maturity)	235,000
\$775,000 Term Bonds Maturing on September 1, 2045	
<u>Mandatory Redemption Dates</u>	<u>Principal Amount</u>
September 1, 2043	\$245,000
September 1, 2044	260,000
September 1, 2045 (maturity)	270,000

\$905,000 Term Bonds Maturing on September 1, 2048	
<u>Mandatory Redemption Dates</u>	<u>Principal Amount</u>
September 1, 2046	\$285,000
September 1, 2047	300,000
September 1, 2048 (maturity)	320,000

\$1,855,000 Term Bonds Maturing on September 1, 2053	
<u>Mandatory Redemption Dates</u>	<u>Principal Amount</u>
September 1, 2049	\$335,000
September 1, 2050	350,000
September 1, 2051	370,000
September 1, 2052	390,000
September 1, 2053 (maturity)	410,000

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

Optional Redemption

The District reserves the right, at its option, to redeem the Bonds, including the Term Bonds, maturing on September 1, 2029, and thereafter, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 2028, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be optionally redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by DTC in accordance with its procedures, so long as the Bonds are registered in accordance with the Book-Entry-Only System. See “BOOK-ENTRY-ONLY SYSTEM.” If fewer than all of the Term Bonds of a maturity are to be redeemed, the District will notify the Paying Agent/Registrar of the reductions in the remaining mandatory redemption amounts of such maturity to result from the optional redemption. Notice of each exercise of the reserved right of optional redemption shall be given at least thirty (30) calendar days prior to the date fixed for redemption, in the manner specified in the Bond Resolution.

Replacement of Registrar

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

Authority for Issuance

At an election held within the District on September 10, 2005, voters of the District authorized a total of \$300,000 in bonds for fire-fighting facilities and \$54,900,000 for refunding purposes only. At an election held within the District on May 16, 2017, voters of the District authorized a total of \$210,000,000 in bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities (the "System") and for refunding such bonds, \$40,800,000 in bonds for constructing roads and for refunding such bonds and \$16,200,000 in bonds for acquiring and constructing recreational facilities and for refunding such bonds. After the sale of the Bonds, a total of \$203,740,000 principal amount of unlimited tax bonds for the System and for refunding such bonds, all \$40,800,000 principal amount of unlimited tax bonds for constructing roads and for refunding such bonds, \$16,200,000 principal amount of unlimited tax bonds for recreational facilities and for refunding such bonds, all \$54,900,000 for refunding purposes only and all \$300,000 principal amount of unlimited tax bonds for the purpose of fire-fighting facilities will remain authorized but unissued. The Bonds are issued pursuant to the Bond Resolution, an election held within the District, Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 of the Texas Constitution. Issuance of the Bonds has been further authorized by an order of the TCEQ.

Source of Payment

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

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

Issuance of Additional Debt

The District may issue additional bonds, with the approval of the TCEQ, necessary to provide improvements and facilities consistent with the purposes for which the District was created. The District's voters have authorized the issuance of \$210,000,000 unlimited tax bonds for the System and for refunding such bonds, \$40,800,000 in bonds for constructing roads and for refunding such bonds, \$16,200,000 in bonds for acquiring and constructing recreational facilities and for refunding such bonds, \$54,900,000 for refunding purposes only and \$300,000 in bonds for fire-fighting facilities. Following the issuance of the Bonds, \$203,740,000 principal amount of unlimited tax bonds for the System and for refunding such bonds, all \$40,800,000 principal amount of unlimited tax bonds for constructing roads and for refunding such bonds, all \$16,200,000 principal amount of unlimited tax bonds for recreational facilities and for refunding such bonds, all \$54,900,000 for refunding purposes only and all \$300,000 principal amount of unlimited tax bonds for the purpose of fire-fighting facilities will remain authorized but unissued. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and approved by the Board and the TCEQ where required). In addition to the components of the System that the District is financing with the proceeds of the sale of the Bonds, the District expects to finance the acquisition or construction of additional components of the System with portions of the proceeds of bonds, if any, to be issued by the District in the future. See "THE BONDS - Authority for Issuance" and "Issuance of Additional Debt," "THE SYSTEM," and "RISK FACTORS - Future Debt."

Based on present engineering cost estimates and on development plans supplied by the Developer, in the opinion of the District's consulting engineer, Huitt-Zollars, Inc. (the "Engineer"), the \$203,740,000 authorized but unissued bonds will be adequate to finance the extension of components of the System to serve all of the remaining undeveloped portions of the District. See "DEVELOPMENT AND HOME CONSTRUCTION," "FUTURE DEVELOPMENT," and "THE SYSTEM."

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the park project and bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent but greater than not three percent of the value of the taxable property in the District. Voters of the District have authorized the issuance of \$16,200,000 in bonds for construction of parks and recreational facilities.

No Arbitrage

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

Dissolution

Under existing Texas law, since the District lies wholly within the extra-territorial jurisdiction of the City of Alvin, Texas, the District may be dissolved by the City of Alvin, without the District's consent, subject to compliance by the City of Alvin with various requirements of Chapter 43 of the Texas Local Government Code, as amended. If the District is dissolved, the City of Alvin must assume the District's assets and obligations (including the Bonds) and abolish the District within 90 days of the date of dissolution, except as provided below under “Strategic Partnership.” Dissolution of the District by the City of Alvin is a policy-making matter within the discretion of the Mayor and City Council of the City of Alvin; therefore, the District makes no representation that the City of Alvin will ever dissolve the District and assume its obligations. Moreover, no representation is made concerning the ability of the City of Alvin to make debt service payments should dissolution occur.

Strategic Partnership

The District has entered into a strategic partnership agreement with the City of Alvin to provide the terms and conditions under which municipal services will be provided within the District and the conditions under which the District would continue to exist in the event of a full or limited purpose annexation of the District by the City. Under the terms of the agreement, the City will not fully annex the District until 90% of the District's water, wastewater, and drainage facilities have been constructed and all developers have been reimbursed by the District to the maximum extent permitted by the rules of the Commission or the City assumes any obligation of the District for such reimbursements. The City may annex any commercial portion of the District for limited purposes to allow the City to collect its sales and use taxes in such areas as outlined in the agreement.

Consolidation

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets (such as cash and any portion of the System not conveyed to the City of Alvin), and liabilities (such as the Bonds), with the assets and liabilities of the district or districts with which it is consolidating. Although no consolidation is presently contemplated by the District, no representation is made concerning the likelihood of consolidation in the future.

Registered Owners' Remedies

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

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

Bankruptcy Limitation to Registered Owners' Rights

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

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

The District may not be placed into bankruptcy involuntarily.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

The Bond Resolution provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both or with a commercial bank or trust company designated in the proceedings authorizing such discharge, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to 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. Because the Bond Resolution does not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality of those currently permitted under Texas law.

Use and Distribution of Bond Proceeds

Proceeds of the sale of the Bonds will be used by the District to (i) finance the District’s cost of (a) acquisition or construction of underground water distribution, wastewater collection and storm drainage facilities to serve Martha’s Vineyard, Section 1; and (b) land acquisition costs; (ii) pay interest on advances made on behalf of the District; (iii) pay Impact Fees to the City of Alvin; and (iv) pay for administrative and issuance costs, legal fees, fiscal agent's fees, a fee to the Texas Commission on Environmental Quality (the “TCEQ” or the “Commission”), engineering fees, certain costs associated with the initial creation of the District, costs associated with the operation of the District, certain financing costs related to the issuance of the Bonds; certain financing costs related to the issuance of the BAN (defined below) and the Bonds, and to capitalize an amount of \$492,975 from the proceeds of the sale of the Bonds which the District will deposit in the District’s Debt Service Fund. The District will also retire its \$2,880,000 Bond Anticipation Note, Series 2023 (the “BAN”), with a portion of the proceeds of the sale of the Bonds. The District utilized the proceeds of the BAN to interim finance certain of the aforementioned facilities that it is financing with the proceeds of the sale of the Bonds.

Construction Costs	<u>District Share</u>
A. Developer Contribution Items (a)	
1. Martha’s Vineyard, Section 1 Water, Wastewater and Drainage	\$ 3,049,407
2. Engineering	<u>309,773</u>
Total Developer Contribution Items	\$3,359,180
B. District Items	
1. Land Acquisition Costs	\$ 527,289
2. Impact Fees	<u>357,500</u>
Total District Items	\$884,789
 TOTAL CONSTRUCTION COSTS	 \$4,243,969

Non-Construction Costs

1. Legal Fees	\$ 165,200
2. Fiscal Agent Fees	125,200
3. Interest	
a. Capitalized Interest	492,975
b. Developer Interest (b)	482,144
c. Bond Anticipation Note Interest	144,000

4. Bond Discount	187,706
5. Creation Costs	34,529
6. Operating Expenses	139,382
7. Bond Issuance Expenses	89,141
8. Bond Anticipation Note Issuance Expenses	88,750
9. Bond Application Report Costs	45,000
10. Attorney General Fee	6,260
11. TCEQ Bond Issuance Fee	15,650
12. Contingencies (c)	<u>94</u>
TOTAL NON-CONSTRUCTION COSTS	\$2,016,031
TOTAL BOND ISSUE REQUIREMENT	\$6,260,000

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- (a) The rules of the TCEQ require in certain instances that developers within a district subject to the jurisdiction of the TCEQ contribute to the construction program of such district an amount of money equal to thirty percent (30%) of the construction costs of certain water, sewer and drainage facilities in that district. The District requested an exemption from such developer participation requirement with respect to certain facilities being financed with portions of the proceeds of the sale of the Bonds on the basis of one of the criteria under TCEQ rules for such exemption. The TCEQ granted the request for such exemption in its order authorizing the District to issue the Bonds.
- (b) Represents interest owed to the Developer on advances they have made on the District's behalf. The actual amount of interest owed will be calculated at the lesser of (i) the net effective interest rate borne by the Bonds or (ii) the interest rate at which the Developer has borrowed funds.
- (c) The TCEQ directed that any surplus funds resulting from the sale of bonds at a lower interest rate than proposed shall be shown as a contingency line item. The use of these funds is subject to approval by the TCEQ.

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

THE DISTRICT

General

The District operates pursuant to Article XVI, Section 59 of the Texas Constitution, the provisions of Chapter 49 and Chapter 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District, which lies totally within the extra-territorial jurisdiction of the City of Alvin, is subject to the continuing supervisory jurisdiction of the TCEQ.

The District is empowered, among other things, to finance, purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also authorized to develop roads and parks and recreational facilities, including the issuance of bonds payable from taxes for such purposes. The District

may also provide solid waste disposal and collection services. The District is also empowered to establish, operate and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the TCEQ and the voters of the District. At an election held within the District on September 10, 2005, voters of the District authorized a total of \$300,000 in bonds for fire-fighting facilities. The District has not yet issued bonds from such authorization.

The District is required to observe certain requirements of the City of Alvin, which limit the purposes for which the District may sell bonds to the acquisition, construction, and improvement of waterworks, wastewater, and drainage facilities and recreational facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of Alvin of District construction plans; and permit connections only to lots and reserves described in a plat that has been approved by the City of Alvin, and filed in the real property records of Brazoria County, as appropriate. Construction and operation of the District's drainage system is subject to the regulatory jurisdiction of additional State of Texas and local agencies. See "THE SYSTEM."

Utility Agreement

The District obtains water, sewer and drainage service from the City. The City and Lesco Enterprises, Inc. (the initial developer of land in the District) entered into a Utility Services Contract (the "Utility Agreement"), to provide a water distribution system, sanitary sewer collection system and drainage system (the "System") to serve the District. The District approved and assumed the Utility Agreement on February 4, 2016. In consideration of the District acquiring and constructing the System on behalf of the City, the City agreed, pursuant to the terms and conditions of the Utility Agreement, to own and operate the System (other than detention facilities, which are owned and operated by the District).

As construction of each phase of the System is certified to be complete in accordance with the final plans and specifications approved by the City, the District is to transfer such portion of the System with construction drawings thereof to the City reserving a security interest therein until the bonds issued to acquire and construct the System have been retired. Upon transfer, the City has agreed to operate and maintain the System (other than detention facilities which are owned and operated by the District) at its expense. Under the Utility Agreement, the City has agreed to charge customers of the System the same rates charged other similar users within the City. All revenue from the System, including any charges which the City may impose for connection to the System, belongs exclusively to the City.

The City, as owner and operator of the System (other than detention facilities, which are owned and operated by the District), has agreed to supply the District with all of its requirements for potable water and wastewater treatment. See "THE SYSTEM."

Description

The District contains approximately 742.3891 acres of land. The District is located entirely within the extraterritorial jurisdiction of the City of Alvin, Texas (the "City"). The District is located approximately 34 miles southeast of the central business district of Houston, Texas. The District is located generally at the intersection of State Highway 6 and State Highway 35. The District lies within the Alvin Independent School District. See "THE DISTRICT - General" and "APPENDIX A - LOCATION MAP."

Management of the District

The District is governed by the Board of Directors, consisting of five directors. The Board of Directors has control over and management supervision of all affairs of the District. Directors serve four-year staggered terms, and elections are held within the District in May in even numbered years. The current members and officers of the Board, along with their respective terms of office, are listed below. None of the Directors currently reside within the District.

<u>Name</u>	<u>Position</u>	<u>Term Expires in May</u>
Lisa Diese	President	2026
Faye Ausmus	Vice President	2024
Heather McCallay	Assistant Vice President	2024
Mary Hargrove	Secretary	2024
Josephine Duncan	Assistant Secretary	2026

The District does not have a general manager or any other employee, but has contracted for services, as follows.

Tax Assessor/Collector - The District has engaged Assessments of the Southwest, Inc. Friendswood, Texas, as the District's Tax Assessor/Collector. According to Assessments of the Southwest, Inc., it presently serves approximately 204 taxing units as tax assessor/collector. The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Brazoria County Appraisal District and bills and collects such levy.

Consulting Engineers - The District has employed the firm of Huitt-Zollars, Inc., Houston, Texas, as Consulting Engineer in connection with the overall planning activities and the design and construction of the System.

Bookkeeper - The District has engaged Myrtle Cruz, Inc. as the District's Bookkeeper. According to Myrtle Cruz, Inc., it currently serves approximately 359 districts as bookkeeper.

Auditor - As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audited financial statements are filed with the TCEQ. The financial statements of the District as of May 31, 2023, and for the year then ended, included in this offering document, have been audited by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, as stated in their report appearing herein. A copy of the District's financial statements for the fiscal year ended May 31, 2023, is included as "APPENDIX B" to this Official Statement.

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

Bond Counsel and General Counsel - Allen Boone Humphries Robinson LLP, Houston, Texas ("Bond Counsel") serves as Bond Counsel to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. In addition, Allen Boone Humphries Robinson LLP serves as general counsel to the District on matters other than the issuance of bonds.

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

DEVELOPMENT AND HOME CONSTRUCTION

As of September 1, 2023, the District contained 314 fully developed single-family residential lots on which 217 homes have been constructed, including 185 completed homes and 32 homes under construction. According to the District's Engineer, underground water distribution, wastewater collection, and storm drainage/detention facilities and street paving have been completed to serve the 314 single family residential lots located in Martha's Vineyard, Sections 1 through 3 (approximately 60.24 total acres) in the District. See "DEVELOPMENT AND HOME CONSTRUCTION."

The current primary developer of land within the District is R. West Development Co., Inc., a Texas corporation ("R. West" or the "Developer"). The Developer has completed the development of such 314 single family residential lots located in the District. Martha's Vineyard LLC, an affiliate of the Developer, owns approximately 18.05 acres of undeveloped land located within the District that are available for future development, all of which it expects to be utilized for future commercial development. Golf Land Inc. owns approximately 289.64 acres located within the District that are available for future development. Harris County Flood Control District owns approximately 329.6 acres located within the District. The remaining acreage of the District is comprised of streets, drainage easements and open space. Since no party, including the Developer, Martha's Vineyard LLC, or Golf Land Inc., is under any obligation to the District to undertake the development of any currently undeveloped portion of the District, the District can make no representation as to when, or whether, the undeveloped portions of the District might be developed.

The District is financing the acquisition or construction of underground water distribution, wastewater collection, and storm drainage facilities, including land acquisition, to serve Martha's Vineyard, Section 1 with a portion of the proceeds of the sale of the Bonds. In addition to the components of the System that the District is financing with proceeds of the Bonds, the District expects to finance the acquisition or construction of additional components of the System with the proceeds of bonds, if any, to be issued by the District in the future.

As of September 1, 2023, the status of land development and home construction within the District was as follows:

	LOTS(a)				HOMES(b)				Totals
	Developed	Acres	Under Development	Acres	Under Construction Sold	Under Construction Unsold	Completed Sold	Completed Unsold	
Subdivision:									
Martha's Vineyard									
Section 1	143	27.74			0	0	140	1	141
Section 2	103	19.80			17	8	0	2	27
Section 3	68	12.70			1	6	36	6	49
Totals	314	60.24	0	0	18	14	176	9	217

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

DEVELOPER AND OTHER PRINCIPAL LAND OWNERS

General

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 emplaced 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, sewer, 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 most instances, the developer will be required to pay up to thirty percent (30%) of the cost of emplacing certain of the water, wastewater and drainage facilities in the utility district pursuant to the rules of the TCEQ. The District requested an exemption from such developer participation requirement with respect to the Bonds on the basis of one of the criteria under TCEQ rules for such exemption. The TCEQ granted the request for such exemption in its Order authorizing the District to issue the Bonds. The relative success or failure of a developer to perform such activities in development of the property within a 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 the developer's right to sell any or all of the land which the developer owns within a district. See "FUTURE DEVELOPMENT" below.

Description of the Developer and Other Principal Land Owners

The current primary developer of land within the District is R. West Development Co., Inc., a Texas corporation ("R. West" or the "Developer"). The Developer has completed the development of 314 single family residential lots located in Martha's Vineyard, Sections 1 through 3 (approximately 60.24 total acres). Martha's Vineyard LLC, an affiliate of the Developer, owns approximately 18.05 acres of undeveloped land located within the District that are available for future development, all of which it expects to be utilized for future commercial development.

Golf Land Inc. owns approximately 289.64 acres located within the District that are available for future development. Harris County Flood Control District owns approximately 329.6 acres located within the District. The remaining acreage of the District is comprised of streets, drainage easements and open space.

BUILDERS

According to R. West, Anglia Homes is currently constructing homes in Martha's Vineyard that range in size from approximately 1,848 to 2,653 square feet of living area and in sales price from approximately \$330,990 to \$406,990.

According to R. West, Castlerock Homes is currently constructing homes in Martha's Vineyard that range in size from approximately 1,801 to 4,052 square feet of living area and in sales price from approximately \$325,990 to \$529,990.

Anglia Homes and Castlerock Homes are herein referred to as the "Builders." The Builders may change the types, sizes and sales prices of the homes which they choose to construct within the District entirely within their discretion, or may suspend home construction activity entirely.

FUTURE DEVELOPMENT

As is described above under the caption "DEVELOPMENT AND HOME CONSTRUCTION," approximately 60.24 acres of the total of approximately 742.3891 acres of land located within the District have been developed into 314 single-family residential lots, the development of which is complete. Martha's Vineyard LLC, an affiliate of the Developer, owns approximately 18.05 acres of undeveloped land located within the District that are available for future development, all of which it expects to be utilized for future commercial development.

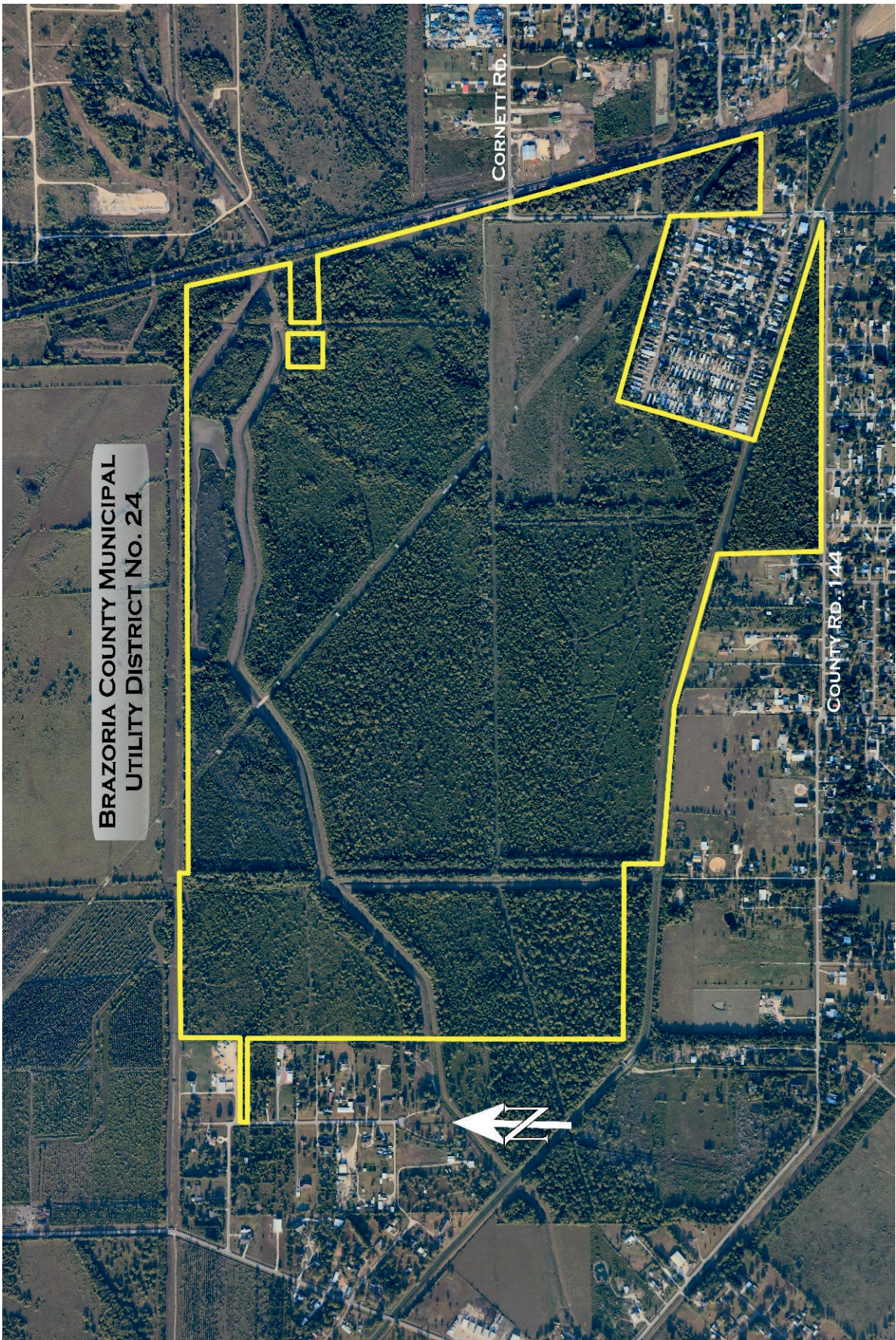
Golf Land Inc. owns approximately 289.64 acres located within the District that are available for future development. Harris County Flood Control District owns approximately 329.6 acres located within the District. The remaining acreage of the District is comprised of streets, drainage easements and open space. See "RISK FACTORS - Factors Affecting Taxable Values and Tax Payments," "DEVELOPER AND OTHER PRINCIPAL LAND OWNERS" and "TAX DATA - Principal 2023 Taxpayers." Since no party, including the Developer, is under any obligation to the District to undertake the development of any currently undeveloped portion of the District, the District can make no representation as to when, or whether, the undeveloped portions of the District might be developed. If any undeveloped portion of the District is eventually developed, additions to the water, wastewater and drainage systems required to service such undeveloped acreage may be financed by future issues of the District's bonds. The District's Engineer currently estimates that the \$203,740,000 authorized bonds which are currently unissued are adequate to finance the construction of such facilities to provide service to all of the undeveloped portions of the District as described in this Official Statement under the caption "THE SYSTEM." In addition to the water distribution,

wastewater collection, and storm drainage/detention facilities that the District is financing with portions of the proceeds of the sale of the Bonds (see “THE BONDS - Use and Distribution of Bond Proceeds” and “THE SYSTEM”), the District expects to finance the acquisition or construction of additional water distribution, wastewater collection, storm drainage/detention facilities with portions of the proceeds of the sale of bonds, if any, in the future. See “THE BONDS - Issuance of Additional Debt” and “RISK FACTORS - Future Debt.”

AERIAL PHOTOGRAPH OF A PORTION OF THE DISTRICT
(taken August 2023)



**AERIAL PHOTOGRAPH OF A PORTION OF THE DISTRICT
(taken August 2023)**



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken August 2023)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken August 2023)



DISTRICT DEBT

General

The following tables and calculations relate to the Bonds. The District is empowered to incur debt to be paid from revenues raised by taxation against all taxable property located within the District, and various other political subdivisions of government that overlap all or a portion of the District are empowered to incur debt to be paid from revenues raised or to be raised by taxation against all or a portion of the property within the District.

2022 Assessed Valuation	\$	43,506,471 (a)
(As of January 1, 2022)		
See "TAX DATA" and "TAXING PROCEDURES"		
2023 Assessed Valuation	\$	70,006,937 (b)
(As of January 1, 2023)		
See "TAX DATA" and "TAXING PROCEDURES"		
Estimated Valuation as of August 1, 2023	\$	73,446,940 (c)
See "TAX DATA" and "TAXING PROCEDURES"		
Direct Debt:		
The Bonds	\$	6,260,000 (d)
Estimated Overlapping Debt	\$	<u>2,544,583</u>
Total Direct and Estimated Overlapping Debt	\$	8,804,583
Direct Debt Ratio		
: as a percentage of 2022 Assessed Valuation.....		14.39 %
: as a percentage of 2023 Assessed Valuation.....		8.94 %
: as a percentage of Estimated Valuation as of August 1, 2023		8.52 %
Direct and Overlapping Debt Ratio		
: as a percentage of 2022 Assessed Valuation.....		20.24 %
: as a percentage of 2023 Assessed Valuation.....		12.58 %
: as a percentage of Estimated Valuation as of August 1, 2023		11.99 %
Debt Service Fund Balance Estimated as of Delivery of the Bonds.....	\$	492,975 (e)
General Fund Balance as of June 27, 2023.....	\$	879,715
2023 Tax Rate per \$100 of Assessed Valuation		
Debt Service Tax.....	\$	0.00
Maintenance Tax		<u>1.25</u>
Total	\$	1.25 (f)
Anticipated Approximate 2024 Tax Rate per \$100 of Assessed Valuation		
Debt Service Tax.....	\$	0.55
Maintenance Tax		<u>0.70</u>
Total	\$	1.25 (f)

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

- (b) As of January 1, 2023, and comprises the District's 2023 tax roll. Such sum includes an uncertified component of \$4,795,001, which is included in the amount of \$70,006,937. The District's ultimate 2023 Assessed Valuation will not be determined until such uncertified values are certified by the Appraisal Review Board, and thus may vary from such sum of \$70,006,937. See "RISK FACTORS - Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."
- (c) Provided by the Appraisal District for informational purposes only; this amount is an estimate of the value of all taxable property located within the District as of August 1, 2023, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2023, through July 31, 2023. The ultimate Assessed Valuation of any land and improvements added from January 1, 2023, through July 31, 2023, which will be placed on the District's 2024 tax roll, may vary significantly from such estimate once the Appraisal Review Board certifies the value thereof in 2024.
- (d) In addition to the components of the System that the District is financing with proceeds of the Bonds, the District expects to finance the acquisition or construction of additional components of the System with the proceeds of bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt" and - "Use and Distribution of Bond Proceeds," "FUTURE DEVELOPMENT," "THE SYSTEM" and "RISK FACTORS - Future Debt."
- (e) The District will capitalize an amount equal to \$492,975 from the proceeds of the sale of the Bonds, and will deposit such sum in the Debt Service Fund. Neither Texas law nor the Bond Resolution requires the District to maintain any particular sum in the Debt Service Fund. The District's initial debt service payment on the Bonds is due on September 1, 2024, and consists of a principal and interest payment thereon.
- (f) The District has levied a tax of \$1.25 per \$100 of Assessed Valuation for 2023, consisting of a maintenance tax of only. The District anticipates levying its initial debt service tax in 2024 in the approximate amount of \$0.55 per \$100 of Assessed Valuation in connection with the issuance of the Bonds, plus a maintenance tax of approximately \$0.70 per \$100 of Assessed Valuation, for a combined total tax for 2024 of approximately \$1.25 per \$100 of Assessed Valuation. As is described in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2022 tax levies of all units of government which levy taxes against the property located within the District, plus the 2022 tax of the District is \$3.610696 per \$100 of Assessed Valuation. Such aggregate levy is higher than the aggregate of the tax levies of many municipal utility districts located in the greater Houston metropolitan area, but is within the range of the aggregate tax levies of many municipal utility districts in the Houston metropolitan area which are in stages of development comparable with the District. See "RISK FACTORS - Factors Affecting Taxable Values and Tax Payments."

Estimated Direct and Overlapping Debt Statement

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

Taxing Jurisdiction	<u>Debt as of</u> <u>September 1, 2023</u>	<u>Estimated Overlapping</u> <u>Percent</u>	<u>Amount</u>
Brazoria County	\$207,948,313	0.1022%	\$212,422
Alvin Independent School District	936,195,000	0.2430%	2,274,523
Alvin Community College District	21,940,000	0.2627%	<u>57,638</u>
Total Estimated Overlapping Debt			\$2,544,583
The District (the Bonds)			<u>\$6,260,000</u>
Total Direct & Estimated Overlapping Debt			\$8,804,583

Debt Ratios

	<u>% of 2022</u> <u>Assessed</u> <u>Valuation</u>	<u>% of 2023</u> <u>Assessed</u> <u>Valuation</u>	<u>% of Estimated</u> <u>Valuation as of</u> <u>August 1, 2023</u>
Direct Debt	14.39%	8.94%	8.52%
Direct and Estimated Overlapping Debt	20.24%	12.58%	11.99%

Under Texas law, ad valorem taxes levied by each taxing authority other than the District create a lien that is on a parity with the lien in favor of the District on all taxable property within the District. In addition to the ad valorem taxes required to retire the foregoing direct and overlapping debt, the various taxing authorities mentioned above are also authorized by Texas law to assess, levy, and collect ad valorem taxes for operation, maintenance, administration, and/or general revenue purposes. Certain of the jurisdictions have in the past levied such taxes. The District has the power to assess, levy, and collect ad valorem taxes for operations and maintenance purposes, and such taxes have been authorized by the duly qualified voters of the District. The District has levied a maintenance tax of \$1.25 per \$100 of Assessed Valuation in 2023, and anticipates levying its initial debt service tax in 2024 in the approximate amount of \$0.55 per \$100 of Assessed Valuation in connection with the issuance of the Bonds, plus a maintenance tax of approximately \$0.70 per \$100 of Assessed Valuation, for a combined total tax for 2024 of approximately \$1.25 per \$100 of Assessed Valuation. See “TAX DATA - Maintenance Tax.”

Debt Service Requirement Schedule

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

<u>Year Ending December 31</u>	Plus: – The Bonds –		Current Total New Debt Service Requirements
	<u>Principal (Due 9/1)</u>	<u>Interest</u>	
2024		\$277,955	\$277,955
2025		352,338	352,338
2026	\$105,000	352,338	457,338
2027	110,000	344,200	454,200
2028	115,000	335,675	450,675
2029	120,000	326,763	446,763
2030	125,000	317,463	442,463
2031	135,000	307,775	442,775
2032	140,000	297,313	437,313
2033	150,000	286,463	436,463
2034	155,000	276,150	431,150
2035	165,000	268,013	433,013
2036	170,000	259,350	429,350
2037	180,000	250,425	430,425
2038	190,000	240,975	430,975
2039	200,000	231,000	431,000
2040	210,000*	220,500	430,500
2041	220,000*	209,475	429,475
2042	235,000*	197,925	432,925
2043	245,000*	185,588	430,588
2044	260,000*	172,725	432,725
2045	270,000*	159,075	429,075
2046	285,000*	144,900	429,900
2047	300,000*	129,938	429,938
2048	320,000*	114,188	434,188
2049	335,000*	97,388	432,388
2050	350,000*	79,800	429,800
2051	370,000*	61,425	431,425
2052	390,000*	42,000	432,000
2053	410,000*	21,525	431,525
	<u>\$6,260,000</u>	<u>\$6,560,643</u>	<u>\$12,820,643</u>

Average Annual Requirements: (2026-2053).....	\$435,370
Maximum Annual Requirement: (2026).....	\$457,338

* Represents mandatory sinking fund payments on Term Bonds.

TAX DATA

Debt Service Tax

All taxable property within the District is subject to the assessment, levy and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (see “TAXING PROCEDURES”). The Board of Directors of the District has in its Bond Resolution covenanted to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds (see “THE BONDS” and “RISK FACTORS”). The District anticipates levying its initial debt service tax in 2024 in the approximate amount of \$0.55 per \$100 of Assessed Valuation in connection with the issuance of the Bonds.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by a vote of the District's electorate. On May 16, 2017, the District voters authorized the levy of such a maintenance tax in an amount not to exceed \$1.50 per \$100 of Assessed Valuation. Such tax is levied in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any tax-supported bonds which may be issued in the future. The District has levied a maintenance tax of \$1.25 per \$100 of Assessed Valuation for 2023. See “Tax Rate Distribution” below.

Tax Rate Limitation

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

Historical Values and Tax Collection History

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate(a)</u>	<u>Total Levy</u>	<u>Cumulative % Collections</u>	
				<u>Current & Prior Years(b)</u>	<u>Year Ended 9/30</u>
2017	\$1,667,900	\$1.50	\$25,019	100.00%	2013
2018	1,614,204	1.50	24,213	100.00	2019
2019	6,930,219	1.50	103,963	100.00	2020
2020	16,382,305	1.50	245,735	99.91	2021
2021	31,321,051	1.49	466,684	99.99	2022
2022	43,506,471	1.48	643,896	100.00	2023
2023	70,006,937(c)	1.25(d)	875,087	(d)	2024

- (a) Per \$100 of Assessed Valuation. The District has levied a maintenance tax only for the years 2017 through 2023.
- (b) Such percentages reflect cumulative total collections for each year from the time each respective annual tax was levied through June 30, 2023. The amount of tax collected for each levy on a current basis (by September 30 of the year following each respective annual levy) is not reflected in this statement.
- (c) Such sum includes an uncertified component of \$4,795,001, which is included in the amount of \$70,006,937. The District's ultimate 2023 Assessed Valuation will not be determined until such uncertified values are certified by the Appraisal Review Board, and thus may vary from such sum of \$70,006,937.
- (d) The District has levied a tax of \$1.25 per \$100 of Assessed Valuation for 2023, consisting of a maintenance tax of only.

Tax Rate Distribution

	<u>2024*</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Debt Service	\$0.55	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Maintenance	<u>0.70</u>	<u>1.25</u>	<u>1.48</u>	<u>1.49</u>	<u>1.50</u>	<u>0.00</u>
Total	\$1.25	\$1.25	\$1.48	\$1.49	\$1.50	\$1.50

* The District anticipates levying its initial debt service tax in 2024 in the approximate amount of \$0.55 per \$100 of Assessed Valuation in connection with the issuance of the Bonds, plus a maintenance tax of approximately \$0.70 per \$100 of Assessed Valuation, for a combined total tax for 2024 of approximately \$1.25 per \$100 of Assessed Valuation.

Analysis of Tax Base

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

<u>Type of Property</u>	<u>2023</u>		<u>2022</u>		<u>2021</u>	
	<u>Assessed Value</u>	<u>%</u>	<u>Assessed Value</u>	<u>%</u>	<u>Assessed Value</u>	<u>%</u>
Land	\$25,107,980	35.86%	\$17,451,260	40.11%	\$18,750,400	59.87%
Improvements	48,740,825	69.62%	31,652,996	72.75%	18,731,180	59.80%
Personal Property	691,370	0.99%	470,820	1.08%	418,980	1.34%
Uncertified	4,795,001	6.85%	0	0.00%	0	0.00%
Exemptions	<u>-9,328,239</u>	<u>-13.32%</u>	<u>-6,068,605</u>	<u>-13.95%</u>	<u>-6,579,509</u>	<u>-21.01%</u>
Total	\$70,006,937*	100.00%	\$43,506,471	100.00%	\$31,321,051	100.00%

<u>Type of Property</u>	<u>2020</u>		<u>2019</u>	
	<u>Assessed Value</u>	<u>%</u>	<u>Assessed Value</u>	<u>%</u>
Land	\$10,053,380	61.37%	\$7,186,309	103.70%
Improvements	8,214,800	50.14%	153,380	2.21%
Personal Property	303,430	1.85%	189,230	2.73%
Exemptions	<u>-2,189,305</u>	<u>-13.36%</u>	<u>-598,700</u>	<u>-8.64%</u>
Total	\$16,382,305	100.00%	\$6,930,219	100.00%

* Such sum includes an uncertified component of \$4,795,001, which is included in the amount of \$70,006,937. The District's ultimate 2023 Assessed Valuation will not be determined until such uncertified values are certified by the Appraisal Review Board, and thus may vary from such sum of \$70,006,937.

Principal 2023 Taxpayers

Based upon information supplied by the District's Tax Assessor/Collector, the following table lists principal District taxpayers, type of property owned by such taxpayers, and the Assessed Valuation of such property as of January 1, 2023. The information reflects the composition of the Appraisal District's record of property ownership as of January 1, 2023.

<u>Property Owner*</u>	<u>Property Description</u>	<u>2023 Taxable Value</u>	<u>% of 2023 Tax Roll</u>
Anglia Homes LP	Land and Improvements	\$7,480,201	10.68%
Castlerock Communities LLC	Land and Improvements	2,711,450	3.87%
Martha's Vineyard LLC	Land and Improvements	2,079,370	2.97%
Cox Lane Real Estate LLC	Commercial	949,560	1.36%
Homeowner	Land and Improvements	530,320	0.76%
Homeowner	Land and Improvements	523,090	0.75%
Homeowner	Land and Improvements	515,190	0.74%
Homeowner	Land and Improvements	467,450	0.67%
Homeowner	Land and Improvements	458,790	0.66%
Homeowner	Land and Improvements	<u>446,900</u>	<u>0.64%</u>
Total		\$16,162,321	23.09%

* Golf Land, Inc. is not listed on this statement as its 2023 Assessed Valuation has been reduced from \$2,928,090 to \$238,410 due to an agricultural exemption.

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Assessed Valuation which would be required to meet certain debt service requirements if no growth in the District's tax base occurs beyond the 2022 Assessed Valuation, 2023 Assessed Valuation or the Estimated Valuation as of August 1, 2023. The calculations assume collection of 95% of taxes levied, no use of funds on hand, and the sale of no bonds by the District other than the Bonds.

Average Annual Debt Service Requirements (2026-2053)	\$435,370
Tax Rate of \$1.06 on the 2022 Assessed Valuation (\$43,506,471) produces.....	\$438,110
Tax Rate of \$0.66 on the 2023 Assessed Valuation (\$70,006,937) produces.....	\$438,943
Tax Rate of \$0.63 on the Estimated Valuation as of August 1, 2023 (\$73,446,940) produces	\$439,580
Maximum Annual Debt Service Requirement (2026)	\$457,338
Tax Rate of \$1.11 on the 2022 Assessed Valuation (\$43,506,471) produces.....	\$458,776
Tax Rate of \$0.69 on the 2023 Assessed Valuation (\$70,006,937) produces.....	\$458,895
Tax Rate of \$0.66 on the Estimated Valuation as of August 1, 2023 (\$73,446,940) produces	\$460,512

The District has levied a tax of \$1.25 per \$100 of Assessed Valuation for 2023, consisting of a maintenance tax of only. The District anticipates levying its initial debt service tax in 2024 in the approximate amount of \$0.55 per \$100 of Assessed Valuation in connection with the issuance of the Bonds, plus a maintenance tax of approximately \$0.70 per \$100 of Assessed Valuation, for a combined total tax for 2024 of approximately \$1.25 per \$100 of Assessed Valuation. As the above table indicates, the anticipated approximate 2024 debt service rate is not sufficient to pay debt service on the Bonds, assuming taxable values in the District at the level of the 2023 Assessed Valuation or the Estimated Valuation as of August 1, 2023, assuming a tax collection rate of 95%, no use of funds on hand, and the issuance of no additional bonds by the District. However, the District's Debt Service Fund balance is estimated to be \$492,975 as the date of delivery of the Bonds. Although neither Texas law nor the Bond Resolution requires that any specific amount be

retained in the Debt Service Fund at any time, the District expects to apply earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Bonds. Moreover, as is illustrated above under the caption “Historical Values and Tax Collection History,” as of June 30, 2023, the District had collected an average annual percentage of its property taxes of 99.98% for the period 2017 through 2022. The District anticipates that, given these factors, and future increases in taxable values which are expected to occur as a consequence of the construction of homes on the lots developed by the Developer, it will be able to meet its debt service requirements on the Bonds without increasing the District’s approximate debt service tax rate above the rate which it anticipates levying for 2024 - \$0.55 per \$100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners.

Estimated Overlapping Taxes

Property located within the District is subject to taxation by several taxing authorities in addition to the District. Set forth below is a compilation of all 2022 taxes levied upon property located within the District and the District’s 2022 tax rate. Under Texas law, ad valorem taxes levied by each taxing authority other than the District entitled to levy taxes against property located within the District create a lien which is on a parity with the tax lien of the District. In addition to the ad valorem taxes required to make the debt service payments on bonded indebtedness of the District and of such other jurisdictions (see “DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement”), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

<u>Taxing Jurisdiction</u>	<u>2022 Tax Rate/\$100</u>
Brazoria County	\$0.341106
Alvin Independent School District	1.377700
Alvin Community College	0.164145
Brazoria County Emergency Services District #3	0.097745
Brazoria County Conservation & Reclamation District #3 (a)	0.150000
The District (b)	<u>1.480000</u>
TOTAL TAX RATE	\$3.610696

- (a) 20.22 acres of land in the District lies within Brazoria Drainage District No. 4 (“BDD4”) and the remaining acreage in the District lies within Brazoria County Conservation and Reclamation District No. 3. The aggregate of the 2022 tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District's 2022 tax rate, is \$3.598696 per \$100 of Assessed Valuation as to that portion of the District that lies within BDD4.
- (b) The District levied a maintenance tax of \$1.25 per \$100 of Assessed Valuation for 2023. The District anticipates levying its initial debt service tax in 2024 in the approximate amount of \$0.55 per \$100 of Assessed Valuation in connection with the issuance of the Bonds, plus a maintenance tax of approximately \$0.70 per \$100 of Assessed Valuation, for a combined total tax for 2024 of approximately \$1.25 per \$100 of Assessed Valuation.

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, 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 “RISK FACTORS - Future Debt”) and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully above under “THE BONDS - Source of Payment.” Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District and the System and for the payment of certain contractual obligations. See “TAX DATA - Maintenance Tax” and - “Tax Rate Distribution.”

Property Tax Code and County-Wide Appraisal District

Title 1 of the Texas Tax Code (the “Property Tax Code”) specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here.

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with the responsibility for reviewing and equalizing the values established by the appraisal district. The Brazoria County Appraisal District (the “Appraisal District”) has the responsibility of appraising property for all taxing units within Brazoria 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 Property Tax Code provides that the governing body of a taxing unit located within an area declared to be a disaster area by the governor of the State of Texas may authorize reappraisal of all property damaged in the disaster at its market value immediately after the disaster. For reappraised property, the taxes are pro rated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1 of that year. Beginning on the date of the disaster and for the remainder of the year, the taxing unit assesses taxes on the reappraised market value of the property.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. For the 2023 tax year, the District rejected all exemptions. Furthermore, the District must grant exemptions to disabled veterans, or certain surviving dependents of disabled veterans, if requested, but only to the maximum extent of between \$5,000 and \$12,000 of taxable valuation depending on the disability rating of the veteran. A veteran who receives a disability rating of 100%, and, under certain circumstances, the surviving spouse of such veteran, is entitled to the exemption for the full amount of the residential homestead. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran’s disability rating if the residence homestead was donated by a charitable organization. Also, 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, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and, subject to certain conditions, an exemption up to the same amount to be transferred to a subsequent residence homestead of the surviving spouse.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt,

the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. See "TAX DATA - Exemptions."

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

Tax Abatement

The City and Brazoria County may designate all or part of the District as a reinvestment zone, and the District, Brazoria County, and the City, at the option and discretion of each entity, may thereafter enter into tax abatement agreements with the 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 abatements to owners of property. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, including the District, for a period of up to ten years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. According to the District's Tax Assessor/Collector, to date, none of the area within the District has been designated as a reinvestment zone. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Boards, 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. In determining market value, either the replacement cost or the income or the market data method of valuation may be used, whichever is appropriate. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of residence homesteads are limited by the Texas Constitution to 10 percent annually regardless of the market value of the property.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business.

Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use, open space land and timberland.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three years. It is not known what frequency of reappraisals will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense, has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses to formally 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% physically damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

District and Taxpayer Remedies

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

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and

the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Tax Payment Installments After Disaster

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

Additionally, the Property Tax Code authorizes a taxing jurisdiction such as the District, solely at the jurisdictions discretion, to adopt a similar installment payment option for taxes imposed on property that is located within a designated disaster area or emergency area and is owned or leased by certain qualified business entities, regardless of whether the property has been damaged as a direct result of the disaster or emergency.

Rollback of Operation and Maintenance Tax Rate

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

Special Taxing Units

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

Developed Districts

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

Developing Districts

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

The District

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

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.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property. The lien exists in favor of each local taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units (see "TAX DATA - Estimated Overlapping Taxes"). 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 applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. 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 (a taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See "RISK FACTORS -Tax Collection Limitations."

THE SYSTEM

Regulation

According to the District's Engineer, the System has been designed in conformance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities, including, among others, the TCEQ, the City and Brazoria County Conservation and Reclamation District No. 3.

The District is located wholly within the extra-territorial jurisdiction of the City of Alvin and obtains water, sewer and drainage service from the City. The City and the District entered into a Utility Agreement (see "THE DISTRICT - Utility Agreement") to provide a water distribution system, sanitary sewer collection system and a drainage system (the "System") to serve the District. In consideration of the District's acquiring and constructing the System on behalf of the City, the City agreed, pursuant to the terms and conditions of the Agreement, to own and operate the System (other than detention facilities, which are owned and operated by the District).

As construction of each phase of the System is certified to be complete in accordance with the final plans and specifications approved by the City, the District is to transfer such portion of the System (other than detention facilities, which are owned and operated by the District) with construction drawings thereof to the City reserving a security interest therein until the bonds issued to acquire and construct the System have been retired. Upon transfer, the City has agreed to operate and maintain the System (other than detention facilities, which are owned and operated by the District) at its expense.

The total number of equivalent single-family connections ("ESFCs") estimated at this time for the District upon the full development of its approximately 742.3891 acres is approximately 2,122 with a total estimated population of 5,305 people. The following descriptions are based upon information supplied by the District's Engineer.

Description

The System presently serves the 314 fully developed single-family residential lots located the District that are enumerated in this Official Statement under the caption "DEVELOPMENT AND HOME CONSTRUCTION." The District is financing acquisition or construction of underground water distribution, wastewater collection and storm drainage facilities to serve Martha's Vineyard, Section 1 with a portion of the proceeds of the sale of the Bonds. In addition to the components of the System that the District is financing with proceeds of the Bonds, the District expects to finance the acquisition or construction of additional components of the System with the proceeds of bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt," "RISK FACTORS - Future Debt" and "FUTURE DEVELOPMENT."

Water Supply

The Utility Agreement requires the City to provide the District with potable water. According to the District's Engineer, the City's facilities provide adequate water supply capacity to provide service to all connections in the District developed with the proceeds of the sale of the Bonds, plus all connections in the District expected to be developed in the future to complete the development of the District, although the District must rely on the City's obligations to supply the District with water under the terms of the Utility Agreement. The City has agreed to supply the District with such water supply in consideration of the payment of Impact Fees. The City's current water Impact Fee is \$2,500 per connection.

Wastewater Treatment

Pursuant to the Utility Agreement, the City is required to receive and treat all wastewater from the District. According to the District's Engineer, the City's facilities provide adequate wastewater treatment capacity to provide service to all connections in the District developed with the proceeds of the sale of the Bonds, plus all connections in the District expected to be developed in the future to complete the development of the District, although the District must rely on the City's obligations to treat the District's wastewater under the terms of the Utility Agreement. The City has agreed to supply the District with such wastewater treatment in consideration of the payment of Impact Fees. The City's current wastewater Impact Fee is \$2,500 per connection.

Drainage Improvements

Storm drainage for the District is collected by curb and gutter streets. Runoff is conveyed via an underground storm system, through a detention pond, ultimately discharging to Mustang Bayou.

100-Year Flood Plain

The Federal Emergency Management Agency (“FEMA”) Flood Hazard Boundary Maps currently in effect, which cover the land located in the District, indicate that a portion of the land within the District is located within the current 100-year flood plain as shown on the Flood Insurance Rate Maps for Brazoria County, Texas, and Incorporated Areas No. 48039CO135K dated December 30, 2020. According to the District’s Engineer, the rear of lots 20-26, Block 2 in Martha’s Vineyard, Section 1 are shown within Zone AE on such floodplain map. The original floodplain map did not show this area in the floodplain and the lots were filled to elevation 50.0, which is above the current map’s floodplain.

“Flood Insurance Rate Map” or “FIRM” means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The “100 year flood plain” (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100 year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100 year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. If substantial or frequent flooding of homes were to occur in the area of the District, the marketing of homes and the future growth of property values in the District could be adversely affected. See “RISK FACTORS - Tropical Weather Events.”

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

LEGAL MATTERS

Legal Opinions

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of Texas as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas, and all taxable property within the District is subject to the levy of ad valorem taxes to pay the same, without legal limitation as to rate or amount, based upon examination of a transcript of certified proceedings held incident to the issuance and authorization of the Bonds, and the approving legal opinion of Bond Counsel for the District, to a like effect and to the effect that, under existing law, interest on the Bonds is excludable from gross income for federal tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals. Such opinions express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds.

Bond Counsel has reviewed the information appearing in this Official Statement under “THE BONDS,” (except for the information under the subheadings “Book-Entry-Only System” and “Use and Distribution of Bond Proceeds”), “THE DISTRICT - Utility Agreement,” - “Management of the District - Bond Counsel and General Counsel,” “TAXING PROCEDURES,” “LEGAL MATTERS - Legal Opinions”, “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 fairly summarizes 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 either conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited

participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein, other than the matters discussed immediately above.

Allen Boone Humphries Robinson LLP also serves as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold, and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

No-Litigation Certificate

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

No Material Adverse Change

The obligations of the Underwriters to take up and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the financial condition of the District subsequent to the date of sale from that set forth in the Preliminary Official Statement, as it may have been finalized, supplemented or amended through the date of sale. The rating of the Insurer's creditworthiness by any rating agency does not and will not in any manner affect the District's financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not and will not constitute a change, material or otherwise, in the District's financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligations to take up and pay for the Bonds.

TAX MATTERS

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals; 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 Internal Revenue Code of 1986, as amended (the Code")) for the purpose of determining the alternative minimum tax imposed on corporations.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States, and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The District has covenanted in the Bond Resolution that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the District, the District's Financial Advisor, and the Underwriter, with respect to matters solely within the knowledge of the District, the District's Financial Advisor, and the Underwriter, respectively, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Bond Resolution or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

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

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

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

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

Tax Accounting Treatment of Original Issue Discount Bonds

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

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

The foregoing is based on the assumptions that (a) the Underwriter has purchased the Bonds for contemporaneous sale to the general public and not for investment purposes, and (b) all of the Original Issue Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for

a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the cover page of this Official Statement, and (c) the respective initial offering prices of the Original Issue Discount Bonds to the general public are equal to the fair market value thereof. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Bond for purposes of determining the amount of gain or loss recognized by such owner upon redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price plus the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership and redemption, sale or other disposition of such Bonds.

Qualified Tax-Exempt Obligations

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as "qualified tax-exempt obligations" and (b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed \$10,000,000.

The District has designated the Bonds as "qualified tax-exempt obligations" and has represented 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.

Notwithstanding these exceptions, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

OFFICIAL STATEMENT

General

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

The financial statements of the District as of May 31, 2023, and for the year then ended, included in this offering document, have been audited by McCall Gibson Swedlund Barfoot PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX B."

Experts

The information contained in the Official Statement relating to engineering and to the description of the System, and, in particular, that engineering information included in the sections entitled “THE DISTRICT” and “THE SYSTEM” has been provided by Huitt-Zollars, Inc. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in the Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned “DISTRICT DEBT” and “TAX DATA” was provided Assessments of the Southwest, Inc. and the Appraisal District. Such information has been included herein in reliance upon the authority of Assessments of the Southwest, Inc. as an expert in the field of tax collection and the Appraisal District's authority as an expert in the field of tax assessing.

Certification as to Official Statement

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

Updating of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings “DISTRICT DEBT” and “TAX DATA” and in “APPENDIX B” (the Financial Report). The District will update and provide this information within six months after the end of each fiscal year ending in or after 2024.

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

principles described in the Bond Resolution or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is May 31. Accordingly, it must provide updated information by November 30 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Event Notices

The District will provide timely notices of certain 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; unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and "financial obligation" when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the "Rule"). The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information

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

Limitations and Amendments

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

The District may amend its continuing disclosure agreement from time to time 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 type of operations of the District, if but only if the agreement, as amended, would have permitted an Underwriters to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or

interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Underwriters from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance With Prior Undertakings

The District has not previously made a continuing disclosure agreement in accordance with SEC Rule 15c2-12 since this is the District's first issue of bonds.

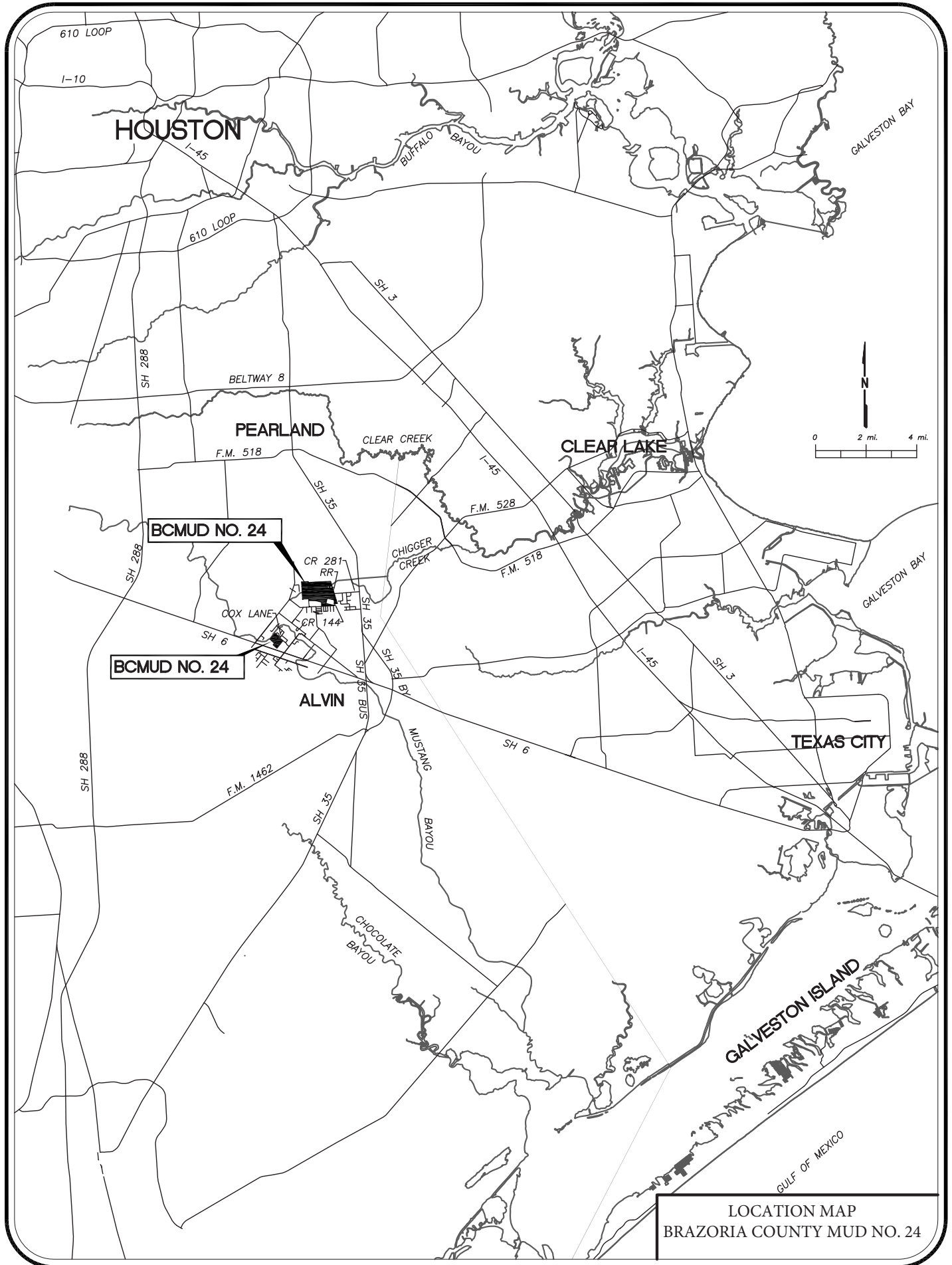
This Official Statement was approved by the Board of Directors of Brazoria County Municipal Utility District No. 24 as of the date shown on the first page hereof.

/s/ Lisa Diese
President, Board of Directors
Brazoria County Municipal Utility District No. 24

ATTEST:

/s/ Mary Hargrove
Secretary, Board of Directors
Brazoria County Municipal Utility District No. 24

APPENDIX A



LOCATION MAP
BRAZORIA COUNTY MUD NO. 24

APPENDIX B

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 24

BRAZORIA COUNTY, TEXAS

FINANCIAL REPORT

MAY 31, 2023

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 24

BRAZORIA COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MAY 31, 2023

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 24

BRAZORIA COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MAY 31, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Brazoria County Municipal Utility District No. 24
Brazoria County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Brazoria County Municipal Utility District No. 24 (the "District") as of and for the year May 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of May 31, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

August 17, 2023

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2023

Management’s discussion and analysis of the financial performance of Brazoria County Municipal Utility District No. 24 (the “District”) provides an overview of the District’s financial activities for the year ended May 31, 2023. Please read it in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has two governmental fund types. The General Fund accounts for service revenues, maintenance tax revenues, operating costs and administrative expenditures. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2023

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District’s financial position. In the case of the District, liabilities exceeded assets by \$1,307,597 as of May 31, 2023. A portion of the District’s net position reflects its net investment in capital assets which includes land and the water, wastewater, drainage and detention facilities as well as intangible assets less any debt used to acquire those assets that is still outstanding.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2023

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

	<u>Summary of Changes in the Statement of Net Position</u>		
	2023	2022	Change Positive (Negative)
Current and Other Assets	\$ 1,217,788	\$ 664,044	\$ 553,744
Intangible Assets (Net of Accumulated Amortization)	1,249,092	1,286,316	(37,224)
Capital Assets (Net of Accumulated Depreciation)	<u>7,131,782</u>	<u>5,659,687</u>	<u>1,472,095</u>
Total Assets	<u>\$ 9,598,662</u>	<u>\$ 7,610,047</u>	<u>\$ 1,988,615</u>
Due to Developer	\$ 7,906,282	\$ 9,044,936	\$ 1,138,654
Other Liabilities	<u>2,999,977</u>	<u>78,461</u>	<u>(2,921,516)</u>
Total Liabilities	<u>\$ 10,906,259</u>	<u>\$ 9,123,397</u>	<u>\$ (1,782,862)</u>
Net Position:			
Net Investment in Capital Assets	\$ (2,248,248)	\$ (1,916,046)	\$ (332,202)
Unrestricted	<u>940,651</u>	<u>402,696</u>	<u>537,955</u>
Total Net Position	<u>\$ (1,307,597)</u>	<u>\$ (1,513,350)</u>	<u>\$ 205,753</u>

The following table provides a summary of the District's operations for the years ending May 31, 2023, and May 31, 2022. The District's net position increased by \$205,753.

	<u>Summary of Changes in the Statement of Activities</u>		
	2023	2022	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 643,896	\$ 466,683	\$ 177,213
Charges for Services	338,171	278,825	59,346
Other Revenues	<u>6,882</u>	<u>5,022</u>	<u>1,860</u>
Total Revenues	\$ 988,949	\$ 750,530	\$ 238,419
Expenses for Services	<u>783,196</u>	<u>1,117,475</u>	<u>334,279</u>
Change in Net Position	\$ 205,753	\$ (366,945)	\$ 572,698
Net Position, Beginning of Year	<u>(1,513,350)</u>	<u>(1,146,405)</u>	<u>(366,945)</u>
Net Position, End of Year	<u>\$ (1,307,597)</u>	<u>\$ (1,513,350)</u>	<u>\$ 205,753</u>

**BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2023**

FINANCIAL ANALYSIS OF THE DISTRICT’S GOVERNMENTAL FUND

The District’s combined fund balances as of May 31, 2023, totaled a deficit fund balance of \$1,750,846, which was a decrease of \$2,334,654 from the prior year.

The General Fund fund balance increased by \$519,480, primarily due to property tax revenues and service revenues exceeding operating and administrative costs.

The Capital Projects Fund was created during the current fiscal year upon the sale of the Series 2023 Bond Anticipation Note (“BAN”). The BAN is recorded as a payable in the Capital Projects Fund which results a negative fund balance of \$2,854,134 at year end.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current fiscal year. Actual revenues were \$413,434 more than budgeted revenues and actual expenditures were \$70,394 more than budgeted expenditures which resulted in a positive variance of \$343,040. See the budget to actual comparison for more information.

CAPITAL ASSETS AND INTANGIBLE ASSETS

Capital assets as of May 31, 2023, total \$7,131,782 (net of accumulated depreciation) and include land and the water, wastewater and drainage systems.

Capital Assets At Year-End			
	2023	2022	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 379,512	\$ 216,864	\$ 162,648
Capital Assets Subject to Depreciation:			
Water System	1,126,438	812,748	313,690
Wastewater System	1,968,251	1,530,455	437,796
Drainage and Detention System	4,137,948	3,413,511	724,437
Less Accumulated Depreciation	(480,367)	(313,891)	(166,476)
Total Net Capital Assets	\$ 7,131,782	\$ 5,659,687	\$ 1,472,095

The District conveys certain offsite utilities to the City of Alvin, Texas for ownership and maintenance in return for the City’s commitment to provide water and wastewater capacity for the development (see Note 7). The District treats these assets, along with capital recovery fees paid to the City, as intangible assets. Intangible assets have a May 31, 2023, balance of \$1,249,092 (net of accumulated amortization).

**BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2023**

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Brazoria County Municipal Utility District No. 24, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MAY 31, 2023

	General Fund	Capital Projects Fund
ASSETS		
Cash	\$ 149,159	\$ 33,366
Investments	1,002,078	
Receivables:		
Property Taxes	250	
Service Accounts	26,294	
Other	4,909	
Prepaid Costs	1,732	
Intangible Assets (Net of Accumulated Amortization)		
Land		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 1,184,422	\$ 33,366

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

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 182,525	\$	\$ 182,525
1,002,078		1,002,078
250		250
26,294		26,294
4,909		4,909
1,732		1,732
	1,249,092	1,249,092
	379,512	379,512
	<u>6,752,270</u>	<u>6,752,270</u>
<u>\$ 1,217,788</u>	<u>\$ 8,380,874</u>	<u>\$ 9,598,662</u>

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

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MAY 31, 2023

	General Fund	Capital Projects Fund
LIABILITIES		
Accounts Payable	\$ 22,930	\$ 7,500
Accrued Interest Payable		
Due to Developers		
Security Deposits	57,954	
Bond Anticipation Note Payable		2,880,000
TOTAL LIABILITIES	\$ 80,884	\$ 2,887,500
 DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 250	\$ -0-
 FUND BALANCES (DEFICIT)		
Nonspendable: Prepaid Costs	\$ 1,732	\$
Restricted for Authorized Construction		(2,854,134)
Unassigned	1,101,556	
TOTAL FUND BALANCES (DEFICIT)	\$ 1,103,288	\$ (2,854,134)
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,184,422	\$ 33,366
 NET POSITION		
Net Investment in Capital Assets		
Unrestricted		
TOTAL NET POSITION		

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

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 30,430	\$	\$ 30,430
	31,593	31,593
	7,906,282	7,906,282
57,954		57,954
<u>2,880,000</u>		<u>2,880,000</u>
\$ <u>2,968,384</u>	\$ <u>7,937,875</u>	\$ <u>10,906,259</u>
\$ <u>250</u>	\$ <u>(250)</u>	\$ <u>-0-</u>
\$ 1,732	\$ (1,732)	\$
(2,854,134)	2,854,134	
<u>1,101,556</u>	<u>(1,101,556)</u>	
\$ <u>(1,750,846)</u>	\$ <u>1,750,846</u>	\$ <u>-0-</u>
\$ <u>1,217,788</u>		
	\$ (2,248,248)	\$ (2,248,248)
	<u>940,651</u>	<u>940,651</u>
	\$ <u>(1,307,597)</u>	\$ <u>(1,307,597)</u>

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

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
MAY 31, 2023

Total Fund Balances - Governmental Funds	\$ (1,750,846)
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Intangible assets and capital assets used in governmental activities are not current financial resources and are not reported as assets in the governmental funds.	8,380,874
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Deferred inflows of resources related to property tax revenues for the 2022 and prior tax levies became part of recognized revenue in the governmental activities of the District.	250
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Due to Developers	\$ (7,906,282)	
Accrued Interest Payable	<u>(31,593)</u>	<u>(7,937,875)</u>
Total Net Position - Governmental Activities		<u>\$ (1,307,597)</u>

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

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BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MAY 31, 2023

	General Fund	Capital Projects Fund
REVENUES		
Property Taxes	\$ 645,421	\$
Water Service	141,157	
Wastewater Service	137,332	
Penalty and Interest	5,017	
Tap Connection and Inspection Fees	54,665	
Investment and Miscellaneous Revenues	6,882	
	\$ 990,474	\$ - 0 -
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 139,416	\$
Contracted Services	69,227	
Purchased Services	157,383	
Repairs and Maintenance	53,186	
Amortization		
Depreciation		
Other	51,782	180
Capital Outlay		2,780,354
Debt Service:		
Bond Anticipation Note Interest		
Bond Anticipation Note Issuance Costs		73,600
	\$ 470,994	\$ 2,854,134
NET CHANGE IN FUND BALANCE	\$ 519,480	\$ (2,854,134)
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION -		
JUNE 1, 2022	583,808	
FUND BALANCES (DEFICIT)/NET POSITION -		
MAY 31, 2023	\$ 1,103,288	\$ (2,854,134)

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

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$ 645,421	\$ (1,525)	\$ 643,896
141,157		141,157
137,332		137,332
5,017		5,017
54,665		54,665
6,882		6,882
<u>\$ 990,474</u>	<u>\$ (1,525)</u>	<u>\$ 988,949</u>
\$ 139,416	\$	\$ 139,416
69,227		69,227
157,383		157,383
53,186		53,186
	40,353	40,353
	166,476	166,476
51,962		51,962
2,780,354	(2,780,354)	
	31,593	31,593
<u>73,600</u>	<u></u>	<u>73,600</u>
<u>\$ 3,325,128</u>	<u>\$ (2,541,932)</u>	<u>\$ 783,196</u>
\$ (2,334,654)	\$ 2,334,654	\$
	205,753	205,753
<u>583,808</u>	<u>(2,097,158)</u>	<u>(1,513,350)</u>
<u>\$ (1,750,846)</u>	<u>\$ 443,249</u>	<u>\$ (1,307,597)</u>

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

**BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2023**

Net Change in Fund Balances - Governmental Funds	\$ (2,334,654)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	(1,525)
Governmental funds do not account for amortization and depreciation. However, in the Statement of Net Position, intangible assets are amortized and capital assets are depreciated. The expenses are recorded in the Statement of Activities.	(206,829)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	2,780,354
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	<u>(31,593)</u>
Change in Net Position - Governmental Activities	<u>\$ 205,753</u>

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

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2023

NOTE 1. CREATION OF DISTRICT

Brazoria County Municipal Utility District No. 24 (the “District”) was created by an order of the Texas Commission on Environmental Quality (the “Commission”) on August 27, 2004. Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants, and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, roads, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The Board of Directors held its organizational meeting on January 11, 2005.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

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

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

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

These classifications are defined as follows:

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

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole and are combined with the governmental fund financial statements. The District is viewed as a special- purpose government and has the option of combining these financial statements. The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position. The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

Fund Financial Statements

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

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

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

General Fund - To account for customer service revenues, maintenance tax revenues, operating costs and general expenditures.

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

Basis of Accounting

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

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset. Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation over periods ranging from 10 to 45 years. Paving infrastructure is conveyed to Brazoria County for ownership and maintenance.

Intangible Assets

Certain infrastructure constructed by the District with funds provided by developers are conveyed to the City of Alvin, Texas for ownership and maintenance. The City uses these assets to provide utility services to District residents. These costs, along with capital recovery fees, are recorded as intangible assets and amortized using the straight-line method over 40 years.

Budgeting

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

Pensions

A pension plan has not been established. The District does not have employees, except that the Internal Revenue Service has determined that directors are considered to be "employees" for federal payroll tax purposes only.

Measurement Focus

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

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

Fund balances in governmental funds are classified using the following hierarchy:

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

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

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

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

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2023

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District’s deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes. Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year-end, the carrying amount of the District’s deposits was \$182,525 and the bank balance was \$248,579. The District was not exposed to custodial credit risk at year end.

The carrying values of the deposits as of May 31, 2023, are summarized in the following table:

	Cash
GENERAL FUND	\$ 149,159
CAPITAL PROJECTS FUND	33,366
TOTAL DEPOSITS	\$ 182,525

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District’s financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District’s investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.” No person may invest District funds without express written authority from the Board of Directors. Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District’s investment policy may be more restrictive than the Public Funds Investment Act.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2023

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The District also invests in the Texas Short Term Asset Reserve Program (“TexSTAR”), an external public funds investment pool that is not SEC-registered. J. P. Morgan Investment Management Inc. provides investment management and Hilltop Securities Inc., provides participant services and marketing under an agreement with the TexSTAR Board of Directors. Custodial, fund accounting and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. Morgan Investors Services Co. Investments held by TexSTAR are marked to market daily. The investments are considered to be Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District’s position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from TexSTAR.

As of May 31, 2023, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexSTAR	<u>\$ 1,002,078</u>	<u>\$ 1,002,078</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District’s investment in TexSTAR was rated AAAM by Standard and Poor’s. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in TexSTAR to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

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

NOTE 4. BONDS VOTED

The District has authorized but unissued bonds in the amount of \$210,000,000 for the purchase or construction of water, sewer, and drainage facilities and the refunding of bonds issued for same, \$16,200,000 for the purchase or construction of parks and recreational facilities and the refunding of bonds issued for same, \$40,800,000 for the purchase or construction of road facilities and the refunding of bonds for same, and \$300,000 for the purchase or construction of certain fire-fighting facilities.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2023

NOTE 5. CAPITAL ASSETS AND INTANGIBLE ASSETS

Capital asset activity for the year May 31, 2023, is summarized in the following table:

	June 1, 2022	Increases	Decreases	May 31, 2023
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 216,864	\$ 162,648	\$ -0-	\$ 379,512
Capital Assets Subject to Depreciation				
Water System	\$ 812,748	\$ 313,690	\$ -	\$ 1,126,438
Wastewater System	1,530,455	437,796	-	1,968,251
Drainage and Detention System	3,413,511	724,437	-	4,137,948
Total Capital Assets Subject to Depreciation	<u>\$ 5,756,714</u>	<u>\$ 1,475,923</u>	<u>\$ -0-</u>	<u>\$ 7,232,637</u>
Accumulated Depreciation				
Water System	\$ 48,330	\$ 26,254	\$ -	\$ 74,584
Wastewater System	71,967	45,445	-	117,412
Drainage and Detention System	193,594	94,777	-	288,371
Total Accumulated Depreciation	<u>\$ 313,891</u>	<u>\$ 166,476</u>	<u>\$ -0-</u>	<u>\$ 480,367</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 5,442,823</u>	<u>\$ 1,309,447</u>	<u>\$ -0-</u>	<u>\$ 6,752,270</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 5,659,687</u>	<u>\$ 1,472,095</u>	<u>\$ -0-</u>	<u>\$ 7,131,782</u>

Certain offsite utilities are conveyed to the City of Alvin, Texas for ownership and maintenance. These costs, along with capital recovery fees, are recorded as intangible assets and amortized using the straight-line method over 40 years.

Intangible asset activity for the year May 31, 2023, is summarized in the following table:

	June 1, 2022	Increases	Decreases	May 31, 2023
Intangible Assets Subject to Amortization				
Capital Recovery Fees	\$ 357,500	\$ -	\$ -	\$ 357,500
Offsite Utilities	1,061,181	3,129	-	1,064,310
Total Intangible Assets Subject to Amortization	<u>\$ 1,418,681</u>	<u>\$ 3,129</u>	<u>\$ -0-</u>	<u>\$ 1,421,810</u>
Accumulated Amortization				
Capital Recovery Fees	\$ 37,658	\$ 9,408	\$ -	\$ 47,066
Offsite Utilities	94,707	30,945	-	125,652
Total Accumulated Amortization	<u>\$ 132,365</u>	<u>\$ 40,353</u>	<u>\$ -0-</u>	<u>\$ 172,718</u>
Total Intangible Assets, Net of Accumulated Amortization	<u>\$ 1,286,316</u>	<u>\$ (37,224)</u>	<u>\$ -0-</u>	<u>\$ 1,249,092</u>

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2023

NOTE 6. MAINTENANCE TAX

On May 6, 2017, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's facilities as well as any other lawfully authorized purpose. During the year ended May 31, 2023, the District levied an ad valorem maintenance tax rate of \$1.48 per \$100 of assessed valuation, which resulted in a tax levy of \$643,896 on the adjusted taxable valuation of \$43,506,471 for the 2022 tax year.

On May 6, 2017, the voters of the District approved the levy and collection of a road maintenance tax not to exceed \$0.25 per \$100 of assessed valuation to be used for constructing and maintaining the District's roads. As of May 31, 2023, the District has not levied a road maintenance tax.

NOTE 7. UTILITY SERVICES CONTRACTS

On June 16, 2005, the District approved and assumed the terms of a Utility Service Contract between the City of Alvin, Texas (the "City"), R. West Development Co. Inc., and Mac-West, Inc. dated August 5, 2004 and effective December 4, 2003. The contract specifies that the District will construct, own and operate the water and wastewater systems to serve the customers of the District. The City agrees to provide interim water capacity of 175,000 gallons per day ("gpd") or the capacity necessary to provide 350 gpd to 500 homes, whichever is greater. The City agrees that such water capacity will be available to the District after certain water trunk facilities and master water meter facilities have been constructed by the District, conveyed to, and accepted by the City. The District agrees that it will construct, at its sole cost and expense, a water plant to serve the District at full development, and the first phase of such water plant will be available no later than the commencement of construction of the 450th home within the District.

For Phase I of the Development, the City will not provide wastewater services to the District. Instead, the District agrees that it will construct and operate, at its sole cost and expense, its own interim wastewater package plant, capable of serving at least 500 single-family connections with a capacity of up to 240,000 gpd. Within 14 days of the making of the 450th connection to the District's package plant, the District will notify the City, in writing, that such connection has been made and schedule a meeting to discuss the terms and conditions by which the City, the District and, if appropriate, other entities will construct a regional sewer treatment plant. The City and the District agree to use their best efforts to agree on such terms and conditions within six months from the date of the District's notice that the 450th connection was made to its package plant. If, however, the City and the District cannot reach an agreement, the District may proceed with the design and construction of its own permanent sewage treatment plant and the Wastewater Services provision of this Contract shall be null and void.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2023

NOTE 7. UTILITY SERVICES CONTRACTS (Continued)

The District will be responsible for operating and maintaining the District's water and wastewater systems, including reading the meters (other than the master water meter) and billing, collecting from, and initially responding to calls from the District customers. The City will be responsible for reading the master water meter monthly during the term of this contract. For purposes of billing, the District shall be treated as one out-of-City residential customer as provided in the applicable City ordinance setting such rates (currently 150% of the in-city residential water rate). The contract shall remain in effect for an initial term of 40 years from the effective date.

The District and Lesco Enterprises, Inc. ("Lesco") entered into a Utility Services Contract with the City for additional property annexed into the District to be developed as Martha's Vineyard (the "Development"). The contract became effective on February 4, 2016. A first amendment to the contract was executed on June 20, 2019. The contract specifies that Lesco or the District will finance, design and construct the water and wastewater systems, the master meter facilities, the water trunk facilities, and the wastewater trunk facilities to serve the Development. The City agrees to provide the District water and wastewater capacity of up to 210,000 gpd or the capacity necessary to provide 350 gpd to 600 equivalent family connections, whichever is greater. Upon completion the facilities will be conveyed to the City for ownership and maintenance.

The District will be responsible for operating and maintaining the District's water and wastewater systems, including the meters (other than the master water meter) and billing and collecting from, and initially responding to calls from the District customers. The City will be responsible for reading the master water meter during the term of this contract. Lesco, on behalf of the District, will pay the capital recovery fees to the City in accordance with the City's impact fee schedule at the time an application is submitted for property for capacity. For purposes of billing, the District's water and wastewater rates shall be equal to the rate charged to an in-City residential customer for each 1,000 gallons of water times a multiplier of 1.5 if there are 0 to 99 homes, 1.4 if there are 100 to 199 homes, 1.3 if there are between 200 and 299 homes and 1.2 if there are 300 homes or more. The contract shall remain in effect for an initial term of 40 years from the effective date. The District recorded purchased services of \$157,383 during the current fiscal year.

NOTE 8. UNREIMBURSED DEVELOPER COSTS

The District has executed financing agreements with developers which calls for the developers to fund costs associated with the construction of water, sewer, and drainage facilities as well as roads and operating advances during the startup period. Reimbursement to the developers will come from future bond sales.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2023

NOTE 8. UNREIMBURSED DEVELOPER COSTS (Continued)

The following table summarizes the current year activity related to unreimbursed developer costs for completed projects and operating advances:

Due to Developers, beginning of year	\$ 9,044,936
Additions	1,475,923
Reimbursements	<u>(2,614,577)</u>
Due to Developers, end of year	<u>\$ 7,906,282</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 natural disasters. The District carries commercial insurance for its fidelity bonds and participates in the Texas Municipal League Intergovernmental Risk Pool (TML) to provide general liability, automobile, and errors and omissions coverage. The District, along with other participating entities, contributes annual amounts determined by TML's management. As claims arise, they are submitted and paid by TML. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 10. STRATEGIC PARTNERSHIP AGREEMENT

Effective June 20, 2019, the District entered into a Strategic Partnership Agreement with the City. Under the agreement, and in accordance with Subchapter F of Chapter 43 of the Local Governmental Code and Act, the City agrees to annex a tract of land within the District for the limited purposes to allow the City to collect its sales and use taxes in such areas. Pursuant to the Agreement, the District agrees to pay an annual \$1,000 fee to the City in lieu of full purpose annexation.

Prior to annexation of the entire District, the District is authorized to exercise all powers and sanctions of a municipal utility district provided by law. The City will not fully annex the District until 90% of the District's water, wastewater and drainage facilities have been constructed and all developers have been reimbursed by the District to the maximum extent permitted by the rules of the Commission or the City assumes any obligation of the District for such reimbursements.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2023

NOTE 11. BOND ANTICIPATION NOTE

On March 23, 2023, the District closed on the sale of its \$2,880,000 Series 2023 Bond Anticipation Note (BAN) at a net effective interest rate of 5.20% per annum. The District used proceeds of the BAN to reimburse the developer for a portion of certain costs associated with construction of facilities to serve Martha's Vineyard, Section 1 and pay certain BAN issuance costs.

The District recorded the BAN as a current obligation of the Capital Projects Fund. Interest accrued but unpaid on the BAN through the fiscal year ended May 31, 2023, is \$31,593. The outstanding BAN payable plus accrued interest is due within one year and will be retired from proceeds of a future bond sale.

NOTE 12. DEFICIT FUND BALANCE

The District recorded a deficit fund balance in the Capital Projects Fund of \$2,854,134. This deficit was incurred as a result of the District issuing the Series 2023 BAN in the current year (see Note 11). Upon the sale of bonds the District anticipates the deficit will be alleviated.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 24

REQUIRED SUPPLEMENTARY INFORMATION

MAY 31, 2023

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MAY 31, 2023

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Property Taxes	\$ 318,000	\$ 645,421	\$ 327,421
Water and Wastewater Service	195,000	278,489	83,489
Tap Connection and Inspection Fees	60,000	54,665	(5,335)
Investment and Miscellaneous Revenues	<u>4,040</u>	<u>11,899</u>	<u>7,859</u>
TOTAL REVENUES	<u>\$ 577,040</u>	<u>\$ 990,474</u>	<u>\$ 413,434</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 124,000	\$ 139,416	\$ (15,416)
Contracted Services	54,500	69,227	(14,727)
Purchased Services	100,000	157,383	(57,383)
Repairs and Maintenance	59,000	53,186	5,814
Other	<u>63,100</u>	<u>51,782</u>	<u>11,318</u>
TOTAL EXPENDITURES	<u>\$ 400,600</u>	<u>\$ 470,994</u>	<u>\$ (70,394)</u>
NET CHANGE IN FUND BALANCE	\$ 176,440	\$ 519,480	\$ 343,040
FUND BALANCE - JUNE 1, 2022	<u>583,808</u>	<u>583,808</u>	<u> </u>
FUND BALANCE - MAY 31, 2023	<u>\$ 760,248</u>	<u>\$ 1,103,288</u>	<u>\$ 343,040</u>

See accompanying independent auditor's report.

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BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 24

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

MAY 31, 2023

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2023

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤ ³ / ₄ "	195	194	x 1.0	194
1"	1	1	x 2.5	3
1½"	1	1	x 5.0	5
2"	1	1	x 8.0	8
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u>198</u>	<u>197</u>		<u>210</u>
Total Wastewater Connections	<u>194</u>	<u>193</u>	x 1.0	<u>193</u>

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

Gallons billed to customers:	13,224,000	Water Accountability Ratio: 90.1% (Gallons billed/Gallons purchased)
Gallons purchased:	14,677,000	From: City of Alvin, Texas

See accompanying independent auditor's report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2023

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

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County in which District is located:

Brazoria County, Texas

Is the District located within a city?

Entirely Partly Not at all

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

Entirely Partly Not at all

ETJ in which District is located

City of Alvin, Texas

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MAY 31, 2023

PROFESSIONAL FEES:	
Auditing	\$ 9,250
Engineering	52,908
Legal	<u>77,258</u>
TOTAL PROFESSIONAL FEES	<u>\$ 139,416</u>
PURCHASED WATER AND WASTEWATER SERVICE	<u>\$ 157,383</u>
CONTRACTED SERVICES:	
Appraisal District	\$ 2,361
Bookkeeping	5,812
Operations and Billing	15,974
Solid Waste Disposal	40,184
Tax Collection	<u>4,896</u>
TOTAL CONTRACTED SERVICES	<u>\$ 69,227</u>
REPAIRS AND MAINTENANCE	<u>\$ 53,186</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 5,420
Insurance	6,271
Office Supplies and Postage	5,141
Travel and Meetings	717
Utilities and Other	<u>3,683</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 21,232</u>
OTHER EXPENDITURES:	
Lab Fees and Permit Fees	\$ 510
Connection and Inspection Fees	28,682
TCEQ Regulatory Assessment	<u>1,358</u>
TOTAL OTHER EXPENDITURES	<u>\$ 30,550</u>
TOTAL EXPENDITURES	<u><u>\$ 470,994</u></u>

See accompanying independent auditor's report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
INVESTMENTS
MAY 31, 2023

Fund	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
TexSTAR	XXXX2220	Varies	Daily	<u>\$ 1,002,078</u>	<u>\$ - 0 -</u>

See accompanying independent auditor's report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MAY 31, 2023

	Maintenance Taxes	
TAXES RECEIVABLE -		
JUNE 1, 2022	\$	1,775
Adjustments to Beginning		
Balance	\$	1,775
Original 2022 Tax Levy	\$	578,784
Adjustment to 2022 Tax Levy	65,112	643,896
TOTAL TO BE		
ACCOUNTED FOR	\$	645,671
 TAX COLLECTIONS:		
Prior Years	\$	1,525
Current Year	643,896	645,421
 TAXES RECEIVABLE -		
MAY 31, 2023	\$	250
 TAXES RECEIVABLE BY		
YEAR:		
2021	\$	30
2020	220	250
TOTAL	\$	250

See accompanying independent auditor's report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MAY 31, 2023

	2022	2021	2020	2019
PROPERTY VALUATIONS:				
Land	\$ 17,451,260	\$ 18,750,400	\$ 10,053,380	\$ 153,380
Improvements	31,652,996	18,731,180	8,214,800	7,186,308
Personal Property	470,820	418,980	303,430	189,230
Exemptions	(6,068,605)	(6,579,509)	(2,189,305)	(598,699)
TOTAL PROPERTY VALUATIONS	\$ 43,506,471	\$ 31,321,051	\$ 16,382,305	\$ 6,930,219
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Maintenance	1.48	1.49	1.50	1.50
TOTAL TAX RATES PER \$100 VALUATION	\$ 1.48	\$ 1.49	\$ 1.50	\$ 1.50
ADJUSTED TAX LEVY*	\$ 643,896	\$ 466,683	\$ 245,735	\$ 103,953
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	100.00 %	99.99 %	99.91 %	100.00 %

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

Maintenance Tax – Maximum tax rate of \$1.50 per \$100 of assessed valuation approved by voters on May 6, 2017.

See accompanying independent auditor’s report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FOUR YEARS

	Amounts	
	2023	2022
REVENUES		
Property Taxes	\$ 645,421	\$ 472,710
Water Service	141,157	98,400
Wastewater Service	137,332	107,128
Penalty and Interest	5,017	10,744
Tap Connection and Inspection Fees	54,665	63,710
Investment and Miscellaneous Revenues	6,882	5,022
TOTAL REVENUES	\$ 990,474	\$ 757,714
EXPENDITURES		
Professional Fees	\$ 139,416	\$ 125,556
Contracted Services	69,227	53,202
Purchased Services	157,383	107,079
Repairs and Maintenance	53,186	49,546
Other	51,782	57,600
TOTAL EXPENDITURES	\$ 470,994	\$ 392,983
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 519,480	\$ 364,731
OTHER FINANCING SOURCES (USES)		
Developer Advances	\$ -0-	\$ -0-
NET CHANGE IN FUND BALANCE	\$ 519,480	\$ 364,731
BEGINNING FUND BALANCE (DEFICIT)	583,808	219,077
ENDING FUND BALANCE	\$ 1,103,288	\$ 583,808
TOTAL ACTIVE RETAIL WATER CONNECTIONS	197	170
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	193	167

See accompanying independent auditor's report.

Percentage of Total Revenues

2021	2020	2023	2022	2021	2020
\$ 247,043	\$ 94,843	65.1 %	62.4 %	51.7 %	31.8 %
71,532	41,650	14.3	13.0	15.0	13.9
74,361	46,932	13.9	14.1	15.6	15.7
1,720	2,783	0.5	1.4	0.4	0.9
78,625	108,308	5.5	8.4	16.5	36.2
<u>3,679</u>	<u>4,414</u>	<u>0.7</u>	<u>0.7</u>	<u>0.8</u>	<u>1.5</u>
<u>\$ 476,960</u>	<u>\$ 298,930</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 109,087	\$ 109,586	14.1 %	16.6 %	22.9 %	36.7 %
41,143	29,035	7.0	7.0	8.6	9.7
86,649	43,600	15.9	14.1	18.2	14.6
25,472	30,472	5.4	6.5	5.3	10.2
<u>50,281</u>	<u>58,983</u>	<u>5.2</u>	<u>7.6</u>	<u>10.5</u>	<u>19.7</u>
<u>\$ 312,632</u>	<u>\$ 271,676</u>	<u>47.6 %</u>	<u>51.8 %</u>	<u>65.5 %</u>	<u>90.9 %</u>
\$ 164,328	\$ 27,254	52.4 %	48.2 %	34.5 %	9.1 %
\$ -0-	\$ 43,000				
\$ 164,328	\$ 70,254				
<u>54,749</u>	<u>(15,505)</u>				
<u>\$ 219,077</u>	<u>\$ 54,749</u>				
<u>137</u>	<u>87</u>				
<u>134</u>	<u>85</u>				

See accompanying independent auditor's report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MAY 31, 2023

District Mailing Address - Brazoria County Municipal Utility District No. 24
c/o Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, TX 77027

District Telephone Number - (713) 860-6400

Board Members:	Term of Office (Elected or Appointed)	Fees of Office for the year ended <u>May 31, 2023</u>	Expense Reimbursements for the year ended <u>May 31, 2023</u>	<u>Title</u>
Lisa Diese	05/2022 05/2026 (Elected)	\$ 900	\$ 27	President
Faye Ausmus	05/2020 05/2024 (Elected)	\$ 1,050	\$ 457	Vice President
Heather McCallay	11/2020 05/2024 (Elected)	\$ 1,200	\$ 161	Assistant Vice President
Mary Hargrove	05/2020 05/2024 (Elected)	\$ 1,050	\$ 15	Secretary
Josephine Duncan	05/2022 05/2026 (Elected)	\$ 1,050	\$ 57	Assistant Secretary

Notes: No Director has any substantial business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District’s developers or with any of the District’s consultants. The limit on Fees of Office that a Director may receive during a fiscal year is the maximum amount allowed by law as set by Board Resolution on January 11, 2005. Fees of Office are the amounts actually paid to a Director during the District’s current fiscal year.

Submission date of most recent District Registration Form: May 19, 2022

See accompanying independent auditor’s report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 24
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MAY 31, 2023

Consultants:	<u>Date Hired</u>	<u>Fees / Compensation for the year ended May 31, 2023</u>	<u>Title</u>
Allen Boone Humphries Robinson LLP	01/11/05	\$ 76,455 \$ 28,800	General Counsel BAN Related
McCall Gibson Swedlund Barfoot PLLC	05/21/20	\$ 9,250 \$ 7,500	Auditor BAN Related
Myrtle Cruz, Inc.	06/16/05	\$ 6,574 \$ 2,000	Bookkeeper BAN Related
Huitt-Zollars, Inc.	06/16/05	\$ 52,908	Engineer
Rathmann & Associates, L.P.	09/21/05	\$ 28,800	Financial Advisor
Mary Jarmon	06/16/05	\$ -0-	Investment Officer
Municipal District Services, LLC	01/19/17	\$ 87,279	Operator
Assessments of the Southwest, Inc.	06/16/05	\$ 4,014	Tax Assessor/ Collector
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	05/16/17	\$ 939	Delinquent Tax Attorney

See accompanying independent auditor's report.

APPENDIX C

SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY



**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

Address:

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

Telecopy:

212-962-1524 (attention: Claims)

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