

**OFFICIAL STATEMENT DATED NOVEMBER 14, 2024**

*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 (AG Insured) .... "AA" (stable outlook)  
Moody's Investors Service, Inc. (AG Insured) ... "A1" (stable outlook)  
Moody's Investors Service, Inc. (Underlying)... "Baa3"  
See "BOND INSURANCE" and "RATINGS" herein**

**\$3,600,000**

**BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 36  
(A Political Subdivision of the State of Texas located within Brazoria County, Texas)  
UNLIMITED TAX BONDS, SERIES 2024**

**Dated Date: December 1, 2024**

**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 Houston, 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 December 17, 2024) (the "Date of Delivery"), and is payable on September 1, 2025, 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, 2031, are subject to redemption prior to maturity at the option of Brazoria County Municipal Utility District No. 36 (the "District"), as a whole or in part, on September 1, 2029, 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 Assured Guaranty Inc. ("AG" or the "Insurer").



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**See Maturity Schedule on the inside cover**

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The Bonds constitute the fourth 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 INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. SEE "INVESTMENT CONSIDERATIONS." Voters in the District authorized a total of \$63,100,000 principal amount of unlimited tax bonds for the purpose of acquiring and constructing the System, \$41,000,000 principal amount of unlimited tax bonds for the purpose of refunding bonds, and \$6,000,000 principal amount of unlimited tax bonds for the purpose of acquiring and constructing recreational facilities. Following the issuance of the Bonds, \$44,615,000 principal amount of unlimited tax bonds for the acquisition or construction of the System, \$41,000,000 principal amount of unlimited tax bonds for refunding purposes, and \$6,000,000 principal amount of unlimited tax bonds for recreational 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 December 17, 2024.

## MATURITY SCHEDULE

CUSIP Prefix (a): 10606L

\$1,370,000 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>
2027	\$50,000	6.75%	3.55%	DP2
2028	55,000	6.75	3.55	DQ0
2029	55,000	6.75	3.55	DR8
****	*****			
2042 (c)	100,000	4.25	4.28	EE6
2043 (c)	105,000	4.25	4.32	EF3
2044 (c)	105,000	4.25	4.34	EG1
2045 (c)	110,000	4.25	4.36	EH9
2046 (c)	120,000	4.25	4.38	EJ5
2047 (c)	125,000	4.25	4.39	EK2
2048 (c)	130,000	4.25	4.40	EL0
2049 (c)	130,000	4.25	4.41	EM8
2050 (c)	140,000	4.25	4.42	EN6
2051 (c)	145,000	4.25	4.43	EP1

**\$125,000 Term Bonds, Due September 1, 2031(c)(d), CUSIP Suffix DT4 (a), Interest Rate 6.75% (Yield 3.65%)(b)**  
**\$140,000 Term Bonds, Due September 1, 2033(c)(d), CUSIP Suffix DV9 (a), Interest Rate 4.50% (Yield 3.80%)(b)**  
**\$150,000 Term Bonds, Due September 1, 2035(c)(d), CUSIP Suffix DX5 (a), Interest Rate 4.25% (Yield 4.00%)(b)**  
**\$160,000 Term Bonds, Due September 1, 2037(c)(d), CUSIP Suffix DZ0 (a), Interest Rate 4.25% (Yield 4.10%)(b)**  
**\$175,000 Term Bonds, Due September 1, 2039(c)(d), CUSIP Suffix EB2 (a), Interest Rate 4.25% (Yield 4.15%)(b)**  
**\$185,000 Term Bonds, Due September 1, 2041(c)(d), CUSIP Suffix ED8 (a), Interest Rate 4.25% (Yield 4.25%)(b)**  
**\$1,295,000 Term Bonds, Due September 1, 2054(c)(d), CUSIP Suffix ES5 (a), Interest Rate 4.375% (Yield 4.44%)(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 "INVESTMENT CONSIDERATIONS" in this Official Statement, as well as additional factors beyond the District's control. The important investment considerations 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.

Assured Guaranty Inc. ("AG" or the "Insurer") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AG 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 AG supplied by AG 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 97.006626% of the principal amount thereof, which resulted in a net effective interest rate of 4.500720%, 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, Assured Guaranty Inc. (“AG” or the “Insurer”) will issue its Municipal Bond Insurance Policy (the “Policy”) for the Bonds. 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 appendix to this Official Statement.

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

## **Assured Guaranty Inc.**

AG is a Maryland domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL” and together with its subsidiaries, “Assured Guaranty”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO.” AGL, through its subsidiaries, provides credit enhancement products to the U.S. and non-U.S. public finance (including infrastructure) and structured finance markets and participates in the asset management business through ownership interests in Sound Point Capital Management, LP and certain of its investment management affiliates. Only AG is obligated to pay claims under the insurance policies AG has issued, and not AGL or any of its shareholders or other affiliates.

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

### *Merger of Assured Guaranty Municipal Corp. Into Assured Guaranty Inc.*

On August 1, 2024, Assured Guaranty Municipal Corp., a New York domiciled financial guaranty insurance company and an affiliate of AG (“AGM”), merged with and into AG, with AG as the surviving company (such transaction, the “Merger”). Upon the Merger, all liabilities of AGM, including insurance policies issued or assumed by AGM, became obligations of AG.

### *Current Financial Strength Ratings*

On October 18, 2024, KBRA announced it had affirmed AG’s insurance financial strength rating of “AA+” (stable outlook).

On July 10, 2024, Moody’s, following Assured Guaranty’s announcement of the Merger, announced that it had affirmed AG’s insurance financial strength rating of “A1” (stable outlook).

On May 28, 2024, S&P announced it had affirmed AG’s financial strength rating of “AA” (stable outlook). On August 1, 2024, S&P stated that following the Merger, there is no change in AG’s financial strength rating of “AA” (stable outlook).

AG can give no assurance as to any further ratings action that S&P, Moody’s and/or KBRA may take. For more information regarding AG’s financial strength ratings and the risks relating thereto, see AGL’s Annual Report on Form 10-K for the fiscal year ended December 31, 2023.



### *Capitalization of AG*

At September 30 2024:

- The policyholders' surplus of AG was approximately \$3,644 million.
- The contingency reserve of AG was approximately \$1,374 million.
- The net unearned premium reserves and net deferred ceding commission income of AG and its subsidiaries (as described below) were approximately \$2,438 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AG, and (ii) the net unearned premium reserves and net deferred ceding commissions of AG's wholly owned subsidiary Assured Guaranty UK Limited ("AGUK"), and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA ("AGE").

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

### *Incorporation of Certain Documents by Reference*

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

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (filed by AGL with the SEC on February 28, 2024);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2024 (filed by AGL with the SEC on May 8, 2024);
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2024 (filed by AGL with the SEC on August 8, 2024); and
- (iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2024 (filed by AGL with the SEC on November 12, 2024).

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

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

### *Miscellaneous Matters*

AG makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AG 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 AG supplied by AG and presented under the heading "BOND INSURANCE."

### **BOND INSURANCE RISK FACTORS**

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

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

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

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

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

### **RATINGS**

The Bonds are expected to be assigned an insured rating of "AA" (stable outlook) from S&P Global Ratings ("S&P"), a business unit of Standard & Poor's Financial Services LLC, and are expected to be assigned an insured rating of "A1" (stable outlook) from Moody's Investors Service, Inc. ("Moody's"), based upon the issuance and delivery of the Insurance Policy by the Insurer at the time of delivery of the Bonds. The underlying credit rating of the Bonds assigned by Moody's is "Baa3."

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

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

**OFFICIAL STATEMENT SUMMARY**

The following 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. 36 (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. 36 Unlimited Tax Bonds, Series 2024, in the aggregate principal amount of \$3,600,000 (the “Bonds”) are dated December 1, 2024, 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, 2025, and on each March 1 and September 1 thereafter until maturity or prior redemption. An aggregate of \$1,370,000 of the Bonds are issued as serial bonds maturing on September 1 in each of the years 2027 through 2029, both inclusive, and 2042 through 2051, both inclusive, in the principal amounts set forth on the inside cover page of this Official Statement. An aggregate of \$2,230,000 of the Bonds are issued as term bonds maturing on September 1 in each of the years 2031, 2033, 2035, 2037, 2039, 2041 and 2054 (collectively, the “Term Bonds”), in the principal amounts set forth on the inside cover page of this Official Statement. The Bonds are issued in fully registered form and will be issued in denominations of \$5,000 of principal amount or integral multiples thereof. The Bonds, including the Term Bonds, scheduled to mature on and after September 1, 2031, are subject to redemption, in whole or in part, prior to their scheduled maturities, on September 1, 2029, 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 acquisition or construction of underground water distribution, wastewater collection and storm drainage facilities to serve Kendall Lakes, Section 9 and the remaining portion of Section 11; and detention/amenity facilities to serve Kendall Lakes, Section 9 Phase 7; (ii) pay Impact Fees to the City of Alvin associated with the City’s provision of water supply and wastewater treatment to the District (the “Impact Fees”); (iii) pay interest on advances made on behalf of the District; and (iv) pay for administrative and issuance costs, legal fees, fiscal agent’s fees, fees to the TCEQ and the Attorney General of Texas, and certain financing costs related to the issuance of the Bonds. See “THE BONDS - Use and Distribution of Bond Proceeds.”

Payment Record .....

The Bonds constitute the fourth 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 has never defaulted in the timely payment of the principal of and interest on its prior bonds described below. The District has issued Unlimited Tax Bonds, Series 2018 (the “Series 2018 Bonds”), Unlimited Tax Bonds, Series 2022 (the “Series 2022 Bonds”) and Unlimited Tax Bonds, Series 2023 (the “Series 2023 Bonds”) (collectively, the “Prior Bonds”) to finance portions of the System. As of the date hereof, the principal amount of the Prior Bonds that has not been previously retired by the District is \$14,260,000 (the “Outstanding Bonds”). After issuance of the Bonds, the aggregate principal amount of the District’s bonded indebtedness, including the Bonds, will be \$17,860,000. In addition to the components of the System that the District has financed with the proceeds of the Prior Bonds and 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. See “THE BONDS - Authority for Issuance,” and - “Issuance of Additional Debt,” “THE SYSTEM,” and “INVESTMENT CONSIDERATIONS - Future Debt.”

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.....	\$44,615,000 bonds for waterworks, wastewater and drainage facilities, \$6,000,000 for recreational facilities and \$41,000,000 for refunding purposes will remain authorized but unissued after issuance of the Bonds. See “THE BONDS - Authority for Issuance” and - “Issuance of Additional Debt,” “THE SYSTEM” and “INVESTMENT CONSIDERATIONS - Future Debt.”
Municipal Bond Insurance.....	Assured Guaranty Inc. (“AG” or the “Insurer”). See “BOND INSURANCE” and “BOND INSURANCE RISK FACTORS.”
Municipal Bond Ratings.....	S&P Global Ratings (AG Insured) “AA” (stable outlook). Moody’s Investors Services, Inc. (AG Insured) “A1” (stable outlook). Moody’s Investors Services, Inc. (Underlying) “Baa3.” See “BOND INSURANCE,” “BOND INSURANCE RISK FACTORS” and “RATINGS.”
Legal Opinion .....	Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. See “LEGAL MATTERS.”

**THE DISTRICT**

Description .....	<p>The District, a political subdivision of the State of Texas, was created by Order of the TCEQ, dated December 29, 2004. The District contains approximately 541.02 acres of land. The District is located entirely within the corporate boundaries of the City of Alvin, Texas (the “City”). The District is located approximately 20 miles south of the central business district of Houston, Texas. The District is bounded on the west by an Atchison-Topeka-Santa Fe Railway, on the east by State Highway 35, on the north by American Canal, and on the south by a tributary of Dickinson Bayou and Highway 6. The District lies within the Alvin Independent School District. See “THE DISTRICT - General” and - “Description,” and “APPENDIX A - LOCATION MAP.”</p> <p>The District obtains water, sewer and drainage service from the City. The City and Skymark Land Development, Inc. (the initial developer of land in the District) entered into a Utility Services Contract dated August 5, 2004 (the “Utility Agreement”), to provide a water distribution system, sanitary sewer collection system and drainage system (the “System”) and certain recreational facilities to serve the District. The District approved and assumed the Utility Agreement on June 9, 2005. 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) and certain recreational facilities</p>
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 October 1, 2024, the District contained 636 homes, including 32 homes under construction. See "BUILDERS." According to the District's Engineer, underground water distribution, wastewater collection, and storm drainage/detention facilities and street paving have been completed to serve 685 single-family residential lots located in Kendall Lakes, Sections 1 through 11 (approximately 194.36 total acres). Alvin Independent School District has constructed the Mark Twain Elementary School on approximately 13.0 acres of land located within the platted area of Kendall Lakes, Section 5. Such land is not subject to taxation by the District.

The initial developer of the District, Skymark Development Company, Inc. ("Skymark"), completed the development of 173 single-family residential lots that have been subdivided as Kendall Lakes, Sections 1, 2, 3 and 5 (approximately 63.88 total acres). Skymark has sold 167 of the 173 fully developed single-family lots in Kendall Lakes, Sections 1, 2, 3 and 5 to home building companies and homes have been constructed on all of such lots, all of which have been sold to home buyers. The six remaining lots have been retained for future model homes.

Skymark sold approximately 101.27 acres of undeveloped land located within the District to JNC Development, Inc. ("JNC" or the "Developer") (defined below under the caption "DEVELOPER AND OTHER PRINCIPAL LAND OWNERS"). Skymark is managing the development of the majority of Kendall Lakes on behalf of JNC in consideration of the payment of a fee. JNC has completed the development of 266 single-family residential lots that have been subdivided as Kendall Lakes, Sections 4, 6, 7 and 8. JNC conveyed approximately 63.42 acres of currently undeveloped land located in the District to a related entity, Duechelli, LLC, a Texas limited liability company, on 10.48 acres of which it has developed 51 single-family residential lots that have been subdivided as Kendall Lakes, Section 9, on 22.7 acres of which it has developed 94 single-family residential lots that have been subdivided as Kendall Lakes, Section 10, and on approximately 19.87 acres of which it has developed 101 single-family residential lots that have been subdivided as Kendall Lakes, Section 11. JNC owns no additional land located within the District. Saratoga Homes of Houston and Devon Street Homes are currently building homes in Kendall Lakes as described below under the caption "Builders." Maryfield Limited, an entity related to Skymark, owns approximately 88.68 acres of currently undeveloped land located within the District that are available for future development, all of which it expects to be utilized for future commercial and light industrial/warehouse development. Hannover Estates Ltd., an entity related to Skymark, owns approximately 132.75 acres of currently undeveloped land located within the District that are available for future development, all of which it expects to be utilized for future commercial and light industrial/warehouse development. West Little York 62 AC Ltd., an entity related to Skymark, owns approximately 56.2 acres of currently undeveloped land

located within the District that are available for future development, all of which it expects to be utilized for future commercial and light industrial/warehouse development. Maryfield Limited sold approximately 60 acres of currently undeveloped land located in the District to Lennar Homes of Texas Land and Construction, Ltd, a Texas limited partnership, on which it expects to develop 174 future single-family residential lots that will be subdivided as Kendall Lakes, Section 12. The District cannot represent whether, or when, the development of any the aforementioned currently undeveloped acres might occur. Included in such above referenced acreage, approximately 119 acres of land located in the District are contained within easements, rights-of-way, detention ponds, or is otherwise not available for future development. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments," "DEVELOPER AND OTHER PRINCIPAL LAND OWNERS," "FUTURE DEVELOPMENT" and "TAX DATA - Principal 2024 Taxpayers."

The District financed acquisition or construction of underground water distribution, wastewater collection and storm drainage facilities to serve Kendall Lakes, Sections 1 through 7, 8, 10 and a portion of 11, including the Phase I detention pond; and land acquisition costs for the Kendall Lakes North detention basin; an interim stormwater detention basin to serve Kendall Lakes; detention/amenity lake expansion and drainage to serve Kendall Lakes, Sections 4, 7 and 8; and land costs for the Kendall Lakes, Sections 7 and 8 detention ponds; detention/amenity lake expansion and storm sewer to serve Kendall Lakes, Section 10; detention/mitigation, amenity lake expansion to serve Kendall Lakes, Section 11 and land costs for the Kendall Lakes Sections 10 and 11 detention ponds with a portion of the proceeds of the sale of the Prior Bonds. The District is financing acquisition or construction of underground water distribution, wastewater collection and storm drainage facilities to serve Kendall Lakes, Section 9 and the remaining portion of Section 11; and Kendall Lakes, Section 9 Phase 7 detention/mitigation facilities with a portion of the proceeds of the sale of the Bonds. In addition to the components of the System that the District has financed with the proceeds of the Prior Bonds, and 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 Land Owners...

The current primary developer of land within the District is JNC Development, Inc., a Texas corporation ("JNC" or the "Developer"). As is described under the caption "DEVELOPMENT AND HOME CONSTRUCTION," JNC has completed the development of 266 single-family residential lots that have been subdivided as Kendall Lakes, Sections 4, 6, 7 and 8. JNC conveyed approximately 63.42 acres of currently undeveloped land located in the District to a related entity, Duechelli, LLC, a Texas limited liability company, on 10.48 acres of which it has developed 51 single-family residential lots that have been subdivided as Kendall Lakes, Section 9, on 22.7 acres of which it has developed 94 single-family residential lots that have been subdivided as Kendall Lakes, Section 10, and on

approximately 19.87 acres of which it has developed 101 single-family residential lots that have been subdivided as Kendall Lakes, Section 11. JNC owns no additional land located within the District.

Maryfield Limited, an entity related to Skymark, owns approximately 88.68 acres of currently undeveloped land located within the District that are available for future development, all of which it expects to be utilized for future commercial and light industrial/warehouse development. Hannover Estates Ltd., an entity related to Skymark, owns approximately 132.75 acres of currently undeveloped land located within the District that are available for future development, all of which it expects to be utilized for future commercial and light industrial/warehouse development. West Little York 62 AC Ltd., an entity related to Skymark, owns approximately 56.2 acres of currently undeveloped land located within the District that are available for future development, all of which it expects to be utilized for future commercial and light industrial/warehouse development. Maryfield Limited sold approximately 60 acres of currently undeveloped land located in the District to Lennar Homes of Texas Land and Construction, Ltd, a Texas limited partnership, on which it expects to develop 174 future single-family residential lots that will be subdivided as Kendall Lakes, Section 12. The District cannot represent whether, or when, the development of any the aforementioned currently undeveloped acres might occur.

The District cannot represent whether, or when, the development of any the aforementioned currently undeveloped acres might occur.

Builders .....

According to JNC, Saratoga Homes of Houston (“Saratoga”), is currently constructing homes in Kendall Lakes which range in size from approximately 2,137 to 2,940 square feet of living area and in sales price from approximately \$315,400 to \$410,400.

According to JNC, Devon Street Homes (“Devon Street”), is currently constructing homes in Kendall Lakes which range in size from approximately 1,670 to 2,883 square feet of living area and in sales price from approximately \$289,990 to \$349,990.

Saratoga and Devon Street 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.

### INVESTMENT CONSIDERATIONS

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



**SELECTED FINANCIAL INFORMATION  
(UNAUDITED)**

2024 Assessed Valuation .....	\$ 193,441,331 (a)
(As of January 1, 2024)	
See "TAX DATA" and "TAXING PROCEDURES"	
Estimated Valuation as of October 1, 2024 .....	\$ 215,042,410 (b)
See "TAX DATA" and "TAXING PROCEDURES"	
Direct Debt:	
Outstanding Bonds .....	\$ 14,260,000
The Bonds .....	<u>3,600,000</u>
Total .....	\$ 17,860,000 (c)
Estimated Overlapping Debt .....	\$ <u>15,886,383</u>
Total Direct and Estimated Overlapping Debt .....	\$ 33,746,383
Direct Debt Ratio	
: as a percentage of 2024 Assessed Valuation.....	9.23 %
: as a percentage of Estimated Valuation as of October 1, 2024 .....	8.31 %
Direct and Overlapping Debt Ratio	
: as a percentage of 2024 Assessed Valuation.....	17.45 %
: as a percentage of Estimated Valuation as of October 1, 2024 .....	15.69 %
Debt Service Fund Balance as of September 12, 2024.....	\$ 690,024 (d)
General Fund Balance as of September 12, 2024 .....	\$ 1,524,309
2024 Tax Rate per \$100 of Assessed Valuation	
Debt Service Tax.....	\$ 0.5200
Maintenance Tax.....	<u>0.1238</u>
Total .....	\$ 0.6438 (e)
Average Percentage of Total Tax Collections (2014-2023) as of September 30, 2024.....	99.87 %
Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2025-2054) .....	\$ 1,022,412
Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2052) .....	\$ 1,036,631
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2025-2054) at 95% Tax Collections	
Based Upon 2024 Assessed Valuation.....	\$ 0.56
Based Upon Estimated Valuation as of October 1, 2024 .....	\$ 0.51

Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual  
Debt Service Requirements on the Bonds and the Outstanding Bonds  
(2052) at 95% Tax Collections

Based Upon 2024 Assessed Valuation.....	\$	0.57
Based Upon Estimated Valuation as of October 1, 2024 .....	\$	0.51
Number of Single Family Homes (including 32 homes under construction) .....		636

- 
- (a) As of January 1, 2024, and comprises the District's 2024 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 "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."
  - (b) Provided by the Appraisal District for informational purposes only; this amount is an estimate of the value of all taxable property located within the District as of October 1, 2024, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2024, through September 30, 2024. No taxes were levied for 2024 against any values added since January 1, 2024. The ultimate Assessed Valuation of any land and improvements added from January 1, 2024, through September 30, 2024, which will be placed on the District's 2025 tax roll, may vary significantly from such estimate once the Appraisal Review Board certifies the value thereof in 2025.
  - (c) In addition to the components of the System that the District has financed with the proceeds of the Prior Bonds, and 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 "INVESTMENT CONSIDERATIONS - Future Debt."
  - (d) Neither Texas law nor the Bond Resolution requires the District to maintain any particular sum in the Debt Service Fund. Such fund balance reflects the timely payment by the District of the entirety of its debt service requirements on the Outstanding Bonds that were due for 2024. The District's initial debt service payment on the Bonds is due on September 1, 2025, and consists of an interest payment thereon.
  - (e) The District levied a debt service tax in the amount of \$0.52 per \$100 of Assessed Valuation for 2024, plus a maintenance tax of \$0.1238 per \$100 of Assessed Valuation. The District lies wholly within the municipal boundaries of the City of Alvin (the "City"), and all land within the district is subject to taxation by the City. As is described in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2023 tax levies of all units of government which levy taxes against the property located within the District, plus the 2024 tax of the District is \$3.136312 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 "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

**\$3,600,000**  
**BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 36**  
**UNLIMITED TAX BONDS**  
**SERIES 2024**

**INTRODUCTION**

This Official Statement provides certain information with respect to the issuance by Brazoria County Municipal Utility District No. 36 (the “District”) of its \$3,600,000 Unlimited Tax Bonds, Series 2024 (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.

**THE BONDS**

**General**

The Bonds are dated December 1, 2024, 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, 2025, and on each March 1 and September 1 thereafter until the earlier of stated maturity or redemption. An aggregate of \$1,370,000 of the Bonds are issued as serial bonds maturing on September 1 in each of the years 2027 through 2029, both inclusive, and 2042 through 2051, both inclusive, in the principal amounts set forth on the inside cover page of this Official Statement. An aggregate of \$2,230,000 of the Bonds are issued as term bonds maturing on September 1 in each of the years 2031, 2033, 2035, 2037, 2039, 2041 and 2054 (collectively, the “Term Bonds”), in the principal amounts set forth on the inside cover page of this Official Statement. The Bonds are issued in fully registered form and will be issued in denominations of \$5,000 of principal amount or integral multiples thereof. Principal of the Bonds will be payable by the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N.A., in Houston, Texas, or any successor paying agent/registrar (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](http://www.dtcc.com).

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not 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 2031, 2033, 2035, 2037, 2039, 2041 and 2054, 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).

<b>\$125,000 Term Bonds Maturing on September 1, 2031</b>	
<b><u>Mandatory Redemption Dates</u></b>	<b><u>Principal Amount</u></b>
September 1, 2030	\$60,000
September 1, 2031 (maturity)	65,000

<b>\$140,000 Term Bonds Maturing on September 1, 2033</b>	
<b><u>Mandatory Redemption Dates</u></b>	<b><u>Principal Amount</u></b>
September 1, 2032	\$70,000
September 1, 2033 (maturity)	70,000

<b>\$150,000 Term Bonds Maturing on September 1, 2035</b>	
<b><u>Mandatory Redemption Dates</u></b>	<b><u>Principal Amount</u></b>
September 1, 2034	\$75,000
September 1, 2035 (maturity)	75,000

<b>\$160,000 Term Bonds Maturing on September 1, 2037</b>	
<b><u>Mandatory Redemption Dates</u></b>	<b><u>Principal Amount</u></b>
September 1, 2036	\$80,000
September 1, 2037 (maturity)	80,000

<b>\$175,000 Term Bonds Maturing on September 1, 2039</b>	
<b><u>Mandatory Redemption Dates</u></b>	<b><u>Principal Amount</u></b>
September 1, 2038	\$85,000
September 1, 2039 (maturity)	90,000

<b>\$185,000 Term Bonds Maturing on September 1, 2041</b>	
<b><u>Mandatory Redemption Dates</u></b>	<b><u>Principal Amount</u></b>
September 1, 2040	\$90,000
September 1, 2041 (maturity)	95,000

<b>\$1,295,000 Term Bonds Maturing on September 1, 2054</b>	
<b><u>Mandatory Redemption Dates</u></b>	<b><u>Principal Amount</u></b>
September 1, 2052	\$150,000
September 1, 2053	155,000
September 1, 2054 (maturity)	990,000

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 outstanding amounts of the Bonds, including the Term Bonds, maturing on and after September 1, 2031, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 2029, 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.

#### *Effects of Redemption*

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

#### **Replacement of Registrar**

Provision is made in the Bond Resolution for replacement of the 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 November 7, 2006, voters of the District authorized a total of \$63,100,000 in bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities (the "System"), \$41,000,000 in bonds for refunding bonds issued for such purposes and \$6,000,000 in bonds for acquiring and constructing recreational facilities. After the sale of the Bonds, a total of \$44,615,000 principal amount of unlimited tax bonds for the System, \$6,000,000 for recreational facilities and \$41,000,000 for refunding bonds issued for the System 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 the Outstanding Bonds, as defined herein, and 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 \$63,100,000 unlimited tax bonds for the System, \$6,000,000 for recreational facilities, and could authorize additional amounts. Following the issuance of the Bonds, \$44,615,000 unlimited tax bonds for construction of the System and \$6,000,000 for recreational facilities will remain authorized but unissued for such purpose. The District's voters also have authorized \$41,000,000 unlimited tax bonds for refunding bonds issued for the System, all \$41,000,000 of which remain unissued after the issuance of the Bonds. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and approved by the Board and the TCEQ.) In addition to the components of the System that the District has financed with portions of the proceeds of the sale of the Prior Bonds and is financing with the proceeds of the sale of the Bonds, the District expects to finance 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 "INVESTMENT CONSIDERATIONS - Future Debt."

Based on present engineering cost estimates and on development plans supplied by the Developer, in the opinion of the District's consulting engineer, R.G. Miller Engineers, Inc. (the "Engineer"), the \$44,615,000 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 \$6,000,000 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 corporate limits 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. 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.

## **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 acquisition or construction of underground water distribution, wastewater collection and storm drainage facilities to serve Kendall Lakes, Section 9 and the remaining portion of Section 11; and detention/amenity facilities to serve Kendall Lakes, Section 9 Phase 7; (ii) pay Impact Fees to the City of Alvin associated with the City's provision of water supply and wastewater treatment to the District (the “Impact Fees”); (iii) pay interest on advances made on behalf of the District; and (iv) pay for administrative and issuance costs, legal fees, fiscal agent's fees, fees to the TCEQ and the Attorney General of Texas, and certain financing costs related to the issuance of the Bonds.

**Construction Costs**

**District Share**

A. Developer Contribution Items (a)	
1. Kendall Lakes, Section 9 Water, Wastewater and Drainage	\$ 652,607
2. Kendall Lakes, Section 9 Phase 7 Detention/Mitigation & Amenity Lake Expansion	205,653
3. Kendall Lakes, Section 11 Water, Wastewater and Drainage	708,604
4. Water & Sewer Impact Fees	1,148,505
5. Engineering	<u>301,766</u>
Total Developer Contribution Items	\$3,017,135
B. District Items	
None	

TOTAL CONSTRUCTION COSTS	\$3,017,135
Less Use of Surplus Funds	(61,850)
NET TOTAL CONSTRUCTION COSTS	\$2,955,285

**Non-Construction Costs**

1. Legal Fees	\$ 105,000
2. Fiscal Agent Fees	72,000
3. Developer Interest (b)	277,428
4. Bond Discount	107,762
5. Bond Issuance Expenses	29,687
6. Bond Application Report Costs	40,000
7. Attorney General Fee	3,600
8. TCEQ Bond Issuance Fee	9,000
9. Contingencies (c)	<u>238</u>
TOTAL NON-CONSTRUCTION COSTS	\$644,715
<b>TOTAL BOND ISSUE REQUIREMENT</b>	<b>\$3,600,000</b>

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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 developers 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 corporate limits 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 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.

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 Skymark Land Development, Inc. (the initial developer of land in the District) entered into a Utility Services Contract dated August 5, 2004 (the "Utility Agreement"), to provide a water distribution system, sanitary sewer collection system and drainage system (the "System") and certain recreational facilities to serve the District. The District approved and assumed the Utility Agreement on June 9, 2005. 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) and certain recreational facilities.

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 541.02 acres of land. The District is located entirely within the corporate boundaries of the City of Alvin, Texas (the “City”). The District is located approximately 20 miles south of the central business district of Houston, Texas. The District is bounded on the west by an Atchison-Topeka-Santa Fe Railway, on the east by State Highway 35, on the north by American Canal, and on the south by a tributary of Dickinson Bayou and Highway 6. 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>
Mark R. Nokelby	President	2026
Emma Delgado	Vice President	2026
Kimberly Stevens	Assistant Vice President	2028
Esther Buentello Flores	Secretary	2028
Paul Torres	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 R.G. Miller Engineers, 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 McLennan & Associates, LP as the District's Bookkeeper. According to McLennan & Associates, LP, it currently serves approximately 80 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, 2024, and for the year then ended, included in this offering document, have been audited by McGrath & Co., 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, 2024, 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 October 1, 2024, the District contained 636 homes, including 32 homes under construction. See "BUILDERS." According to the District's Engineer, underground water distribution, wastewater collection, and storm drainage/detention facilities and street paving have been completed to serve 685 single-family residential lots located in Kendall Lakes, Sections 1 through 11 (approximately 194.36 total acres). Alvin Independent School District has constructed the Mark Twain Elementary School on approximately 13.0 acres of land located within the platted area of Kendall Lakes, Section 5. Such land is not subject to taxation by the District.

The initial developer of the District, Skymark Development Company, Inc. (“Skymark”), completed the development of 173 single-family residential lots that have been subdivided as Kendall Lakes, Sections 1, 2, 3 and 5 (approximately 63.88 total acres). Skymark has sold 167 of the 173 fully developed single-family lots in Kendall Lakes, Sections 1, 2, 3 and 5 to home building companies and homes have been constructed on all of such lots, all of which have been sold to home buyers. The six remaining lots have been retained for future model homes.

Skymark sold approximately 101.27 acres of undeveloped land located within the District to JNC Development, Inc. (“JNC” or the “Developer”) (defined below under the caption “DEVELOPER AND OTHER PRINCIPAL LAND OWNERS”). Skymark is managing development of the majority of Kendall Lakes on behalf of JNC in consideration of the payment of a fee. JNC has completed the development of 266 single-family residential lots that have been subdivided as Kendall Lakes, Sections 4, 6, 7 and 8. JNC conveyed approximately 63.42 acres of currently undeveloped land located in the District to a related entity, Duechelli, LLC, a Texas limited liability company, on 10.48 acres of which it has developed 51 single-family residential lots that have been subdivided as Kendall Lakes, Section 9, on 22.7 acres of which it has developed 94 single-family residential lots that have been subdivided as Kendall Lakes, Section 10, and on approximately 19.87 acres of which it has developed 101 single-family residential lots that have been subdivided as Kendall Lakes, Section 11. JNC owns no additional land located within the District. Saratoga Homes of Houston and Devon Street Homes are currently building homes in Kendall Lakes as described below under the caption “Builders.” Maryfield Limited, an entity related to Skymark, owns approximately 88.68 acres of currently undeveloped land located within the District that are available for future development, all of which it expects to be utilized for future commercial and light industrial/warehouse development. Hannover Estates Ltd., an entity related to Skymark, owns approximately 132.75 acres of currently undeveloped land located within the District that are available for future development, all of which it expects to be utilized for future commercial and light industrial/warehouse development. West Little York 62 AC Ltd., an entity related to Skymark, owns approximately 56.2 acres of currently undeveloped land located within the District that are available for future development, all of which it expects to be utilized for future commercial and light industrial/warehouse development. Maryfield Limited sold approximately 60 acres of currently undeveloped land located in the District to Lennar Homes of Texas Land and Construction, Ltd, a Texas limited partnership, on which it expects to develop 174 future single-family residential lots that will be subdivided as Kendall Lakes, Section 12. The District cannot represent whether, or when, the development of any the aforementioned currently undeveloped acres might occur. Included in such above referenced acreage, approximately 119 acres of land located in the District are contained within easements, rights-of-way, detention ponds, or is otherwise not available for future development. See "INVESTMENT CONSIDERATIONS -

Factors Affecting Taxable Values and Tax Payments," "DEVELOPER AND OTHER PRINCIPAL LAND OWNERS," "FUTURE DEVELOPMENT" and "TAX DATA - Principal 2024 Taxpayers."

The District financed acquisition or construction of underground water distribution, wastewater collection and storm drainage facilities to serve Kendall Lakes, Sections 1 through 7, 8, 10 and a portion of 11, including the Phase I detention pond; and land acquisition costs for the Kendall Lakes North detention basin; an interim stormwater detention basin to serve Kendall Lakes; detention/amenity lake expansion and drainage to serve Kendall Lakes, Sections 4, 7 and 8; and land costs for the Kendall Lakes, Sections 7 and 8 detention ponds; detention/amenity lake expansion and storm sewer to serve Kendall Lakes, Section 10; detention/mitigation, amenity lake expansion to serve Kendall Lakes, Section 11 and land costs for the Kendall Lakes Sections 10 and 11 detention ponds with a portion of the proceeds of the sale of the Prior Bonds. The District is financing acquisition or construction of underground water distribution, wastewater collection and storm drainage facilities to serve Kendall Lakes, Section 9 and the remaining portion of Section 11; and Kendall Lakes, Section 9 Phase 7 detention/mitigation facilities with a portion of the proceeds of the sale of the Bonds. In addition to the components of the System that the District has financed with the proceeds of the Prior Bonds, and 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 October 1, 2024, 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		Models
Subdivision:										
Kendall Lakes										
Section 1	2	3.90			0	0	0	0	0	0
Section 2	99	31.94			0	2	92	0	1	95
Section 3	29	5.08			0	0	29	0	0	29
Section 4	72	17.50			0	0	72	0	0	72
Section 5	43	22.96(c)			0	0	43	0	0	43
Section 6	58	12.86			0	0	58	0	0	58
Section 7	60	32.50			0	0	60	0	0	60
Section 8	76	14.57			0	0	76	0	0	76
Section 9	51	10.48			7	9	4	0	0	20
Section 10	94	22.70			0	0	85	0	2	87
Section 11	101	19.87			9	5	74	8	0	96
Totals	685	194.36	0	0	16	16	593	8	3	636

- (a) A portion of such acreage located within the District is contained within easements, rights-of-way, detention ponds, or is otherwise not available for future development.
- (b) 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.
- (c) Alvin Independent School District has constructed the Mark Twain Elementary School on approximately 13.0 acres of land located within the platted area of Kendall Lakes, Section 5.

**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 Prior Bonds and 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 Orders authorizing the District to issue the Prior Bonds and 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 JNC Development, Inc., a Texas corporation ("JNC" or the "Developer"). As is described above under the caption "DEVELOPMENT AND HOME CONSTRUCTION," JNC has completed the development of 266 single-family residential lots that have been subdivided as Kendall Lakes, Sections 4, 6, 7 and 8. JNC conveyed approximately 63.42 acres of currently undeveloped land located in the District to a related entity, Duechelli, LLC, a Texas limited liability company, on 10.48 acres of which it has developed 51 single-family residential lots that have been subdivided as Kendall Lakes, Section 9, on 22.7 acres of which it has developed 94 single-family residential lots that have been subdivided as Kendall Lakes, Section 10, and on approximately 19.87 acres of which it has developed 101 single-family residential lots that have been subdivided as Kendall Lakes, Section 11. JNC owns no additional land located within the District.

Maryfield Limited, an entity related to Skymark, owns approximately 88.68 acres of currently undeveloped land located within the District that are available for future development, all of which it expects to be utilized for future commercial and light industrial/warehouse development. Hannover Estates Ltd., an entity related to Skymark, owns approximately 132.75 acres of currently undeveloped land located within the District that are available for future development, all of which it expects to be utilized for future commercial and light industrial/warehouse development. West Little York 62 AC Ltd., an entity related to Skymark, owns approximately 56.2 acres of currently undeveloped land located within the District that are available for future development, all of which it expects to be utilized for future commercial and light industrial/warehouse development. Maryfield Limited sold approximately 60 acres of currently undeveloped land located in the District to Lennar Homes of Texas Land and Construction, Ltd, a Texas limited partnership, on which it expects to develop 174 future single-family residential lots that will be subdivided as Kendall Lakes, Section 12. The District cannot represent whether, or when, the development of any the aforementioned currently undeveloped acres might occur.

The District cannot represent whether, or when, the development of any the aforementioned currently undeveloped acres might occur.

### **BUILDERS**

According to JNC, Saratoga Homes of Houston ("Saratoga"), is currently constructing homes in Kendall Lakes which range in size from approximately 2,137 to 2,940 square feet of living area and in sales price from approximately \$315,400 to \$410,400.

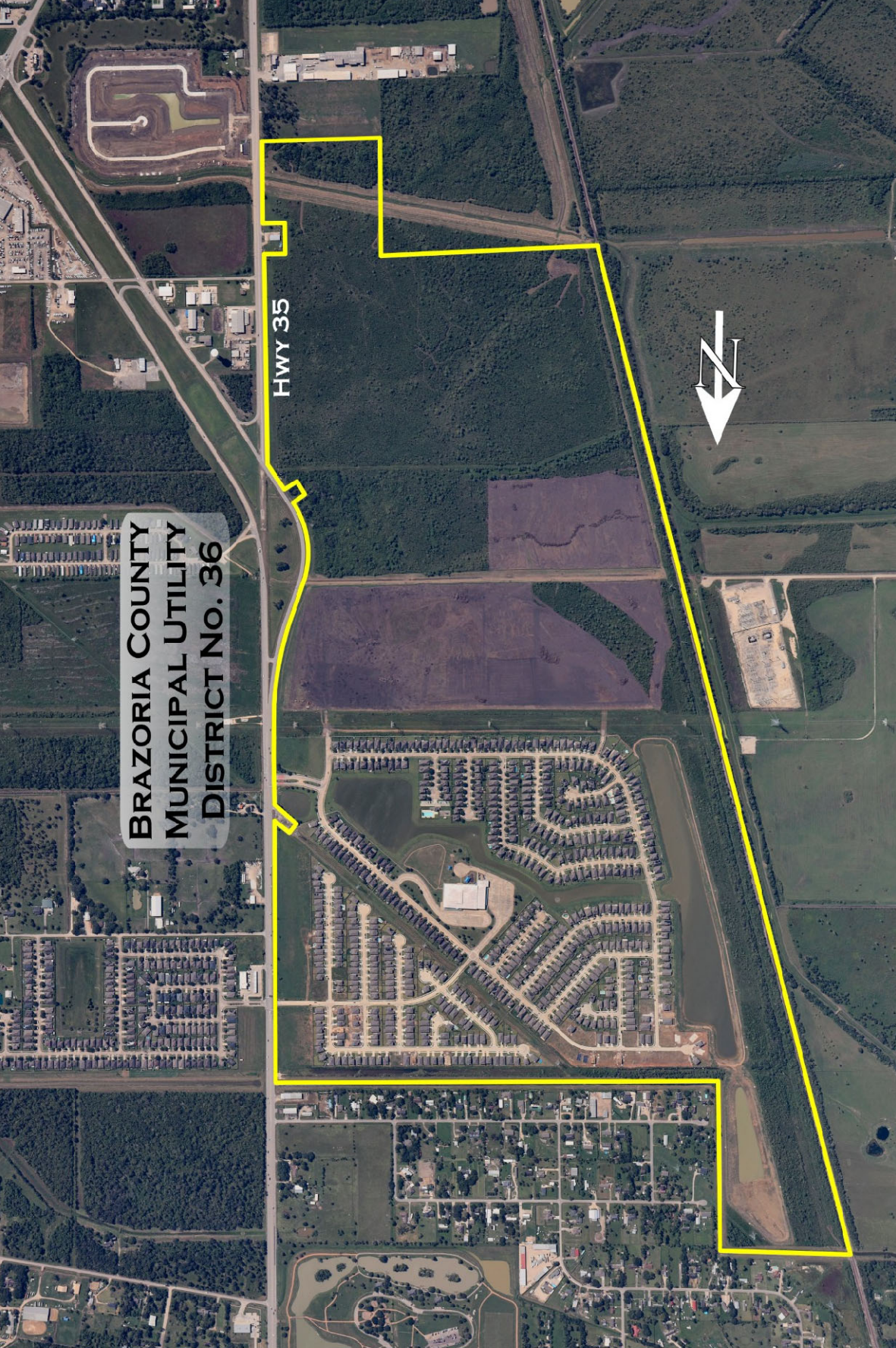
According to JNC, Devon Street Homes ("Devon Street"), is currently constructing homes in Kendall Lakes which range in size from approximately 1,670 to 2,883 square feet of living area and in sales price from approximately \$289,990 to \$349,990.

Saratoga and Devon Street 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 194.36 acres of the total of approximately 541.02 acres of land located within the District have been developed into 685 single-family residential lots, the development of which is complete. JNC conveyed approximately 63.42 acres of currently undeveloped land located in the District to a related entity, Duechelli, LLC, a Texas limited liability company, on 10.48 acres of which it has developed 51 single-family residential lots that have been subdivided as Kendall Lakes, Section 9, on 22.7 acres of which it has developed 94 single-family residential lots that have been subdivided as Kendall Lakes, Section 10, and on approximately 19.87 acres of which it has developed 101 single-family residential lots that have been subdivided as Kendall Lakes, Section 11. Maryfield Limited, an entity related to Skymark, owns approximately 88.68 acres of currently undeveloped land located within the District that are available for future development, all of which it expects to be utilized for future commercial and light industrial/warehouse development. Hannover Estates Ltd., an entity related to Skymark, owns approximately 132.75 acres of currently undeveloped land located within the District that are available for future development, all of which it expects to be utilized for future commercial and light industrial/warehouse development. West Little York 62 AC Ltd., an entity related to Skymark, owns approximately 56.2 acres of currently undeveloped land located within the District that are available for future development, all of which it expects to be utilized for future commercial and light industrial/warehouse development. Maryfield Limited sold approximately 60 acres of currently undeveloped land located in the District to Lennar Homes of Texas Land and Construction, Ltd, a Texas limited partnership, on which it expects to develop 174 future single-family residential lots that will be subdivided as Kendall Lakes, Section 12. Included in such above referenced acreage, approximately 119 acres of land located in the District are contained within easements, rights-of-way, detention ponds, or are otherwise not available for future development. See “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments,” “DEVELOPER AND OTHER PRINCIPAL LAND OWNERS” and “TAX DATA - Principal 2024 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 \$44,615,000 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 has financed with the proceeds of the Prior Bonds and 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 “INVESTMENT CONSIDERATIONS - Future Debt.”

**AERIAL PHOTOGRAPH OF THE DISTRICT**  
**(taken September 2024)**



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT  
(taken October 2024)



**PHOTOGRAPHS TAKEN WITHIN THE DISTRICT**  
(taken October 2024)



## DISTRICT DEBT

### General

The following tables and calculations relate to the Bonds and the Outstanding Bonds. After issuance of the Bonds, the aggregate principal amount of the Outstanding Bonds, will be \$17,860,000. 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.

2024 Assessed Valuation .....	\$	193,441,331 (a)
(As of January 1, 2024)		
See "TAX DATA" and "TAXING PROCEDURES"		
Estimated Valuation as of October 1, 2024 .....	\$	215,042,410 (b)
See "TAX DATA" and "TAXING PROCEDURES"		
Direct Debt:		
Outstanding Bonds .....	\$	14,260,000
The Bonds .....		<u>3,600,000</u>
Total .....	\$	17,860,000 (c)
Estimated Overlapping Debt .....	\$	<u>15,886,383</u>
Total Direct and Estimated Overlapping Debt .....	\$	33,746,383
Direct Debt Ratio		
: as a percentage of 2024 Assessed Valuation.....		9.23 %
: as a percentage of Estimated Valuation as of October 1, 2024 .....		8.31 %
Direct and Overlapping Debt Ratio		
: as a percentage of 2024 Assessed Valuation.....		17.45 %
: as a percentage of Estimated Valuation as of October 1, 2024 .....		15.69 %
Debt Service Fund Balance as of September 12, 2024.....	\$	690,024 (d)
General Fund Balance as of September 12, 2024 .....	\$	1,524,309
2024 Tax Rate per \$100 of Assessed Valuation		
Debt Service Tax.....	\$	0.5200
Maintenance Tax.....		<u>0.1238</u>
Total .....	\$	0.6438 (d)
Average Percentage of Total Tax Collections (2014-2023) as of September 30, 2024.....		99.87 %

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(a) As of January 1, 2024, and comprises the District's 2024 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 "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."

(b) Provided by the Appraisal District for informational purposes only; this amount is an estimate of the value of all taxable property located within the District as of October 1, 2024, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2024, through September 30, 2024. No taxes were levied for 2024 against any values added since January 1, 2024. The ultimate Assessed Valuation of any land and improvements added from January 1, 2024, through September 30, 2024, which will be placed on the

District's 2025 tax roll, may vary significantly from such estimate once the Appraisal Review Board certifies the value thereof in 2025.

- (c) In addition to the components of the System that the District has financed with the proceeds of the Prior Bonds, and 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 "INVESTMENT CONSIDERATIONS - Future Debt."
- (d) Neither Texas law nor the Bond Resolution requires the District to maintain any particular sum in the Debt Service Fund. Such fund balance reflects the timely payment by the District of the entirety of its debt service requirements on the Outstanding Bonds that were due for 2024. The District's initial debt service payment on the Bonds is due on September 1, 2025, and consists of an interest payment thereon.
- (e) The District levied a debt service tax in the amount of \$0.52 per \$100 of Assessed Valuation for 2024, plus a maintenance tax of \$0.1238 per \$100 of Assessed Valuation. The District lies wholly within the municipal boundaries of the City of Alvin (the "City"), and all land within the district is subject to taxation by the City. As is described in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2023 tax levies of all units of government which levy taxes against the property located within the District, plus the 2024 tax of the District is \$3.136312 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 "INVESTMENT CONSIDERATIONS - 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.

<b>Taxing Jurisdiction</b>	<b><u>Debt as of</u> <u>September 30, 2024</u></b>	<b><u>Estimated Overlapping</u> <u>Percent</u></b>	<b><u>Amount</u></b>
Brazoria County	\$232,603,313	0.3486%	\$810,904
City of Alvin	33,610,000	7.4314%	2,497,700
Alvin Independent School District	918,045,000	1.3499%	12,392,339
Alvin Community College District	19,520,000	0.9500%	<u>185,440</u>
Total Estimated Overlapping Debt			\$15,886,383
The District (the Bonds and the Outstanding Bonds)			<u>\$17,860,000</u>
Total Direct & Estimated Overlapping Debt			\$33,746,383

**Debt Ratios**

	<b><u>% of 2024</u> <u>Assessed</u> <u>Valuation</u></b>	<b><u>% of Estimated</u> <u>Valuation as of</u> <u>October 1, 2024</u></b>
Direct Debt . . . . .	9.23%	8.31%
Direct and Estimated Overlapping Debt . . . . .	17.45%	15.69%

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 \$0.1238 per \$100 of Assessed Valuation in 2024. See “TAX DATA - Maintenance Tax.”



## Debt Service Requirement Schedule

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

<u>Year Ending December 31</u>	<u>Current Total Debt Service</u>	<u>Plus: – The Bonds –</u>		<u>Current Total New Debt Service Requirements</u>
		<u>Principal (Due 9/1)</u>	<u>Interest</u>	
2024	\$757,189			\$757,189
2025	817,338		\$114,366	931,704
2026	816,538		162,094	978,631
2027	815,319	\$50,000	162,094	1,027,413
2028	813,119	55,000	158,719	1,026,838
2029	811,775	55,000	155,006	1,021,781
2030	809,950	60,000*	151,294	1,021,244
2031	811,325	65,000*	147,244	1,023,569
2032	808,400	70,000*	142,856	1,021,256
2033	809,988	70,000*	139,706	1,019,694
2034	811,775	75,000*	136,556	1,023,331
2035	813,350	75,000*	133,369	1,021,719
2036	814,463	80,000*	130,181	1,024,644
2037	815,000	80,000*	126,781	1,021,781
2038	815,013	85,000*	123,381	1,023,394
2039	814,294	90,000*	119,769	1,024,063
2040	817,681	90,000*	115,944	1,023,625
2041	820,325	95,000*	112,119	1,027,444
2042	817,156	100,000	108,081	1,025,238
2043	818,519	105,000	103,831	1,027,350
2044	823,350	105,000	99,369	1,027,719
2045	822,194	110,000	94,906	1,027,100
2046	820,338	120,000	90,231	1,030,569
2047	822,663	125,000	85,131	1,032,794
2048	824,069	130,000	79,819	1,033,888
2049	827,356	130,000	74,294	1,031,650
2050	824,825	140,000	68,769	1,033,594
2051	826,694	145,000	62,819	1,034,513
2052	829,975	150,000*	56,656	1,036,631
2053	830,775	155,000*	50,094	1,035,869
2054		990,000*	43,313	1,033,313
	<u>\$24,480,756</u>	<u>\$3,600,000</u>	<u>\$3,348,792</u>	<u>\$31,429,548</u>
Average Annual Requirements: (2025-2054).....				\$1,022,412
Maximum Annual Requirement: (2052).....				\$1,036,631

\* 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 Outstanding Bonds and 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 “INVESTMENT CONSIDERATIONS”). The District has levied a debt service tax for 2024 at a rate of \$0.52 per \$100 of Assessed Valuation. See - “Tax Rate Distribution” below.

### 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 November 7, 2006, 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 Outstanding Bonds, the Bonds and any tax-supported bonds which may be issued in the future. The District has levied a maintenance tax of \$0.1238 per \$100 of Assessed Valuation for 2024. 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 &amp; Prior Years(b)</u>	<u>Year Ended 9/30</u>
2014	\$19,971,593	\$0.7000	\$139,801	100.00%	2015
2015	25,327,131	0.7000	177,290	100.00	2016
2016	36,259,455	0.7000	253,817	100.00	2017
2017	46,639,007	0.7000	326,473	100.00	2018
2018	60,981,578	0.7000	426,871	99.96	2019
2019	76,073,347	0.7000	532,513	99.97	2020
2020	93,461,942	0.7000	654,234	100.00	2021
2021	106,093,556	0.7000	742,655	99.99	2022
2022	131,873,728	0.6900	909,929	99.63	2023
2023	164,436,584	0.6500	1,068,838	99.24	2024
2024	193,441,331	0.6438(c)	1,238,025	(c)	2025

(a) Per \$100 of Assessed Valuation.

(b) Such percentages reflect cumulative total collections for each year from the time each respective annual tax was levied through September 30, 2024.

(c) The District levied a debt service tax in the amount of \$0.52 per \$100 of Assessed Valuation for 2024, plus a maintenance tax of \$0.1238 per \$100 of Assessed Valuation.

## Tax Rate Distribution

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Debt Service	\$0.5200	\$0.50	\$0.55	\$0.35	\$0.35
Maintenance	<u>0.1238</u>	<u>0.15</u>	<u>0.14</u>	<u>0.35</u>	<u>0.35</u>
Total	\$0.6438	\$0.65	\$0.69	\$0.70	\$0.70

## 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>2024</u>		<u>2023</u>		<u>2022</u>	
	<u>Assessed Value</u>	<u>%</u>	<u>Assessed Value</u>	<u>%</u>	<u>Assessed Value</u>	<u>%</u>
Land	\$45,175,981	23.35%	\$45,211,112	27.49%	\$24,146,910	18.31%
Improvements	163,581,565	84.56%	141,680,809	86.16%	118,093,284	89.55%
Personal Property	1,798,120	0.93%	1,763,540	1.07%	1,234,740	0.94%
Exemptions	<u>-17,114,335</u>	<u>-8.84%</u>	<u>-24,218,877</u>	<u>-14.73%</u>	<u>-11,601,206</u>	<u>-8.80%</u>
Total	\$193,441,331	100.00%	\$164,436,584	100.00%	\$131,873,728	100.00%

<u>Type of Property</u>	<u>2021</u>		<u>2020</u>	
	<u>Assessed Value</u>	<u>%</u>	<u>Assessed Value</u>	<u>%</u>
Land	\$24,052,530	22.67%	\$20,720,220	22.17%
Improvements	88,104,680	83.04%	78,223,468	83.70%
Personal Property	1,114,000	1.05%	1,201,090	1.29%
Exemptions	<u>-7,177,654</u>	<u>-6.77%</u>	<u>-6,682,836</u>	<u>-7.15%</u>
Total	\$106,093,556	100.00%	\$93,461,942	100.00%

**Principal 2024 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, 2024. The information reflects the composition of the Appraisal District's record of property ownership as of January 1, 2024.

<u>Property Owner</u>	<u>Property Description</u>	<u>2024 Taxable Value</u>	<u>% of 2024 Tax Roll</u>
Saratoga Homes of Texas Houston	Land and Improvements	\$8,252,680	4.27%
SDH Houston LLC	Land and Improvements	2,424,400	1.25%
Hannover Estates Ltd. *	Land	2,023,820	1.05%
Maryfield Limited *	Land	1,191,967	0.62%
West Little York 62 AC Ltd. *	Land	848,114	0.44%
Duechelli LLC **	Land and Improvements	841,090	0.43%
Bay Street Homes LLC	Land and Improvements	615,910	0.32%
Centerpoint Energy Inc.	Personal Property	563,210	0.29%
Homeowner	Land and Improvements	458,227	0.24%
Homeowner	Land and Improvements	<u>448,040</u>	<u>0.23%</u>
Total		\$17,667,458	9.13%

\* Related parties. See "DEVELOPMENT AND HOME CONSTRUCTION."

\*\* Related to the Developer. See "DEVELOPER AND OTHER PRINCIPAL LAND OWNERS."

**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 2024 Assessed Valuation or the Estimated Valuation as of October 1, 2024. 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 Outstanding Bonds and the Bonds.

Average Annual Debt Service Requirements (2025-2054) .....	\$1,022,412
Tax Rate of \$0.56 on the 2024 Assessed Valuation (\$193,441,331) produces.....	\$1,029,108
Tax Rate of \$0.51 on the Estimated Valuation as of October 1, 2024 (\$215,042,410) produces....	\$1,041,880
Maximum Annual Debt Service Requirement (2052) .....	\$1,036,631
Tax Rate of \$0.57 on the 2024 Assessed Valuation (\$193,441,331) produces.....	\$1,047,485
Tax Rate of \$0.51 on the Estimated Valuation as of October 1, 2024 (\$215,042,410) produces....	\$1,041,880

The District levied a debt service tax of \$0.52 per \$100 of Assessed Valuation for 2024, plus a maintenance tax of \$0.1238 per \$100 of Assessed Valuation. As the above table indicates, the 2024 debt service rate is sufficient to pay debt service on the Bonds and the Outstanding Bonds, assuming taxable values in the District at the level of the Estimated Valuation as of October 1, 2024, assuming a tax collection rate of 95%, no use of funds on hand, and the issuance of no additional bonds by the District. In addition, the District's Debt Service Fund balance was \$690,024 as of September 12, 2024. Although neither Texas law nor the Bond Resolution requires that any specific amount be retained in the Debt Service Fund at any time, the District expects to apply earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Bonds and the Outstanding Bonds. The District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Prior Bonds as is delineated in "APPENDIX B - FINANCIAL REPORT" that is appended to this Official Statement. Moreover, as is illustrated above under the caption "Historical Values and Tax Collection History," as of September

30, 2024, the District had collected an average annual percentage of its property taxes of 99.87% for the period 2014 through 2023. 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 and the Outstanding Bonds without increasing the District’s debt service tax rate above the rate which it has levied for 2024 - \$0.52 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 2023 taxes levied upon property located within the District and the District’s 2024 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>2023 Tax Rate/\$100</u>
Brazoria County	\$0.313948
City of Alvin	0.685000
Alvin Independent School District	1.192300
Alvin Community College	0.151264
Brazoria County Conservation & Reclamation District #3	0.150000
The District *	<u>0.643800</u>
TOTAL TAX RATE	<u>\$3.136312</u>

\* The District has levied a total tax of \$0.6438 per \$100 of Assessed Valuation for 2024, consisting of a debt service tax of \$0.52 per \$100 of Assessed Valuation and a maintenance tax of \$0.1238 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, the Outstanding Bonds and any additional bonds payable from taxes which the District may hereafter issue (see “INVESTMENT CONSIDERATIONS - Future Debt”) and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully 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 2024 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, 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. 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 2024 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 "INVESTMENT CONSIDERATIONS - 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 corporate limits 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 541.02 acres is approximately 2,041 with a total estimated population of 4,988 people. The following descriptions are based upon information supplied by the District's Engineer.

### Description

The System presently serves the 685 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 financed acquisition or construction of underground water distribution, wastewater collection and storm drainage facilities to serve Kendall Lakes, Sections 1 through 7, 8, 10 and a portion of 11, including the Phase I detention pond; and land acquisition costs for the Kendall Lakes North detention basin; an interim stormwater detention basin to serve Kendall Lakes; detention/amenity lake expansion and drainage to serve Kendall Lakes, Sections 4, 7 and 8; and land costs for the Kendall Lakes, Sections 7 and 8 detention ponds; detention/amenity lake expansion and storm sewer to serve Kendall Lakes, Section 10; detention/mitigation, amenity lake expansion to serve Kendall Lakes, Section 11 and land costs for the Kendall Lakes Sections 10 and 11 detention ponds with a portion of the proceeds of the sale of the Prior Bonds. The District is financing acquisition or construction of underground water distribution, wastewater collection and storm drainage facilities to serve Kendall Lakes, Section 9 and the remaining portion of Section 11; and Kendall Lakes, Section 9 Phase 7 detention/mitigation facilities with a portion of the proceeds of the sale of the Bonds. In addition to the components of the System that the District has financed with the proceeds of the Prior Bonds, and 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," "INVESTMENT CONSIDERATIONS - 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 Prior Bonds and 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.

## **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 Prior Bonds and 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.

## **Drainage Improvements**

Storm drainage for the District is provided by an internal drainage network of underground storm drainage lines that outfall into detention ponds that ultimately drain into drainage channels and then to Dickinson 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. 48039CO175I dated September 22, 1999. According to the District's Engineer, fill dirt will be placed onsite to raise such land above the 100-year flood plain, which will be certified by FEMA upon completion. The entirety of the developed land located within the District is located outside the 100-year flood plain.

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

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

## **INVESTMENT CONSIDERATIONS**

### **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 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 developers of the District and of the developed lots which have been sold by the developers 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 20 miles 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:** Saratoga Homes of Houston (“Saratoga”) owns lots and homes the 2024 Assessed Valuation of which is \$8,252,680, or approximately 4.27% of the District’s 2024 tax roll. Hannover Estates Ltd. (“Hannover Estates”), West Little York 62 AC Ltd. (“West Little York”) and Maryfield Limited (“Maryfield”), all of which are related to Skymark, collectively own property the combined 2024 Assessed Valuation of which is \$4,063,901, or approximately 2.10% of the District’s 2024 tax roll. Duechelli LLC owns property the combined 2024 Assessed Valuation of which is \$847,090, or approximately 0.44% of the District’s 2024 tax roll. No other taxpayer owns property the 2024 Assessed Valuation of which exceeds 0.43% of the District’s 2024 tax roll. See “DEVELOPMENT AND HOME CONSTRUCTION,” “DEVELOPER AND OTHER PRINCIPAL LAND OWNERS,” “BUILDERS” and “TAX DATA - Principal 2024 Taxpayers.” The ability of Hannover Estates, West Little York, Maryfield, Saratoga, Duechelli 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 Hannover Estates, West Little York, Maryfield, Saratoga, Duechelli 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 2024 Assessed Valuation is \$193,441,331. After issuance of the Bonds, the Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds will be \$1,036,631 (2052) and the Average Annual Debt Service Requirements will be \$1,022,412 (2025 through 2054, inclusive). Assuming no increase to nor decrease from the 2024 Assessed Valuation, no use of funds on hand, and the issuance of no additional bonds by the District, tax rates of \$0.57 and \$0.56 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 October 1, 2024, is \$215,042,410. Assuming no increase to nor decrease from the Estimated Valuation as of October 1, 2024, no use of funds on hand, and the issuance of no additional bonds by the District, a tax rate of \$0.51 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.

The District levied a debt service tax of \$0.52 per \$100 of Assessed Valuation for 2024, plus a maintenance tax of \$0.1238 per \$100 of Assessed Valuation. As is indicated above, the 2024 debt service rate is sufficient to pay debt service on the Bonds and the Outstanding Bonds, assuming taxable values in the District at the level of the Estimated Valuation as of October 1, 2024, assuming a tax collection rate of 95%, no use of funds on hand, and the issuance of no additional bonds by the District. In addition, the District's Debt Service Fund balance was \$690,024 as of September 12, 2024. Although neither Texas law nor the Bond Resolution requires that any specific amount be retained in the Debt Service Fund at any time, the District expects to apply earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Bonds and the Outstanding Bonds. The District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Prior Bonds as is delineated in “APPENDIX B - FINANCIAL REPORT” that is appended to this Official Statement. Moreover, as is illustrated above under the caption “TAX DATA - Historical Values and Tax Collection History,” as of September 30, 2024, the District had collected an average annual percentage of its property taxes of 99.87% for the period 2014 through 2023. 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 and the Outstanding Bonds without increasing the District’s debt service tax rate above the rate which it has levied for 2024 - \$0.52 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 has financed with portions of the proceeds of the sale of the Prior Bonds and 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 2023 tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District’s 2024 rate, is \$3.136312 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 \$44,615,000 unlimited tax bonds authorized but unissued for waterworks, wastewater and drainage facilities, the \$6,000,000 for recreational facilities, the \$41,000,000 for refunding purposes, 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 \$44,615,000 bonds described above for waterworks, wastewater and drainage facilities and \$6,000,000 for recreational facilities 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 \$44,615,000 bonds for waterworks, wastewater and drainage facilities and \$6,000,000 for recreational facilities 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 has financed with portions of the proceeds of the sale of the Prior Bonds and 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 \$44,615,000 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 two separate federal ozone standards: the eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the “2008 Ozone Standard”), and the EPA’s most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the “2015 Ozone Standard”). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB Area, the HGB Area remains subject to CAA nonattainment requirements.

The HGB Area is currently designated as a “severe” nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2027. If the EPA ultimately determines that the HGB Area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

The HGB Area is currently designated as a “serious” nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2027. 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. Further, the EPA has established a NPDWR for six (6) Per- and Polyfluoroalkyl Substances (“PFAS”), which requires public water systems to perform certain monitoring and remediation measures. Public water systems may be subject to additional PFAS regulation in the future, which could increase the cost of constructing, operating, and maintaining water production and distribution facilities.

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’s stormwater discharges currently maintain permit coverage through the Municipal Separate Storm System Permit (the “Current Permit”) issued to the Storm Water Management Joint Task Force consisting of Harris County, Harris County Flood Control District, the City of Houston, and the Texas Department of Transportation. In the event that at any time in the future the District is not included in the Current Permit, it may be required to seek independent coverage under the TCEQ’s General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”), which authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. If the District’s inclusion in the MS4 Permit were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

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

While the *Sackett* decision and subsequent regulatory action 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. As more fully set forth in the sections entitled “THE DISTRICT - Utility Agreement” and “THE SYSTEM - Regulation,” the District constructs for the benefit of and conveyance to the City, the water and wastewater utilities needed to serve land being developed within the boundaries of the District. Upon conveyance of the facilities to the City, the City assumes responsibility for the operation and maintenance of the facilities. According to the City, the City’s water supply and distribution system and wastewater treatment and collection system serving the property within the District’s boundaries did not sustain any material damage from Hurricane Harvey, and there was no interruption of water and sewer service during or after the storm. Further, according to the District’s Engineer, no taxable improvements within the District were reported to have experienced structural flooding or other material damage during Hurricane Harvey.

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

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 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.

## **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 2024 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 2024.

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, 2024, and for the year then ended, included in this offering document, have been audited by McGrath & Co., 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 R.G. Miller Engineers, 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 2025.

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](http://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 outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the 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**

During the past five years, the District has complied in all material respects with the continuing disclosure agreement made by it in accordance with the Rule in relation to the Prior Bonds.

This Official Statement was approved by the Board of Directors of Brazoria County Municipal Utility District No. 36 as of the date shown on the first page hereof.

/s/ Mark R. Nokelby  
President, Board of Directors  
Brazoria County Municipal Utility District No. 36

ATTEST:

/s/ Esther Buentello Flores  
Secretary, Board of Directors  
Brazoria County Municipal Utility District No. 36







**APPENDIX B**

**BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 36**

**BRAZORIA COUNTY, TEXAS**

**FINANCIAL REPORT**

**MAY 31, 2024**



**BRAZORIA COUNTY MUNICIPAL  
UTILITY DISTRICT NO. 36**

**BRAZORIA COUNTY, TEXAS**

**FINANCIAL REPORT**

**May 31, 2024**





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# McGRATH & CO., PLLC

*Certified Public Accountants*

2900 North Loop West, Suite 880

Houston, Texas 77092

## Independent Auditor's Report

Board of Directors  
Brazoria County Municipal Utility District No. 36  
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. 36 (the "District"), as of and for the year ended May 31, 2024, 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 Brazoria County Municipal Utility District No. 36, as of May 31, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

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

### Responsibilities of Management for the Financial Statements

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

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

***Board of Directors  
Brazoria County Municipal Utility District No. 36  
Brazoria County, Texas***

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

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

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

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

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

**Required Supplementary Information**

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

***Board of Directors  
Brazoria County Municipal Utility District No. 36  
Brazoria County, Texas***

certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The Texas Supplementary Information schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Texas Supplementary Information schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.



Houston, Texas  
October 10, 2024

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

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***Brazoria County Municipal Utility District No. 36  
Management's Discussion and Analysis  
May 31, 2024***

**Using this Annual Report**

Within this section of the financial report of Brazoria County Municipal Utility District No. 36 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended May 31, 2024. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

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

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

**Overview of the Financial Statements**

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

**Government-Wide Financial Statements**

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

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

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

**Fund Financial Statements**

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

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

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

The District’s net position at May 31, 2024, was negative \$9,326,445. The District’s net position is negative because the District incurs debt to construct water, sewer and certain drainage facilities which it conveys to the City of Alvin. A comparative summary of the District’s overall financial position, as of May 31, 2024 **and 2023**, is as follows:

	<u>2024</u>	<u>2023</u>
Current and other assets	\$ 2,939,190	\$ 3,058,040
Capital assets	4,733,984	4,806,568
Total assets	<u>7,673,174</u>	<u>7,864,608</u>
Current liabilities	364,741	293,983
Long-term liabilities	<u>16,634,878</u>	<u>15,514,837</u>
Total liabilities	<u>16,999,619</u>	<u>15,808,820</u>
Net position		
Net investment in capital assets	(3,137,668)	(5,031,026)
Restricted	1,090,630	930,866
Unrestricted	<u>(7,279,407)</u>	<u>(3,844,052)</u>
Total net position	<u>\$ (9,326,445)</u>	<u>\$ (7,944,212)</u>

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The total net position of the District decreased during the current fiscal year by \$1,382,233. A comparative summary of the District’s *Statement of Activities* for the past two years is as follows:

	<u>2024</u>	<u>2023</u>
Revenues		
Property taxes, penalties and interest	\$ 1,073,462	\$ 915,669
Other	136,495	91,043
Total revenues	<u>1,209,957</u>	<u>1,006,712</u>
Expenses		
Operating and administrative	281,867	221,279
Debt interest and fees	497,068	314,328
Developer interest	575,613	
Debt issuance costs	472,001	
Depreciation	47,774	47,774
Total expenses	<u>1,874,323</u>	<u>583,381</u>
Change in net position before other items	(664,366)	423,331
Other items		
Transfers to other governments	<u>(717,867)</u>	<u>(1,345,204)</u>
Change in net position	(1,382,233)	(921,873)
Net position, beginning of year	<u>(7,944,212)</u>	<u>(7,022,339)</u>
Net position, end of year	<u><u>\$ (9,326,445)</u></u>	<u><u>\$ (7,944,212)</u></u>

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

The District’s combined fund balances, as of May 31, 2024, were \$2,896,421, which consists of \$1,588,763 in the General Fund, \$1,211,424 in the Debt Service Fund and \$96,234 in the Capital Projects Fund.

*General Fund*

A comparative summary of the General Fund’s financial position as of May 31, 2024 **and 2023**, is as follows:

	<u>2024</u>	<u>2023</u>
Total assets	<u>\$ 1,607,344</u>	<u>\$ 1,503,306</u>
Total liabilities	\$ 14,759	\$ 16,417
Total deferred inflows	3,822	4,028
Total fund balance	<u>1,588,763</u>	<u>1,482,861</u>
Total liabilities, deferred inflows and fund balance	<u><u>\$ 1,607,344</u></u>	<u><u>\$ 1,503,306</u></u>

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

	<u>2024</u>	<u>2023</u>
Total revenues	\$ 324,187	\$ 232,620
Total expenditures	<u>(218,285)</u>	<u>(185,797)</u>
Revenues over expenditures	<u>\$ 105,902</u>	<u>\$ 46,823</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District’s primary financial resources in the General Fund are from a property tax levy, which is dependent upon assessed value in the District and the maintenance tax rate set by the District. Property tax revenues increased from prior year because the District increased the maintenance and operations component of the levy and because assessed values increased from prior year.

*Debt Service Fund*

A comparative summary of the Debt Service Fund’s financial position as of May 31, 2024 **and 2023**, is as follows:

	<u>2024</u>	<u>2023</u>
Total assets	<u>\$ 1,235,612</u>	<u>\$ 1,013,432</u>
Total liabilities	\$ 8,864	\$ 4,342
Total deferred inflows	15,324	13,617
Total fund balance	<u>1,211,424</u>	<u>995,473</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 1,235,612</u>	<u>\$ 1,013,432</u>

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

	<u>2024</u>	<u>2023</u>
Total revenues	\$ 872,411	\$ 745,619
Total expenditures	<u>(656,460)</u>	<u>(401,184)</u>
Revenues over expenditures	<u>\$ 215,951</u>	<u>\$ 344,435</u>

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

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*Capital Projects Fund*

A comparative summary of the Capital Projects Fund’s financial position as of May 31, 2024 **and 2023**, is as follows:

	<u>2024</u>	<u>2023</u>
Total assets	<u>\$ 96,234</u>	<u>\$ 541,302</u>
Total fund balance	<u>\$ 96,234</u>	<u>\$ 541,302</u>

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

	<u>2024</u>	<u>2023</u>
Total revenues	<u>\$ 11,857</u>	<u>\$ 18,074</u>
Total expenditures	<u>(5,621,925)</u>	<u>(19,880)</u>
Revenues under expenditures	<u>(5,610,068)</u>	<u>(1,806)</u>
Other changes in fund balance	<u>5,165,000</u>	
Net change in fund balance	<u>\$ (445,068)</u>	<u>\$ (1,806)</u>

The District’s capital asset activity in the current year was financed with proceeds from the issuance of its Series 2023 Unlimited Tax Bonds. The District did not have any significant capital asset activity in the previous fiscal year.

**General Fund Budgetary Highlights**

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board amended the budget during the year to reflect changes in anticipated revenues and expenditures.

Since the District’s budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$6,005 greater than budgeted. The *Budgetary Comparison Schedule* on page 34 of this report provides variance information per financial statement line item.

**Capital Assets**

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

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Capital assets held by the District at May 31, 2024 **and 2023**, are summarized as follows:

	<u>2024</u>	<u>2023</u>
Capital assets not being depreciated		
Land and improvements	<u>\$ 3,143,245</u>	<u>\$ 3,168,055</u>
Capital assets being depreciated		
Drainage	2,149,818	2,149,818
Less accumulated depreciation	<u>(559,079)</u>	<u>(511,305)</u>
Depreciable capital assets, net	<u>1,590,739</u>	<u>1,638,513</u>
Capital assets, net	<u><u>\$ 4,733,984</u></u>	<u><u>\$ 4,806,568</u></u>

The District and the City of Alvin (the “City”) have entered into an agreement which obligates the District to construct water, wastewater and certain storm drainage facilities to serve the District and, when completed, to convey title to the facilities to the City. Detention facilities and certain other capital assets are retained by the District. For the year ended May 31, 2024, capital assets in the amount of \$717,867 have been recorded as transfers to other governments in the government wide statements. Additional information is presented in Note 10.

**Long-Term Debt and Related Liabilities**

As of May 31, 2024, the District owes approximately \$2,374,878 to developers for completed projects. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District’s financial statements upon completion of construction. The District intends to reimburse the developers from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developers is trued up when the developers are reimbursed.

At May 31, 2024 **and 2023**, the District had total bonded debt outstanding as shown below:

<u>Series</u>	<u>2024</u>	<u>2023</u>
2018	\$ 3,940,000	\$ 4,025,000
2022	5,360,000	5,470,000
2023	<u>5,165,000</u>	<u>          </u>
	<u><u>\$ 14,465,000</u></u>	<u><u>\$ 9,495,000</u></u>

During the current year, the District issued \$5,165,000 in unlimited tax bonds. At May 31, 2024, the District had \$48,215,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District; \$6,000,000 for parks and recreational facilities; and \$41,000,000 for refunding purposes.

***Brazoria County Municipal Utility District No. 36  
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**Next Year’s Budget**

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

	<u>2024 Actual</u>	<u>2025 Budget</u>
Total revenues	\$ 324,187	\$ 300,688
Total expenditures	<u>(218,285)</u>	<u>(205,730)</u>
Revenues over expenditures	105,902	94,958
Beginning fund balance	<u>1,482,861</u>	<u>1,588,763</u>
Ending fund balance	<u><u>\$ 1,588,763</u></u>	<u><u>\$ 1,683,721</u></u>

**Property Taxes**

The District’s property tax base increased approximately \$18,499,000 for the 2024 tax year from \$164,510,579 to \$183,009,465. This increase was primarily due to increased property values.

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## **Basic Financial Statements**

**Brazoria County Municipal Utility District No. 36**  
**Statement of Net Position and Governmental Fund Balance Sheet**  
**May 31, 2024**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>						
Cash	\$ 1,759	\$ 109,214	\$ 953	\$ 111,926	\$ -	\$ 111,926
Investments	1,583,802	1,127,210	97,106	2,808,118		2,808,118
Taxes receivable	3,822	15,324		19,146		19,146
Internal balances	17,961	(16,136)	(1,825)			
Capital assets not being depreciated					3,143,245	3,143,245
Capital assets, net					1,590,739	1,590,739
<b>Total Assets</b>	<b>\$ 1,607,344</b>	<b>\$ 1,235,612</b>	<b>\$ 96,234</b>	<b>\$ 2,939,190</b>	<b>4,733,984</b>	<b>7,673,174</b>
<b>Liabilities</b>						
Accounts payable	\$ 14,759	\$ -	\$ -	\$ 14,759		14,759
Other payables		8,864		8,864		8,864
Accrued interest payable					136,118	136,118
Due to developers					2,374,878	2,374,878
Long-term debt						
Due within one year					205,000	205,000
Due after one year					14,260,000	14,260,000
<b>Total Liabilities</b>	<b>14,759</b>	<b>8,864</b>		<b>23,623</b>	<b>16,975,996</b>	<b>16,999,619</b>
<b>Deferred Inflows of Resources</b>						
Deferred property taxes	3,822	15,324		19,146	(19,146)	
<b>Fund Balance/Net Position</b>						
<b>Fund Balance</b>						
Restricted		1,211,424	96,234	1,307,658	(1,307,658)	
Unassigned	1,588,763			1,588,763	(1,588,763)	
<b>Total Fund Balance</b>	<b>1,588,763</b>	<b>1,211,424</b>	<b>96,234</b>	<b>2,896,421</b>	<b>(2,896,421)</b>	
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 1,607,344</b>	<b>\$ 1,235,612</b>	<b>\$ 96,234</b>	<b>\$ 2,939,190</b>		
<b>Net Position</b>						
Net investment in capital assets					(3,137,668)	(3,137,668)
Restricted for debt service					1,090,630	1,090,630
Unrestricted					(7,279,407)	(7,279,407)
<b>Total Net Position</b>					<b>\$ (9,326,445)</b>	<b>\$ (9,326,445)</b>

See notes to basic financial statements.

***Brazoria County Municipal Utility District No. 36  
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance  
For the Year Ended May 31, 2024***

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>						
Property taxes	\$ 246,015	\$ 819,949	\$ -	\$ 1,065,964	\$ 1,151	\$ 1,067,115
Penalties and interest		5,996		5,996	351	6,347
Investment earnings	78,172	46,466	11,857	136,495		136,495
<b>Total Revenues</b>	<b>324,187</b>	<b>872,411</b>	<b>11,857</b>	<b>1,208,455</b>	<b>1,502</b>	<b>1,209,957</b>
<b>Expenditures/Expenses</b>						
Operating and administrative						
Professional fees	105,460	2,166	40,830	148,456		148,456
Contracted services	26,136	18,178		44,314		44,314
Repairs and maintenance	48,144			48,144		48,144
Administrative	35,794	1,607		37,401		37,401
Other	2,751	336	465	3,552		3,552
Capital outlay			4,533,016	4,533,016	(4,533,016)	
Debt service						
Principal		195,000		195,000	(195,000)	
Interest and fees		439,173		439,173	57,895	497,068
Developer interest			575,613	575,613		575,613
Debt issuance costs			472,001	472,001		472,001
Depreciation					47,774	47,774
<b>Total Expenditures/Expenses</b>	<b>218,285</b>	<b>656,460</b>	<b>5,621,925</b>	<b>6,496,670</b>	<b>(4,622,347)</b>	<b>1,874,323</b>
<b>Revenues Over/(Under) Expenditures/Expenses</b>	<b>105,902</b>	<b>215,951</b>	<b>(5,610,068)</b>	<b>(5,288,215)</b>	<b>4,623,849</b>	<b>(664,366)</b>
<b>Other Financing Sources</b>						
Proceeds from sale of bonds			5,165,000	5,165,000	(5,165,000)	
<b>Other Items</b>						
Transfers to other governments					(717,867)	(717,867)
<b>Net Change in Fund Balance</b>	<b>105,902</b>	<b>215,951</b>	<b>(445,068)</b>	<b>(123,215)</b>	<b>123,215</b>	
<b>Change in Net Position</b>					<b>(1,382,233)</b>	<b>(1,382,233)</b>
Fund Balance/Net Position						
Beginning of the year	1,482,861	995,473	541,302	3,019,636	(10,963,848)	(7,944,212)
<b>End of the year</b>	<b>\$ 1,588,763</b>	<b>\$ 1,211,424</b>	<b>\$ 96,234</b>	<b>\$ 2,896,421</b>	<b>\$ (12,222,866)</b>	<b>\$ (9,326,445)</b>

See notes to basic financial statements.

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

The accounting policies of Brazoria County Municipal Utility District No. 36 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

### **Creation**

The District was organized, created and established pursuant to an order of the Texas Commission on Environmental Quality, dated December 29, 2004, and operates in accordance with Article XVI, Section 59 of the Texas Constitution and the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on April 11, 2005, and the first bonds were issued on July 12, 2018.

The District’s primary activities include construction of water, sewer and drainage and recreational facilities within the District. As further discussed in Note 10, the District conveys the water, sewer and certain drainage facilities to the City of Alvin for operation and maintenance upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

### **Reporting Entity**

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

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

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

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

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

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

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

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

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

**Measurement Focus and Basis of Accounting**

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

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

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

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

### **Use of Restricted Resources**

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

### **Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At May 31, 2024, an allowance for uncollectible accounts was not considered necessary.

### **Interfund Activity**

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

### **Capital Assets**

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

Depreciable capital assets, which primarily consist of drainage facilities, are depreciated using the straight-line method over an estimated useful life of 45 years. The District's detention facilities and drainage channel are considered improvements to land and are non-depreciable.

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

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

At the fund level, property taxes receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources.

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

**Net Position – Governmental Activities**

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

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

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

Unrestricted – resources not included in the other components.

**Fund Balances – Governmental Funds**

Governmental accounting standards establish the following fund balance classifications:

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

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

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

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



***Brazoria County Municipal Utility District No. 36***  
***Notes to Financial Statements***  
***May 31, 2024***

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

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the useful lives and impairment of capital assets; the value of amounts due to developers; the value of capital assets transferred to the City of Alvin and the value of capital assets for which the developers have not been fully reimbursed. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

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

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

Total fund balance, governmental funds		\$ 2,896,421
--	--	--------------

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

Historical cost		\$ 5,293,063
Less accumulated depreciation		<u>(559,079)</u>
Change due to capital assets		4,733,984

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

Bonds payable, net		(14,465,000)
Interest payable on bonds		<u>(136,118)</u>
Change due to long-term debt		(14,601,118)

Amounts due to the District's developers for prefunded construction are recorded as a liability in the <i>Statement of Net Position</i> .		(2,374,878)
---	--	-------------

Property taxes receivable and related penalties and interest have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.		19,146
--	--	--------

Total net position - governmental activities		<u><u>\$ (9,326,445)</u></u>
--	--	------------------------------

***Brazoria County Municipal Utility District No. 36***  
***Notes to Financial Statements***  
***May 31, 2024***

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

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

Net change in fund balance - total governmental funds \$ (123,215)

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

1,502

Governmental funds report capital outlays for developer reimbursements as expenditures in the funds; however, in the *Statement of Activities*, the cost of capital assets is charged to expense over the estimated useful life of the asset.

Capital outlays	\$ 4,533,016	
Depreciation expense	<u>(47,774)</u>	
		4,485,242

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

Issuance of long-term debt	(5,165,000)	
Principal payments	195,000	
Interest expense accrual	<u>(57,895)</u>	
		(5,027,895)

The District conveys certain infrastructure to the City of Alvin upon completion of construction. Since these improvements are funded by the developers, financial resources are not expended in the fund financial statements; however, in the *Statement of Activities*, these amounts are reported as transfers to other governments.

(717,867)

Change in net position of governmental activities	\$ (1,382,233)
---	----------------

**Note 3 – Deposits and Investments**

**Deposit Custodial Credit Risk**

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

**Investments**

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

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

As of May 31, 2024, the District’s investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexPool	General	\$ 1,583,802	AAAm	40 days
	Debt Service	1,127,210		
	Capital Projects	97,106		
		<u>\$ 2,808,118</u>		

*Brazoria County Municipal Utility District No. 36*  
*Notes to Financial Statements*  
*May 31, 2024*

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

**TexPool**

The District participates in TexPool, the Texas Local Government Investment Pool. The State Comptroller of Public Accounts exercises oversight responsibility of TexPool, which includes (1) the ability to significantly influence operations, (2) designation of management and (3) accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

As permitted by GAAP, TexPool uses amortized cost (which excludes unrealized gains and losses) rather than market value to compute share price and seeks to maintain a constant dollar value per share. Accordingly, the fair value of the District’s position in TexPool is the same as the value of TexPool shares. Investments in TexPool may be withdrawn on a same day basis, as long as the transaction is executed by 3:30 p.m.

**Investment Credit and Interest Rate Risk**

Investment credit risk is the risk that the investor may not recover the value of an investment from the issuer, while interest rate risk is the risk that the value of an investment will be adversely affected by changes in interest rates. The District’s investment policies do not address investment credit and interest rate risk beyond the rating and maturity restrictions established by state statutes.

**Note 4 – Interfund Balances and Transactions**

Amounts due to/from other funds at May 31, 2024, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 16,136	Maintenance tax collections not remitted as of year end
General Fund	Capital Projects Fund	1,825	Bond issuance costs paid by the General Fund

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

***Brazoria County Municipal Utility District No. 36***  
***Notes to Financial Statements***  
***May 31, 2024***

**Note 5 – Capital Assets**

A summary of changes in capital assets, for the year ended May 31, 2024, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 3,168,055	\$ (24,810)	\$ 3,143,245
Capital assets being depreciated			
Drainage	2,149,818		2,149,818
Less accumulated depreciation	(511,305)	(47,774)	(559,079)
Subtotal depreciable capital assets, net	<u>1,638,513</u>	<u>(47,774)</u>	<u>1,590,739</u>
Capital assets, net	<u>\$ 4,806,568</u>	<u>\$ (72,584)</u>	<u>\$ 4,733,984</u>

Depreciation expense for the current fiscal year was \$47,774.

**Note 6 – Due to Developers**

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

Changes in the estimated amounts due to developers during the year are as follows:

Due to developers, beginning of year	\$ 6,214,837
Developer reimbursements	(4,533,016)
Developer funded construction and adjustments	<u>693,057</u>
Due to developers, end of year	<u>\$ 2,374,878</u>

***Brazoria County Municipal Utility District No. 36***  
***Notes to Financial Statements***  
***May 31, 2024***

**Note 7 – Long-Term Debt**

Long-term debt is comprised of the following:

Bonds payable	<u>\$ 14,465,000</u>
Due within one year	<u>\$ 205,000</u>

The District’s bonds payable at May 31, 2024, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2018	\$ 3,940,000	\$ 4,250,000	3.00% - 4.00%	September 1, 2020/2047	September 1, March 1	September 1, 2023
2022	5,360,000	5,470,000	2.00% - 3.00%	September 1, 2023/2050	September 1, March 1	September 1, 2027
2023	5,165,000	5,165,000	4.00% - 6.50%	September 1, 2025/2053	September 1, March 1	September 1, 2028
	<u>\$ 14,465,000</u>					

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

At May 31, 2024, the District had authorized but unissued bonds in the amount of \$48,215,000 for water, sewer and drainage facilities; \$6,000,000 for park and recreational facilities; and \$41,000,000 for refunding purposes.

On August 10, 2023, the District issued its \$5,165,000 Series 2023 Unlimited Tax Bonds at a net effective interest rate of 4.566457%. Proceeds of the bonds were used to reimburse developers for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds.

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

Bonds payable, beginning of year	\$ 9,495,000
Bonds issued	5,165,000
Bonds retired	(195,000)
Bonds payable, end of year	<u>\$ 14,465,000</u>

***Brazoria County Municipal Utility District No. 36***  
***Notes to Financial Statements***  
***May 31, 2024***

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

As of May 31, 2024, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2025	\$ 205,000	\$ 535,412	\$ 740,412
2026	285,000	526,937	811,937
2027	295,000	515,927	810,927
2028	305,000	504,218	809,218
2029	315,000	492,446	807,446
2030	325,000	480,863	805,863
2031	335,000	468,138	803,138
2032	350,000	454,863	804,863
2033	360,000	441,694	801,694
2034	375,000	428,381	803,381
2035	390,000	415,062	805,062
2036	405,000	401,406	806,406
2037	420,000	387,231	807,231
2038	435,000	372,506	807,506
2039	450,000	357,153	807,153
2040	465,000	340,988	805,988
2041	485,000	324,003	809,003
2042	505,000	306,241	811,241
2043	520,000	287,838	807,838
2044	540,000	268,434	808,434
2045	565,000	247,772	812,772
2046	585,000	226,266	811,266
2047	605,000	204,000	809,000
2048	630,000	180,866	810,866
2049	655,000	158,213	813,213
2050	680,000	136,091	816,091
2051	700,000	113,259	813,259
2052	725,000	85,834	810,834
2053	760,000	52,875	812,875
2054	795,000	17,889	812,889
	\$ 14,465,000	\$ 9,732,806	\$ 24,197,806

**Note 8 – Property Taxes**

On November 7, 2006, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

**Brazoria County Municipal Utility District No. 36**  
**Notes to Financial Statements**  
**May 31, 2024**

**Note 8 – Property Taxes (continued)**

All property values and exempt status, if any, are determined by the Brazoria County Appraisal District. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2024 fiscal year was financed through the **2023** tax levy, pursuant to which the District levied property taxes of \$0.65 per \$100 of assessed value, of which \$0.15 was allocated to maintenance and operations and \$0.50 was allocated to debt service. The resulting tax levy was \$1,069,320 on the adjusted taxable value of \$164,510,579.

Property taxes receivable, at May 31, 2024, consisted of the following:

Current year taxes receivable	\$ 12,749
Prior years taxes receivable	3,685
	<u>16,434</u>
Penalty and interest receivable	2,712
Property taxes receivable	<u>\$ 19,146</u>

**Note 9 – Transfers to Other Governments**

In accordance with an agreement between the District and the City of Alvin (the “City”), the District transfers all of its water, sewer and storm sewer system to the City (see Note 10). Accordingly, the District does not record these capital assets in the *Statement of Net Position*, but instead reports the completed projects as transfers to other governments on the *Statement of Activities*. The estimated cost of each project is trued-up when the developers are subsequently reimbursed. For the year ended May 31, 2024, the District reported transfers to other governments in the amount of \$717,867 for projects completed and transferred to the City.

**Note 10 – Utility Agreement with the City of Alvin**

On August 5, 2004, Skymark Land Development, Inc., a developer of land within the District, on behalf of the District, entered into a Utility Services Contract (“Agreement”) with the City of Alvin (the “City”) for construction and extension of water distribution lines, sanitary sewer collection systems and drainage facilities to serve the District. The Agreement was approved and assumed by the District on June 9, 2005. As the system is acquired or constructed, the District shall transfer the system to the City but will reserve a security interest in the system and provide services to all users in the District. The term of the agreement is 40 years.

Water and sewer rates charged by the City to users in the District shall be the same rates charged to similar users within the City. All revenue derived from these charges belongs to the City. The District agrees to pay the City connection fees for water and wastewater capacities.



**Note 10 – Utility Agreement with the City of Alvin (continued)**

The City has created the Reinvestment Zone No. Two (“Zone”) to finance public improvements described in the Agreement using the City tax increment generated within the Zone. The District is responsible for the financing and construction of the District systems and drainage facilities required to serve the District. A portion of the Zone’s tax increment will be paid to the District annually in consideration for the District undertaking the financing and construction of facilities which benefit both the District and the Zone. The annual payment for each year shall be the lesser of (i) \$0.30 per \$100 certified taxable valuation within the District or (ii) the amount required to meet the District’s annual debt service obligations minus the amount that the District would receive based on the District’s certified taxable value if the District levied an ad valorem tax rate equate to \$1.35 per \$100 taxable valuation, less the City’s then-current ad valorem tax rate. The annual payment is due in the calendar year following the year the District sells its first bonds, to which its ad valorem taxes are pledged, and will be paid each May 1 thereafter. The District has not received any payments to date.

**Note 11 – Risk Management**

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**Note 12 – Subsequent Event**

On October 10, 2024, the District approved a preliminary official statement and notice of sale for its Series 2024 Unlimited Tax Bonds in the amount of \$3,600,000. The acceptance of bids and award of sale is scheduled for November 2024. Proceeds of the bonds will primarily be used to reimburse developers for amounts currently reported in “Due to developer.”

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## **Required Supplementary Information**

***Brazoria County Municipal Utility District No. 36  
 Required Supplementary Information - Budgetary Comparison Schedule - General Fund  
 For the Year Ended May 31, 2024***

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>				
Property taxes	\$ 181,071	\$ 242,371	\$ 246,015	\$ 3,644
Investment earnings	58,696	58,696	78,172	19,476
<b>Total Revenues</b>	<b>239,767</b>	<b>301,067</b>	<b>324,187</b>	<b>23,120</b>
<b>Expenditures</b>				
Operating and administrative				
Professional fees	84,000	84,000	105,460	(21,460)
Contracted services	21,600	21,600	26,136	(4,536)
Repairs and maintenance	40,780	40,780	48,144	(7,364)
Administrative	46,230	49,890	35,794	14,096
Other	4,900	4,900	2,751	2,149
<b>Total Expenditures</b>	<b>197,510</b>	<b>201,170</b>	<b>218,285</b>	<b>(17,115)</b>
<b>Revenues Over Expenditures</b>	<b>42,257</b>	<b>99,897</b>	<b>105,902</b>	<b>6,005</b>
<b>Fund Balance</b>				
Beginning of the year	1,482,861	1,482,861	1,482,861	
<b>End of the year</b>	<b>\$ 1,525,118</b>	<b>\$ 1,582,758</b>	<b>\$ 1,588,763</b>	<b>\$ 6,005</b>

*Brazoria County Municipal Utility District No. 36*  
*Notes to Required Supplementary Information*  
*May 31, 2024*

**Budgets and Budgetary Accounting**

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The budget was amended during the year to reflect changes in anticipated revenues and expenditures.

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## **Texas Supplementary Information**

**Brazoria County Municipal Utility District No. 36**  
**TSI-1. Services and Rates**  
**May 31, 2024**

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

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

Retail Service Providers

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate (Y / N)</u>	<u>Rate per 1,000 Gallons Over Minimum Usage</u>	<u>Usage Levels</u>
Water:	_____	_____	_____	_____	_____ to _____
Wastewater:	_____	_____	_____	_____	_____ to _____
Surcharge:	_____	_____	_____	_____	_____ to _____

District employs winter averaging for wastewater usage?  Yes  No

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

b. Water and Wastewater Retail Connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC'S</u>
Unmetered	_____	_____	x 1.0	_____
less than 3/4"	_____	_____	x 1.0	_____
1"	_____	_____	x 2.5	_____
1.5"	_____	_____	x 5.0	_____
2"	_____	_____	x 8.0	_____
3"	_____	_____	x 15.0	_____
4"	_____	_____	x 25.0	_____
6"	_____	_____	x 50.0	_____
8"	_____	_____	x 80.0	_____
10"	_____	_____	x 115.0	_____
Total Water	_____	_____	_____	_____
Total Wastewater	_____	_____	x 1.0	_____

See accompanying auditor's report.



**Brazoria County Municipal Utility District No. 36**  
**TSI-1. Services and Rates**  
**May 31, 2024**

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

Gallons pumped into system:	<u>          N/A          </u>	Water Accountability Ratio:
Gallons billed to customers:	<u>          N/A          </u>	(Gallons billed / Gallons pumped)
		<u>          N/A          </u>

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

Does the District have Debt Service standby fees? Yes  No

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

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

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

5. Location of District:

Is the District located entirely within one county? Yes  No

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

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

City(ies) in which the District is located:           City of Alvin          

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

Entirely  Partly  Not at all

ETJs in which the District is located: \_\_\_\_\_

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

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

See accompanying auditor's report.

*Brazoria County Municipal Utility District No. 36  
TSI-2 General Fund Expenditures  
For the Year Ended May 31, 2024*

Professional fees	
Legal	\$ 84,405
Audit	15,250
Engineering	5,805
	<u>105,460</u>
 Contracted services	
Bookkeeping	<u>26,136</u>
 Repairs and maintenance	<u>48,144</u>
 Administrative	
Directors fees	13,339
Printing and office supplies	1,779
Insurance	3,156
Other	17,520
	<u>35,794</u>
 Other	<u>2,751</u>
 Total expenditures	<u><u>\$ 218,285</u></u>

See accompanying auditor's report.

*Brazoria County Municipal Utility District No. 36*  
*TSI-3. Investments*  
*May 31, 2024*

Fund	Interest Rate	Maturity Date	Balance at End of Year
General			
TexPool	Variable	N/A	\$ 1,583,802
Debt Service			
TexPool	Variable	N/A	1,127,210
Capital Projects			
TexPool	Variable	N/A	57,721
TexPool	Variable	N/A	39,385
			<u>97,106</u>
Total - All Funds			<u>\$ 2,808,118</u>

See accompanying auditor's report.

***Brazoria County Municipal Utility District No. 36***  
***TSI-4. Taxes Levied and Receivable***  
***May 31, 2024***

	Maintenance Taxes	Debt Service Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ 4,028	\$ 11,256	\$ 15,284	
Adjustments to Prior Year Tax Levy	(320)	(1,886)	(2,206)	
Adjusted Receivable	<u>3,708</u>	<u>9,370</u>	<u>13,078</u>	
2023 Original Tax Levy	233,002	776,674	1,009,676	
Adjustments	13,764	45,880	59,644	
Adjusted Tax Levy	<u>246,766</u>	<u>822,554</u>	<u>1,069,320</u>	
Total to be accounted for	<u>250,474</u>	<u>831,924</u>	<u>1,082,398</u>	
Tax collections:				
Current year	243,824	812,747	1,056,571	
Prior years	2,828	6,565	9,393	
Total Collections	<u>246,652</u>	<u>819,312</u>	<u>1,065,964</u>	
Taxes Receivable, End of Year	<u>\$ 3,822</u>	<u>\$ 12,612</u>	<u>\$ 16,434</u>	
Taxes Receivable, By Years				
2023	\$ 2,942	\$ 9,807	\$ 12,749	
2022	682	2,681	3,363	
2021	9	9	18	
2020 and prior	189	115	304	
Taxes Receivable, End of Year	<u>\$ 3,822</u>	<u>\$ 12,612</u>	<u>\$ 16,434</u>	
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Property Valuations:				
Land	\$ 45,211,112	\$ 24,146,910	\$ 23,993,330	\$ 20,655,100
Improvements	141,680,809	118,093,284	88,104,680	78,223,468
Personal Property	1,763,540	1,234,740	1,173,200	1,266,210
Exemptions	(24,144,882)	(11,601,206)	(7,177,654)	(6,682,836)
Total Property Valuations	<u>\$ 164,510,579</u>	<u>\$ 131,873,728</u>	<u>\$ 106,093,556</u>	<u>\$ 93,461,942</u>
Tax Rates per \$100 Valuation:				
Maintenance tax rates*	\$ 0.15	\$ 0.14	\$ 0.35	\$ 0.35
Debt service tax rates	0.50	0.55	0.35	0.35
Total Tax Rates per \$100 Valuation	<u>\$ 0.65</u>	<u>\$ 0.69</u>	<u>\$ 0.70</u>	<u>\$ 0.70</u>
Adjusted Tax Levy:	<u>\$ 1,069,320</u>	<u>\$ 909,929</u>	<u>\$ 742,655</u>	<u>\$ 654,234</u>
Percentage of Taxes Collected to Taxes Levied **	<u>98.81%</u>	<u>99.63%</u>	<u>100.00%</u>	<u>100.00%</u>

\* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on November 7, 2006

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

See accompanying auditor's report.

***Brazoria County Municipal Utility District No. 36***  
***TSI-5. Long-Term Debt Service Requirements***  
***Series 2018--by Years***  
***May 31, 2024***

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2025	\$ 90,000	\$ 147,769	\$ 237,769
2026	95,000	144,994	239,994
2027	95,000	142,084	237,084
2028	100,000	138,975	238,975
2029	105,000	135,578	240,578
2030	115,000	131,794	246,794
2031	120,000	127,681	247,681
2032	125,000	123,394	248,394
2033	130,000	118,850	248,850
2034	135,000	113,962	248,962
2035	145,000	108,712	253,712
2036	150,000	103,181	253,181
2037	160,000	97,369	257,369
2038	165,000	91,275	256,275
2039	175,000	84,791	259,791
2040	185,000	77,700	262,700
2041	195,000	70,100	265,100
2042	205,000	62,100	267,100
2043	215,000	53,700	268,700
2044	225,000	44,900	269,900
2045	235,000	35,700	270,700
2046	245,000	26,100	271,100
2047	260,000	16,000	276,000
2048	270,000	5,400	275,400
	<u>\$ 3,940,000</u>	<u>\$ 2,202,109</u>	<u>\$ 6,142,109</u>

See accompanying auditor's report.

***Brazoria County Municipal Utility District No. 36***  
***TSI-5. Long-Term Debt Service Requirements***  
***Series 2022--by Years***  
***May 31, 2024***

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2025	\$ 115,000	\$ 152,762	\$ 267,762
2026	115,000	149,312	264,312
2027	125,000	145,712	270,712
2028	125,000	141,962	266,962
2029	130,000	138,787	268,787
2030	130,000	136,188	266,188
2031	130,000	132,938	262,938
2032	135,000	128,963	263,963
2033	140,000	124,838	264,838
2034	145,000	120,563	265,563
2035	145,000	116,394	261,394
2036	155,000	112,269	267,269
2037	155,000	108,006	263,006
2038	160,000	103,675	263,675
2039	165,000	99,206	264,206
2040	170,000	94,600	264,600
2041	175,000	89,856	264,856
2042	175,000	85,044	260,044
2043	185,000	80,094	265,094
2044	190,000	74,700	264,700
2045	195,000	68,925	263,925
2046	205,000	62,925	267,925
2047	205,000	56,775	261,775
2048	215,000	50,475	265,475
2049	505,000	39,675	544,675
2050	525,000	24,225	549,225
2051	545,000	8,175	553,175
	<u>\$ 5,360,000</u>	<u>\$ 2,647,044</u>	<u>\$ 8,007,044</u>

See accompanying auditor's report.

*Brazoria County Municipal Utility District No. 36*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2023--by Years*  
*May 31, 2024*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2025	\$ -	\$ 234,881	\$ 234,881
2026	75,000	232,631	307,631
2027	75,000	228,131	303,131
2028	80,000	223,281	303,281
2029	80,000	218,081	298,081
2030	80,000	212,881	292,881
2031	85,000	207,519	292,519
2032	90,000	202,506	292,506
2033	90,000	198,006	288,006
2034	95,000	193,856	288,856
2035	100,000	189,956	289,956
2036	100,000	185,956	285,956
2037	105,000	181,856	286,856
2038	110,000	177,556	287,556
2039	110,000	173,156	283,156
2040	110,000	168,688	278,688
2041	115,000	164,047	279,047
2042	125,000	159,097	284,097
2043	120,000	154,044	274,044
2044	125,000	148,834	273,834
2045	135,000	143,147	278,147
2046	135,000	137,241	272,241
2047	140,000	131,225	271,225
2048	145,000	124,991	269,991
2049	150,000	118,538	268,538
2050	155,000	111,866	266,866
2051	155,000	105,084	260,084
2052	725,000	85,834	810,834
2053	760,000	52,875	812,875
2054	795,000	17,889	812,889
	<u>\$ 5,165,000</u>	<u>\$ 4,883,653</u>	<u>\$ 10,048,653</u>

See accompanying auditor's report.

***Brazoria County Municipal Utility District No. 36***  
***TSI-5. Long-Term Debt Service Requirements***  
***All Bonded Debt Series--by Years***  
***May 31, 2024***

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2025	\$ 205,000	\$ 535,412	\$ 740,412
2026	285,000	526,937	811,937
2027	295,000	515,927	810,927
2028	305,000	504,218	809,218
2029	315,000	492,446	807,446
2030	325,000	480,863	805,863
2031	335,000	468,138	803,138
2032	350,000	454,863	804,863
2033	360,000	441,694	801,694
2034	375,000	428,381	803,381
2035	390,000	415,062	805,062
2036	405,000	401,406	806,406
2037	420,000	387,231	807,231
2038	435,000	372,506	807,506
2039	450,000	357,153	807,153
2040	465,000	340,988	805,988
2041	485,000	324,003	809,003
2042	505,000	306,241	811,241
2043	520,000	287,838	807,838
2044	540,000	268,434	808,434
2045	565,000	247,772	812,772
2046	585,000	226,266	811,266
2047	605,000	204,000	809,000
2048	630,000	180,866	810,866
2049	655,000	158,213	813,213
2050	680,000	136,091	816,091
2051	700,000	113,259	813,259
2052	725,000	85,834	810,834
2053	760,000	52,875	812,875
2054	795,000	17,889	812,889
	<u>\$ 14,465,000</u>	<u>\$ 9,732,806</u>	<u>\$ 24,197,806</u>

See accompanying auditor's report.



***Brazoria County Municipal Utility District No. 36  
TSI-6. Change in Long-Term Bonded Debt  
May 31, 2024***

	Bond Issue			Totals
	Series 2018	Series 2022	Series 2023	
Interest rate	3.00% - 4.00%	2.00% - 3.00%	4.00% - 6.50%	
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	
Maturity dates	9/1/20 - 9/1/47	9/1/23 - 9/1/50	9/1/25 - 9/1/53	
Beginning bonds outstanding	\$ 4,025,000	\$ 5,470,000	\$ -	\$ 9,495,000
Bonds issued			5,165,000	5,165,000
Bonds retired	(85,000)	(110,000)		(195,000)
Ending bonds outstanding	<u>\$ 3,940,000</u>	<u>\$ 5,360,000</u>	<u>\$ 5,165,000</u>	<u>\$ 14,465,000</u>
Interest paid during fiscal year	<u>\$ 150,394</u>	<u>\$ 156,137</u>	<u>\$ 131,142</u>	<u>\$ 437,673</u>

Paying agent's name and city  
All Series

The Bank of New York Mellon Trust Company, N.A., Houston, Texas

Bond Authority:	Water, Sewer and Drainage Bonds	Park and Recreational Facilities Bonds	Refunding Bonds
Amount Authorized by Voters	\$ 63,100,000	\$ 6,000,000	\$ 41,000,000
Amount Issued	(14,885,000)		
Remaining To Be Issued	<u>\$ 48,215,000</u>	<u>\$ 6,000,000</u>	<u>\$ 41,000,000</u>

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

Debt Service Fund cash and investment balances as of May 31, 2024: \$ 1,236,424

Average annual debt service payment (principal and interest) for remaining term term of all debt: \$ 806,594

See accompanying auditor's report.

***Brazoria County Municipal Utility District No. 36***  
***TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund***  
***For the Last Five Fiscal Years***

	Amounts				
	2024	2023	2022	2021	2020
Revenues					
Property taxes	\$ 246,015	\$ 184,270	\$ 369,988	\$ 330,133	\$ 266,087
Investment earnings	78,172	48,350	1,587	1,063	13,594
Total Revenues	<u>324,187</u>	<u>232,620</u>	<u>371,575</u>	<u>331,196</u>	<u>279,681</u>
Expenditures					
Operating and administrative					
Professional fees	105,460	92,338	73,691	98,162	81,550
Contracted services	26,136	21,993	20,540	16,974	16,061
Repairs and maintenance	48,144	23,658	39,237	28,498	
Administrative	35,794	30,147	20,299	17,943	15,868
Other	2,751	17,661	2,331	144	739
Total Expenditures	<u>218,285</u>	<u>185,797</u>	<u>156,098</u>	<u>161,721</u>	<u>114,218</u>
Revenues Over Expenditures	<u>\$ 105,902</u>	<u>\$ 46,823</u>	<u>\$ 215,477</u>	<u>\$ 169,475</u>	<u>\$ 165,463</u>

\*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues

2024	2023	2022	2021	2020
76%	79%	100%	100%	95%
24%	21%	*	*	5%
100%	100%	100%	100%	100%
33%	40%	20%	30%	29%
8%	9%	6%	5%	6%
15%	10%	11%	9%	
11%	13%	5%	5%	6%
1%	8%	1%	*	*
68%	80%	43%	49%	41%
32%	20%	57%	51%	59%

***Brazoria County Municipal Utility District No. 36***  
***TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund***  
***For the Last Five Fiscal Years***

	Amounts				
	2024	2023	2022	2021	2020
Revenues					
Property taxes	\$ 819,949	\$ 719,217	\$ 371,758	\$ 330,134	\$ 261,386
Penalties and interest	5,996	1,783	4,541	2,201	3,795
Miscellaneous			176	126	40
Investment earnings	46,466	24,619	848	485	4,994
Total Revenues	<u>872,411</u>	<u>745,619</u>	<u>377,323</u>	<u>332,946</u>	<u>270,215</u>
Expenditures					
Tax collection services	21,951	15,266	21,113	12,197	11,380
Other	336	336	80	1,430	20
Debt service					
Principal	195,000	80,000	75,000	70,000	
Interest and fees	439,173	305,582	155,944	158,119	159,169
Total Expenditures	<u>656,460</u>	<u>401,184</u>	<u>252,137</u>	<u>241,746</u>	<u>170,569</u>
Revenues Over Expenditures	<u>\$ 215,951</u>	<u>\$ 344,435</u>	<u>\$ 125,186</u>	<u>\$ 91,200</u>	<u>\$ 99,646</u>

\*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues

2024	2023	2022	2021	2020
94%	97%	99%	99%	97%
1%	*	1%	1%	1%
		*	*	*
5%	3%	*	*	2%
100%	100%	100%	100%	100%
3%	2%	6%	4%	4%
*	*	*	*	*
22%	11%	20%	21%	
50%	41%	41%	47%	59%
75%	54%	67%	72%	63%
25%	46%	33%	28%	37%

***Brazoria County Municipal Utility District No. 36  
TSI-8. Board Members, Key Personnel and Consultants  
For the Year Ended May 31, 2024***

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, TX 77027  
 District Business Telephone Number: (713) 860-6400  
 Submission Date of the most recent District Registration Form  
 (TWC Sections 36.054 and 49.054): May 9, 2024  
 Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200  
 (Set by Board Resolution -- TWC Section 49.060)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
<b>Board Members</b>				
Mark R. Nokelby	05/22 - 05/26	\$ 2,431	\$ -	President
Emma Delgado	02/24 - 05/26	1,547		Vice President
Esther Buentello Flores	05/24 - 05/28	2,431		Secretary
Paul Torres	05/22 - 05/26	2,210		Assistant Secretary
Kimberly Stevens	05/24 - 05/28	3,978	1,690	Assistant Vice President
Jean Froehlich	05/22 - 02/24	422		Former Director
<b>Consultants</b>				
Allen Boone Humphries Robinson LLP	04/05	<u>Amounts Paid</u>		Attorney
<i>General legal fees</i>		\$ 87,832		
<i>Bond counsel</i>		148,466		
McLennan & Associates, LP	06/05	33,017		Bookkeeper
Assessments of the Southwest, Inc.	06/05	11,650		Tax Collector
Brazoria County Appraisal District	Legislation	6,528		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	01/07	2,247		Delinquent Tax Attorney
R.G. Miller Engineers, Inc.	04/13	47,722		Engineer
McGrath & Co., PLLC	05/17	23,000		Auditor
Rathmann & Associates, L.P.	01/06	104,800		Financial Advisor

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

APPENDIX C

SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY



**MUNICIPAL BOND  
INSURANCE POLICY**

ISSUER:

Policy No.: -N

BONDS: \$        in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

To the fullest extent permitted by applicable law, AG 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 AG to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

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

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

ASSURED GUARANTY INC.

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

1633 Broadway, New York, N.Y. 10019

(212) 974-0100

Form 500 (8/24)



