

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 THE OPINION OF BOND COUNSEL.

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

CUSIP No. 10608D

\$4,900,000

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 42
 (A political subdivision of the State of Texas, located in Brazoria County, Texas)
UNLIMITED TAX BONDS
SERIES 2025

Dated: March 1, 2025

Due: April 1 (as shown below)

Interest on \$4,900,000 Unlimited Tax Bonds, Series 2025 (the "Bonds") will accrue from March 1, 2025, and will be payable on October 1 and April 1 of each year, commencing October 1, 2025. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is BOKF, N.A., Dallas, Texas. See "THE BONDS – Paying Agent/Registrar."

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield (a)</u>	<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield (a)</u>
\$95,000	2027	7.375%	4.000%	\$120,000	2032(b)	7.375%	4.150%
\$100,000	2028	7.375%	4.000%	\$125,000	2033(b)	6.750%	4.200%
\$105,000	2029	7.375%	4.000%	\$135,000	2034(b)	4.375%	4.250%
\$110,000	2030	7.375%	4.050%	\$140,000	2035(b)	4.375%	4.300%
\$115,000	2031(b)	7.375%	4.100%	\$145,000	2036(b)	4.375%	4.375%
\$1,270,000 4.625% Term Bond Due April 1, 2043 to Yield 4.625% (a) (b) (c)							
\$1,220,000 4.500% Term Bond Due April 1, 2048 to Yield 4.770% (a) (b) (c)							
\$1,220,000 4.375% Term Bond Due April 1, 2052 to Yield 4.870% (a) (b) (c)							

- (a) The initial reoffering yields are established by and are the sole responsibility of the Underwriter (hereinafter defined) and may be subsequently changed. Accrued interest is to be added to the price.
- (b) The Bonds maturing on or after April 1, 2031, are subject to redemption in whole or from time to time in part, at the option of the District (hereinafter defined), on April 1, 2030, or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. If fewer than all of the Bonds within any one maturity are redeemed, the Bonds to be redeemed shall be selected, on behalf of the District, by the Paying Agent/Registrar, in its capacity as Registrar, by lot or other customary method, in integral multiples of \$5,000 in any one maturity. See "THE BONDS – Optional Redemption."
- (c) Subject to mandatory sinking fund redemption as described herein. See "THE BONDS – Mandatory Redemption."

The proceeds of the Bonds will be used by Brazoria County Municipal Utility District No. 42 (the "District") to: (1) reimburse the Developer (hereinafter defined) for advancing funds to construct certain water, wastewater, and drainage facilities serving the District and associated engineering, testing, permit, and land acquisition costs; (2) fund developer interest related to the advancement of funds for certain construction costs; (3) fund 12 months of capitalized interest on the Bonds; and (4) pay administrative cost and issuance expenses associated with the sale and delivery of the Bonds. See "USE OF BOND PROCEEDS."

The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS – Source of and Security for Payment." The Bonds are obligations solely of the District and are not obligations of the State of Texas, Brazoria County, the City of Manvel, or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas, Brazoria County, or the City of Manvel is pledged to the payment of the principal of, or interest on, the Bonds. **The Bonds are subject to certain risk factors described under the caption "RISK FACTORS," including a high concentration of ownership of taxable value in the District.**

The Bonds are offered when, as, and if issued by the District, subject to approval by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. The District will be advised on certain legal matters concerning disclosure by McCall, Parkhurst & Horton L.L.P., Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about March 5, 2025.

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

Any information and expressions of opinion herein contained are subject to change 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.

All of the summaries of the statutes, resolutions, contracts, audited financial statements, engineering, and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027, upon payment of duplication costs.

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

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of this Official Statement for any purpose.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid producing the lowest net interest cost to the District, which was tendered by SAMCO Capital Markets, Inc. (the "Underwriter"), to purchase the Bonds bearing the rates shown on the cover page of this Official Statement at a price of 97.009504% of par plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 4.778897% as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into unit investment trusts) and others at prices lower than the public offering price stated on the cover page hereof. The initial offering price may be changed from time to time by the Underwriter.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Prices and Marketability

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

THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER AFTER THE BONDS ARE RELEASED FOR SALE, AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE BONDS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The District has no control over the trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price of the

bonds may be greater than the difference between the bids and asked prices of Bonds of comparable maturity and quality issued by more traditional municipal entities as bonds of such entities are more generally bought, sold or traded in the secondary market.

Securities Laws

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

CONTINUING DISCLOSURE OF INFORMATION - SEC RULE 15c2-12

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) of the United States Securities and Exchange Commission (the "SEC") regarding the District's continuing disclosure obligations because the District does not have more than \$10,000,000 in aggregate amount of outstanding bonds and no person is committed by contract or other arrangement with respect to payment of the Bonds. As required by the exemption, in the Bond Resolution (the "Resolution"), the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain material events, to the Municipal Securities Rulemaking Board ("MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system.

Annual Reports

The information to be updated with respect to the District includes the quantitative financial information and operating data of the general type included in "APPENDIX A" (Independent Auditor's Report and Financial Statements of the District) of this Official Statement. The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2025. The District will provide the updated information to the MSRB or any successor to its functions as a repository through its EMMA system.

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

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

In addition, while no Developer or landowner within the District is obligated to make the debt service payments contemplated hereunder, the District has agreed to provide financial information with respect to the Developer. Such financial information will be of the general type included in the Official Statement in "THE DISTRICT'S DEVELOPER – Developer Financing" and "DISTRICT TAX DATA – Principal Taxpayers." The District will continue to provide information concerning the Developer so long as (1) the Developer owns more than 20% of the taxable property within the District by value, as reflected in the most recently certified tax rolls (and without effect to special valuation provisions), or (2) the Developer has made property tax payments to the District which were used or available to pay more than 20% of the District's unlimited tax debt service requirements in the applicable fiscal year of the District. At such time, the District's commitment to providing financial information of the Developer shall cease automatically and without further action required by the District.

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; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District or other obligated person; (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" shall have the meanings ascribed to them under SEC Rule 15c2-12 (the "Rule"). The terms "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 provisions 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 updated information only to the MSRB. Investors will be able to access, without charge from the MSRB, continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

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

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

Compliance with Prior Undertakings

The Bonds represent the first series of bonds to be issued by the District; therefore, the District has not previously entered into a continuing disclosure agreement pursuant to SEC Rule 15c2-12.

NO MUNICIPAL BOND RATING

In connection with the sale of the Bonds, the District has not made an application to a rating company for a rating on the Bonds and does not believe an investment grade rating would have been assigned to the Bonds had an application been made.

OFFICIAL STATEMENT SUMMARY

The following material is a summary of certain information contained herein and is qualified in its entirety by the detailed information appearing elsewhere in this Official Statement. The reader should refer particularly to sections that are indicated for more complete information.

THE BONDS

- Description:** The \$4,900,000 Unlimited Tax Bonds, Series 2025 (the "Bonds"), are dated and bear interest from March 1, 2025. The Bonds represent the first series of bonds to be issued by Brazoria County Municipal Utility District No. 42 (the "District"). The Bonds mature on April 1 in the years as shown in the table on the cover page of this Official Statement. The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including but not limited to Chapters 49 and 54, Texas Water Code, as amended, a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of the District, an approving order of the Texas Commission on Environmental Quality (the "TCEQ"), and an election held within the District. See "THE BONDS."
- Source of Payment:** The Bonds are payable from a continuing direct annual ad valorem tax levied against all taxable property within the District which, under Texas law, is not limited as to rate or amount. The Bonds are obligations of the District and are not obligations of the State of Texas, Brazoria County, the City of Manvel, or any other political subdivision or agency. See "THE BONDS – Source of and Security for Payment."
- Redemption Provisions:** The Bonds maturing on or after April 1, 2031, are subject to early redemption, in whole or from time to time in part, on April 1, 2030, or on any date thereafter at the option of the District at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS – Optional Redemption." The Bonds maturing on April 1 in the years 2043, 2048, and 2052 are Term Bonds and are subject to annual mandatory sinking fund redemption beginning on April 1 in the years 2037, 2044, and 2049, respectively. See "THE BONDS – Mandatory Redemption."
- Book-Entry-Only System:** The Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, and interest on, the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."
- Use of Proceeds:** Proceeds from the sale of the Bonds will be used to: (1) reimburse the Developer (hereinafter defined) for advancing funds to construct certain water, wastewater, and drainage facilities serving the District and associated engineering, testing, permit, and land acquisition costs; (2) fund developer interest related to the advancement of funds for certain construction costs; (3) fund 12 months of capitalized interest on the Bonds; and (4) pay administrative cost and issuance expenses associated with the sale and delivery of the Bonds. See "USE OF BOND PROCEEDS."
- Legal Opinion:** Allen Boone Humphries Robinson LLP, Bond Counsel, Houston, Texas. See "LEGAL MATTERS" and "TAX MATTERS."
- Paying Agent/Registrar:** BOKF, N.A., Dallas, Texas. See "THE BONDS – Paying Agent/Registrar."
- Payment Record:** The Bonds represent the first series of bonds to be issued by the District. Therefore, the District has never defaulted in the payment of principal of or interest on any outstanding obligations. See "DISTRICT DEBT."
- Risk Factors:** The Bonds are subject to certain risk factors as set forth in this Official Statement. Prospective purchasers should carefully examine this Official Statement with respect to the investment security of the Bonds, particularly the sections captioned "RISK FACTORS" and "LEGAL MATTERS."
- 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."
- No Municipal Bond Rating:** In connection with the sale of the Bonds, the District has not made an application to a rating company for a rating on the Bonds and does not believe an investment grade rating would have been assigned to the Bonds had an application been made. See "NO MUNICIPAL BOND RATING."

THE DISTRICT

Description: The District is a municipal utility district created by order of the Texas Commission on Environmental Quality (“TCEQ”) dated October 8, 2009. The District was created pursuant to the authority of Article XVI, Section 59 of the Texas Constitution and operates pursuant to Chapters 49 and 54, Texas Water Code, as amended. The District was granted road powers authorized by Article III, Section 52 of the Texas Constitution. The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54, Texas Water Code, as amended. The District is subject to the continuing supervision of the TCEQ. The District is empowered to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. Additionally, the District was created with certain park powers. See “THE DISTRICT – Authority.”

The District, as it was originally created, included approximately 192 acres. Since the creation of the District there have been three annexations totaling approximately 101 acres and no exclusions of property within the District. The District currently includes approximately 293 acres. The District is located in northern Brazoria County, Texas and is situated entirely within the corporate limits of the City of Manvel, Texas (the “City”). The District is located approximately four (4) miles northwest of the central business district of the City and approximately 20 miles south of the central business district of the City of Houston, Texas. Most of the District lies north of State Highway 6, and west of State Highway 288, though a portion of the District lies on the south side of State Highway 6. See “THE DISTRICT – Description” and “– Location Map.”

Development of the District: The District is currently being developed for commercial purposes. Commercial development within the District presently includes the development project known as Manvel Town Center. As of December 1, 2024, commercial development in the District includes an H-E-B grocery store and fuel station, retail buildings, a McDonalds restaurant, a Whataburger restaurant, and a Teal Ridge Dental Care office totaling approximately 183,900 sq. ft. See “THE DISTRICT – Status of Development.”

Summary of Land Uses: As of December 1, 2024, the District included approximately 20 acres that have been developed and improved for commercial purposes, approximately 5 acres under development, approximately 196 acres remaining for future development, and approximately 72 undevelopable acres, which includes road rights-of-way, detention ponds, drainage easements, and District plant sites. See “THE DISTRICT – Land Uses and Status of Land Development.”

The Developer: The District’s developer is Manvel Town Center, Ltd., a Texas limited partnership (“MTC”). MTC was established for the sole purpose of developing approximately 103 acres of land within the District known as Manvel Town Center, which is being developed for commercial purposes based on current land plans. The general partner of MTC is Manvel Town Center One, L.C., a Texas limited liability company, which is managed by Mr. Herbert D. Weitzman. Mr. Weitzman is Executive Chairman of Weitzman Management Corporation, which was founded in 1990. Weitzman Management Corporation is a full-service commercial real estate brokerage firm that now ranks as one of the largest retail-focused real estate services firms based in Texas. On the brokerage side, Weitzman Management Corporation leases a retail portfolio of approximately 44 million square feet in Austin, Dallas-Fort Worth, Houston, and San Antonio. As a property manager, Weitzman Management Corporation is responsible for managing a statewide portfolio of more than 22 million square feet of retail and commercial properties. See “THE DISTRICT’S DEVELOPER.”

MTC is referred to herein as the “Developer.”

The System: The District entered into an Interlocal and Development Agreement (the “Development Agreement”), with the City and Manvel Town Center, LP, in accordance with Chapter 380, Texas Local Government Code, and Chapter 791, Texas Government Code, as amended, effective January 1, 2014, which was subsequently amended on February 20, 2018, and January 1, 2021. Manvel Town Center, LP subsequently assigned its obligations under the Development Agreement to the Developer. Pursuant to the Development Agreement, the District assumes responsibility for acquiring and constructing for the benefit of, and for ultimate conveyance to, the City, the water distribution and wastewater collection facilities to serve development occurring within the boundaries of the District (the “Facilities”). The City agrees to make certain annual payments to the District in consideration of the District’s financing, acquisition, and construction of the Facilities. See “DEVELOPMENT AGREEMENT WITH THE CITY OF MANVEL.” The Development Agreement will remain in effect until the earlier of December 31, 2044, unless earlier terminated by (i) mutual agreement of the City and the District, or (ii) by the dissolution of the District by the City. In addition, the District entered into two Utility Conveyance and Security Agreements with the City, each dated October 2, 2023, pursuant to which the District conveyed to the City ownership and operation of its water supply and water distribution facilities and its wastewater collection and treatment facilities. The District does not operate any water supply or wastewater treatment facilities.

The District’s water supply and wastewater treatment capacity is provided by the City pursuant to the terms of the Development Agreement and the Utility Conveyance and Security Agreements between the District

and the City, dated October 2, 2023. The District receives potable groundwater from Water Well No. 1, which is now owned and operated by the City. Under the Utility Conveyance and Security Agreement, the District has reserved to it capacity in the water supply facilities in an amount equal to 1,220 equivalent single-family connections (“ESFCs”). The District receives wastewater treatment service from the City’s Phase 1 wastewater treatment plant. Under the Utility Conveyance and Security Agreement, the District has reserved to it capacity in the wastewater collection and treatment facilities to treat 150,000 gallons per day of sanitary sewer, totaling approximately 476 ESFCs (based on 315 gallons per day of wastewater flow per connection). According to the District’s Engineer (hereinafter defined), such water supply and wastewater treatment capacity is adequate to serve the initial phases of development of the District based on current land plans. If necessary in the future, the District or the City will expand the water supply and wastewater treatment facilities to serve the District at ultimate buildout. See “THE SYSTEM.”

The underground storm drainage collection system serving the initial development phases of Manvel Town Center is complete. The storm water within the District is collected by a system of underground storm sewers that carry storm runoff into a series of detention ponds and ultimately into Rodeo Palms Ditch (Drainage Channel), which drains to Chocolate Bayou. The District’s current storm drainage collection system consists of curbs and gutters with inlets and reinforced concrete storm sewers. This system serves the initial phases of the District’s drainage area and conveys flows to two storm water detention basins owned and maintained by the District. According to the District’s Engineer, none of the land located in the District’s boundaries is located within the 100-year floodplain as determined by the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Map (FIRM), Map Number 48039C0110K, dated December 30, 2020, for Brazoria County, Texas. See “THE SYSTEM.”

Principal Taxpayers:

According to the District’s 2024 certified tax rolls as provided by the Brazoria County Appraisal District (“BCAD” or the “Appraisal District”), the top 10 taxpayers represent approximately \$62,715,190 of taxable assessed valuation, or approximately 99.81% of the District’s 2024 Certified Taxable Value of \$62,831,992. The District’s principal taxpayers include the Developer, which represents approximately \$50,025,688 of taxable assessed valuation, or approximately 79.62% of the District’s 2024 Certified Taxable Value. Additionally, the District’s principal taxpayers include H-E-B Grocery, LP, which represents approximately \$8,140,810 of taxable assessed valuation, or approximately 12.96% of the District’s 2024 Certified Taxable Value; all of such taxable assessed valuation is comprised entirely of taxable personal property value. See “RISK FACTORS – Personal Property Tax Collections” and “– Dependence on Principal Taxpayers,” “THE DISTRICT’S DEVELOPER,” and “DISTRICT TAX DATA – Principal Taxpayers.”

SELECTED FINANCIAL INFORMATION
(Unaudited)

12/1/2024 Estimated Taxable Value	\$69,854,100	(a)
2024 Certified Taxable Value	\$62,831,992	(b)
Direct Debt:		
The Bonds	<u>\$4,900,000</u>	(c)
Total Direct Debt	\$4,900,000	
See "DISTRICT DEBT"		
Estimated Overlapping Debt	<u>\$6,725,524</u>	(d)
Direct and Estimated Overlapping Debt	\$11,625,524	
Percentage of Direct Debt to:		
12/1/2024 Estimated Taxable Value	7.01%	
2024 Certified Taxable Value	7.80%	
See "DISTRICT DEBT"		
Percentage of Direct and Estimated Overlapping Debt to:		
12/1/2024 Estimated Taxable Value	16.64%	
2024 Certified Taxable Value	18.50%	
See "DISTRICT DEBT"		
2024 Tax Rate Per \$100 of Assessed Value		
Debt Service Tax	\$0.00	(e)
Maintenance Tax	<u>\$0.95</u>	
Total 2024 Tax Rate	\$0.95	
Cash and Temporary Investment Balances:		
General Fund (as of January 23, 2025)	\$97,778	(f)
Debt Service Fund	\$241,394	(g)

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- (a) Reflects data supplied by BCAD. The Estimated Taxable Value as of December 1, 2024, was prepared by BCAD and provided to the District. Such values are not binding on BCAD and are provided for informational purposes only. Any value as a result of new construction since January 1, 2024 will not be included on the District's tax roll until the subsequent year's tax roll is prepared and certified by BCAD. The District is authorized by law to levy taxes only against certified values. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."
- (b) Reflects January 1, 2024 Certified Taxable Value according to data supplied to the District by BCAD. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."
- (c) The Bonds represent the first series of bonds to be issued by the District.
- (d) See "DISTRICT DEBT – Estimated Overlapping Debt."
- (e) The Bonds represent the first series of bonds to be issued by the District to finance the acquisition or construction of water, wastewater, and drainage facilities. The District intends to levy a debt service tax beginning with its 2025 tax rate.
- (f) Unaudited figure per the District's records. The Developer has entered into an agreement with the District memorializing its obligation to make operating advances to the District as may be required from time to time. See "THE SYSTEM – General Fund Operating History" and "RISK FACTORS – Operating Funds."
- (g) Neither Texas law nor the District's Bond Resolution requires that the District maintain any particular balance in the Debt Service Fund. The cash and investment balance in the Debt Service Fund represents 12 months of capitalized interest to be funded with proceeds of the Bonds to be deposited into such fund on the date of delivery of the Bonds. See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue" and "USE OF BOND PROCEEDS."

DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service requirements for the Bonds.

<u>Year</u>	Debt Service Requirements on the 2025 Bonds		Total Debt Service Requirements
	<u>Principal</u>	<u>Interest</u>	
2025	-	\$140,813	\$140,813
2026	-	\$241,394	\$241,394
2027	\$95,000	\$237,891	\$332,891
2028	\$100,000	\$230,700	\$330,700
2029	\$105,000	\$223,141	\$328,141
2030	\$110,000	\$215,213	\$325,213
2031	\$115,000	\$206,916	\$321,916
2032	\$120,000	\$198,250	\$318,250
2033	\$125,000	\$189,606	\$314,606
2034	\$135,000	\$182,434	\$317,434
2035	\$140,000	\$176,419	\$316,419
2036	\$145,000	\$170,184	\$315,184
2037	\$155,000	\$163,428	\$318,428
2038	\$165,000	\$156,028	\$321,028
2039	\$170,000	\$148,281	\$318,281
2040	\$180,000	\$140,188	\$320,188
2041	\$190,000	\$131,631	\$321,631
2042	\$200,000	\$122,613	\$322,613
2043	\$210,000	\$113,131	\$323,131
2044	\$220,000	\$103,325	\$323,325
2045	\$230,000	\$93,200	\$323,200
2046	\$245,000	\$82,513	\$327,513
2047	\$255,000	\$71,263	\$326,263
2048	\$270,000	\$59,450	\$329,450
2049	\$285,000	\$47,141	\$332,141
2050	\$295,000	\$34,453	\$329,453
2051	\$310,000	\$21,219	\$331,219
2052	<u>\$330,000</u>	<u>\$7,219</u>	<u>\$337,219</u>
TOTALS	\$4,900,000	\$3,908,041	\$8,808,041

Maximum Annual Debt Service Requirements (2052)..... \$337,219 (a)

Requires a \$0.51 debt service tax rate on the December 1, 2024 Estimated Taxable Value of \$69,854,100
at 95% collections..... \$338,443 (a)

Requires a \$0.57 debt service tax rate on the 2024 Certified Taxable Value of \$62,831,992
at 95% collections..... \$340,235 (a)

(a) See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue."

**OFFICIAL STATEMENT
relating to**

\$4,900,000

**Brazoria County Municipal Utility District No. 42
(A political subdivision of the State of Texas located within Brazoria County, Texas)**

**UNLIMITED TAX BONDS
SERIES 2025**

INTRODUCTION

This Official Statement provides certain information in connection with the issuance of the \$4,900,000 Brazoria County Municipal Utility District No. 42 Unlimited Tax Bonds, Series 2025 (the "Bonds").

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including but not limited to Chapters 49 and 54, Texas Water Code, as amended, a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of Brazoria County Municipal Utility District No. 42 (the "District"), an approving order of the Texas Commission on Environmental Quality (the "TCEQ"), and an election held within the District.

This Official Statement includes descriptions of the Bonds, the Bond Resolution, certain information about the District and its financial condition, and the Developer in the District. 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 Bond Counsel upon payment of duplication costs thereof.

RISK FACTORS

General

The Bonds are obligations of the District and are not obligations of the State of Texas, Brazoria County, the City of Manvel, or any other political subdivision. The Bonds are payable from a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS – Source of and Security for Payment." The investment quality of the Bonds depends on the ability of the District to collect all taxes levied against the taxable property within the District and, in the event of foreclosure of the District's tax lien, on the marketability of the property and the ability of the District to sell the property at a price sufficient to pay taxes levied by the District and by other overlapping taxing authorities. The District cannot and does not make any representations that over the life of the Bonds the taxable property within the District will accumulate or maintain taxable values sufficient to generate property taxes to pay debt service at current levels.

Economic Factors

A substantial percentage of the taxable values of the District are derived from the current market value of commercial improvements, tracts developed for commercial purposes, and undeveloped tracts planned for commercial and multi-family development. The market value of such tracts is related to general economic conditions affecting the demand for commercial space. Demand for tracts of this type and the construction of commercial projects thereon can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability, and the prosperity and demographic characteristics of the urban center toward which the marketing of such tracts is directed. Decreased levels of construction activity or reduced resale value of such tracts could restrict the growth of property values in the District or could adversely impact such values.

The growth of taxable values in the District is related to the vitality of the commercial development and commercial building industry in the Houston metropolitan area. The commercial development and building industry has historically been a cyclical industry, affected by short-term and long-term interest rates, consumer demand, foreclosure rates, availability of mortgage and development funds, labor conditions, and general economic conditions. The Houston economy is still dependent on energy prices and the continuation of relatively low oil and natural gas prices could result in additional adverse effects on the Houston area economy. High commercial and industrial property foreclosure rates may also affect commercial mortgage lenders' willingness to accept risks and potential borrowers' ability to qualify for loans. The ability to qualify for commercial mortgage loans may negatively affect the commercial development and building industry and the growth of taxable values in the District.

The commercial real estate industry in the Houston area is competitive, and the District can give no assurance that development programs will be implemented or completed. The sale of developed commercial tracts and the competitive position of prospective builders in the construction of commercial establishments are affected by most of the factors discussed herein. The District's ability to pay debt service payments on its Bonds is directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

Dependence on Principal Taxpayers

According to the District's 2024 certified tax rolls as provided by BCAD, the top 10 taxpayers represent approximately \$62,715,190 of taxable assessed valuation, or approximately 99.81% of the District's 2024 Certified Taxable Value of \$62,831,992. The District's principal taxpayers include the Developer, which represents approximately \$50,025,688 of taxable assessed valuation, or approximately 79.62% of the District's 2024 Certified Taxable Value. Additionally, the District's principal taxpayers include H-E-B Grocery, LP, which represents approximately \$8,140,810 of taxable assessed valuation, or approximately 12.96% of the District's 2024 Certified Taxable Value; all of such taxable assessed valuation is comprised entirely of taxable personal property value. See "– Personal Property Tax Collections" herein.

The ability of the principal taxpayers 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. If, for any reason, the principal taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to use other funds available for debt service purposes to the extent available. Further, if any of the principal taxpayers cease operations within the District, a substantial decrease in the District's value may result; the District has no understanding with any of the principal taxpayers regarding their future level of operations in the District. The District has not covenanted in the Bond Resolution, nor is it required by Texas law, to maintain any particular balance in its Debt Service Fund or any other funds. Therefore, failure by the principal taxpayers to pay their taxes on a timely basis in amounts in excess of the District's available funds could have a material adverse effect upon the District's ability to pay debt service on the Bonds on a current basis. See "THE DISTRICT'S DEVELOPER" and "DISTRICT TAX DATA – Principal Taxpayers."

Landowners/Developer Under No Obligation to the District

Neither the Developer nor any other landowner within the District has any commitments or obligations to proceed at any particular rate or according to any specified plan with the development of land or the construction of commercial improvements in the District. Currently, there is no restriction on any landowner's right (including the Developer) to sell its land. Failure to construct taxable improvements on developed tracts of land (currently existing tracts of land, or tracts of land anticipated to be created by the Developer) and failure of landowners to develop their land would restrict the rate of growth of taxable value in the District. The District is also dependent upon certain principal taxpayers for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of either will be or what effect, if any, such conditions may have on their ability to pay taxes. See "DISTRICT TAX DATA – Principal Taxpayers" and "THE DISTRICT'S DEVELOPER."

Personal Property Tax Collections

A substantial percentage of the District's 2024 certified tax roll is comprised of personal property. The District's second largest taxpayer, H-E-B Grocery, LP, represents approximately \$8,140,810 of taxable assessed valuation, or approximately 12.96% of the District's 2024 Certified Taxable Value, comprised entirely of personal property. Unlike real property, there is no certainty that personal property will remain in the District from year to year. Personal property is portable and could be removed from the District at any time. Personal property removed from the District as of January 1 of any year is not subject to taxation by the District for that year.

If personal property is subject to a lien for unpaid District taxes for any year, the District's lien is lost if the property is sold in the ordinary course of business. While a lien in the amount of the personal property taxes owed by a taxpayer attaches not only to personal property owned by the taxpayer as of January 1 with a tax situs in the District, but to any personal property located outside the District. Furthermore, locating and foreclosing on property held outside the District may be costly, inefficient, and difficult.

The statute of limitations for collection of personal property taxes is four years from the date of delinquency, which is shorter than the 20-year statute of limitations for real property and improvements. As with real property taxes, ad valorem taxes levied on personal property are the personal obligation of the taxpayer. No representation can be made by the District regarding future tax collections. See "TAXING PROCEDURES."

Based on the District's 2024 certified tax roll as provided by BCAD, the assessed personal property value in the District is approximately \$9,166,600, which represents approximately 14.59% of the District's 2024 Certified Taxable Value. As noted above, while the value of taxable real property is subject to fluctuation, taxable personal property is mobile and capable of being removed entirely from the District and its tax rolls. The taxable personal property on the District's 2024 certified tax roll is almost entirely owned by H-E-B Grocery, LP. To the extent that, for any reason, H-E-B Grocery, LP reduces the size of its operations in the District or ceases to operate in the District altogether, and is not replaced by a similar business, the impact on the taxable valuation of the District would be significant. In addition, should H-E-B Grocery, LP vacate its facilities, there may be a limited market for such facility. The District makes no representation regarding the likelihood that personal property currently listed on the District's tax rolls will remain in the District, or regarding the portion of future District tax rolls that will be represented by personal property. See "– Dependence on Principal Taxpayers" herein, "DISTRICT TAX DATA – Principal Taxpayers," and "– Analysis of Tax Base."

Marketability

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

Tax Collections

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 taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by: (a) cumbersome, time consuming and expensive collection procedures; (b) a bankruptcy court's stay of tax collection procedures against a taxpayer; (c) market conditions affecting the marketability of taxable property within the District and limitation of the proceeds from a foreclosure sale of such property; (d) adverse effects on the proceeds of a foreclosure sale resulting from a taxpayer's limited right to redeem its foreclosed property as set forth below; or (e) insufficient foreclosure bids to satisfy the tax liens of all state and local taxing authorities which have parity liens on the property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Moreover, the value of the property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayers' right to redeem residential or agricultural use property within two (2) years of foreclosure and all other property within six (6) months of foreclosure. See "TAXING PROCEDURES."

Registered Owners' Remedies

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

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of 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. Specifically, the District may voluntarily file a petition for protection from creditors under the federal bankruptcy laws. During the pendency of the bankruptcy proceedings, the remedy of mandamus would not be available to the Registered Owners unless authorized by a federal bankruptcy judge.

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District: (a) is generally authorized to file for federal bankruptcy protection by the State law; (b) is insolvent or unable to meet its debts as they mature; (c) desires to effect a plan to adjust such debts; and (d) 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, the District must obtain the approval of the TCEQ prior to filing bankruptcy. Such law requires that the TCEQ investigate the financial condition of the District and authorize the District to proceed only if 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.

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

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

A district cannot be placed into bankruptcy involuntarily.

Approval of the Bonds

As required by law, 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 safety of the Bonds as an investment or the adequacy or accuracy of the information contained in this Official Statement.

Potential Effects of Oil Price Fluctuation on the Houston Area

Fluctuations in oil prices in the U.S. and globally may lead to adverse conditions in the oil and gas industry, including but not limited to reduced revenues, declines in capital and operating expenditures, business failures, and layoffs of workers. The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values within the District. As previously stated, the Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

Dependence on the Energy Industry

The economy of the Houston metropolitan area, which has sometimes been referred to as the energy capital of the world, is, in part, dependent upon the oil and gas and petrochemical industries. During the height of the COVID-19 pandemic in 2020, worldwide consumption of energy decreased dramatically and led to the lowest oil prices in three decades. This led to layoffs of workers, business failures and reduced capital and operating expenditures by energy companies. While there has been some rebound, Houston area jobs in the energy industry have not fully recovered. In 2021, the United States rejoined the 2015 Paris Climate Accords, under which many countries have agreed to move away from fossil fuels to alleviate climate change. Although major energy companies expect that fossil fuels will be vital to the global economy for many years to come, they have recognized the need to direct more investment toward various clean energy projects. The pace and success of these efforts could significantly affect the Houston economy in the future.

Tax Collections Limitations and Foreclosure Remedies

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

Dependence on Future Development and Potential Impact on District Tax Rates

The District's 2024 tax rate of \$0.95 per \$100 of assessed valuation, when combined with the City's 2024 tax rate of \$0.56 per \$100 of assessed valuation, is slightly higher than the tax rate that is common among many other similar utility districts providing water, sanitary sewer, and storm drainage services in Brazoria County. An increase in the District's tax rate substantially above such a level could have an adverse impact on future development in the District and on the District's ability to collect such tax. The District intends to maintain a plan of financing that would allow the District to keep a total tax rate (including its operations and maintenance tax rate and debt service tax rates) of \$0.95 per \$100 of assessed valuation or less.

Assuming no further commercial building development within the District, other than that which has been constructed, the value of such land and improvements currently located and under construction within the District could be a major determinant of the ability of the District to collect, and the willingness of property owners to pay ad valorem taxes levied by the District. After the issuance of the Bonds, the maximum annual debt service requirement will be \$337,219 (2052). The District's December 1, 2024 Estimated Taxable Value is \$69,854,100. Assuming no increase or decrease from the December 1, 2024 Estimated Taxable Value and no use of other District funds, a tax rate of \$0.51 per \$100 of Assessed Valuation at 95% collection rate would be necessary to pay the maximum annual debt service requirement. The District's 2024 Certified Taxable Value is \$62,831,992. Assuming no increase or decrease from the 2024 Certified Taxable Value and no use of other District funds, a tax rate of \$0.57 per \$100 of Assessed Valuation at 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirements. See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue."

Operating Funds

As noted elsewhere in this Official Statement, property owners within the District receive water and wastewater service from the City. The District does not operate the water supply and wastewater treatment system and therefore does not receive payments from customers for water and wastewater service. The District set a 2024 maintenance tax rate in the amount of \$0.95 per \$100 assessed valuation. The revenue produced from the maintenance tax must be sufficient to offset the operating expenses of the District. The District's 2024 operations and maintenance tax levy amount is approximately \$596,904 which will be deposited into the District's General Fund. As of January 23, 2025, the District's General Fund had an unaudited cash and investment balance of \$97,778. For the fiscal year ending June 30, 2025, the District is currently budgeting expenditures of \$156,100. Maintenance of a positive General Fund balance will depend upon: (1) continued development and increased amounts of maintenance tax revenue; and (2) operating advances from the Developer from time to time, which may be reimbursed from proceeds of future bonds. If its General Fund balance is depleted, then the District will be required to levy a maintenance tax at a rate sufficient to fund its operating expenses. Such a tax, when added to the District's debt service tax, may result in a total District tax which could adversely affect continued development of the District, as well as the willingness of taxpayers to pay taxes on their property. The District expects that it will be able to maintain a total tax rate of \$0.95 per \$100 of assessed valuation subsequent to the sale of the Bonds. The Developer has entered into an agreement with the District memorializing its obligation to make operating advances to the District as may be required from time to time. For the fiscal year ending June 30, 2025, the District is currently budgeting \$101,000 in operating advances from the Developer. See "THE SYSTEM – General Fund Operating History" and "DISTRICT TAX DATA – Tax Rate and Collections."

Future Debt

At an election held on May 8, 2010, the District's voters authorized the issuance of unlimited tax bonds for water, wastewater, and drainage facilities, and for parks and recreational facilities. In addition, at an election held on May 5, 2018, the District's voters authorized the issuance of unlimited tax bonds for road facilities. The authorized amounts are shown in the table below:

<u>Amount</u>	<u>Purpose</u>
\$130,900,000	For certain water, wastewater, and drainage facilities and for refunding
\$11,900,000	For certain parks and recreational facilities and for refunding
\$36,000,000	For certain road facilities and for refunding

After the issuance of the Bonds, the District will have the following amounts that remain authorized but unissued: (i) \$126,000,000 of unlimited tax bonds for water, wastewater, and drainage facilities (and for refunding such bonds previously issued); (ii) \$11,900,000 of unlimited tax bonds for parks and recreational facilities (and for refunding such bonds previously issued); and (iii) \$36,000,000 of unlimited tax bonds for road facilities (and for refunding such bonds previously issued).

The District has the right to issue additional bonds as may hereafter be approved by both the Board and the voters of the District. Such additional bonds would be issued on a parity with the Bonds. Any future new money bonds (except for new money road bonds) to be issued by the District must also be approved by the TCEQ.

The District is also authorized by statute to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue bonds payable from taxes for said purpose, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (b) amendment of the existing City ordinance specifying the purposes for which the District may issue bonds; (c) approval of the master plan and issuance of bonds by the TCEQ; and (d) approval of bonds by the Attorney General of Texas. The Board is not considering issuing any fire-fighting unlimited tax bonds at this time. The District has no information concerning any determination by the City to modify its consent ordinance. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds.

Financing Parks and Recreational Facilities

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 not three percent of the value of the taxable property in the District. The District held a park and recreational facilities bond election on May 8, 2010, that authorized \$11,900,000 of park and recreational facilities bonds.

Current law may be changed in a manner to increase the amount of bonds that may be issued as related to a percentage of the value of taxable property or to allow a higher or lower maintenance tax rate for such purposes. The levy of taxes for such purposes may dilute the security for the Bonds.

Financing Road Facilities

The District is authorized to develop road facilities, including the issuing of bonds payable from taxes for such purpose. Before the District can issue road bonds payable from taxes, approval of the bonds by the Attorney General of Texas is required. When the District does issue road bonds, the outstanding principal amount of such bonds may not exceed an amount equal to twenty-five

percent of the assessed value of real property in the District. The District conducted a bond election on May 5, 2018, that authorized \$36,000,000 of road bonds, all of which remain authorized but unissued.

Continuing Compliance with Certain Covenants

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

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) (“CGP”), with an effective date of March 5, 2023, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain non-stormwater discharges into surface water in the state. The CGP has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district’s ability to obtain and maintain compliance with TPDES permits.

The TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”) on August 15, 2024. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. While the District is currently not subject to the MS4 Permit, if the District’s inclusion were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

In 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.

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.

Severe Weather

The District is located approximately 30 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. If a hurricane (or any other natural disaster) significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or necessity to increase 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 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 would be adversely affected.

The greater Houston area has experienced multiple storms exceeding a 0.2% probability of occurrence (i.e., “500-year flood” events) since 2015. If the District were to sustain damage to its facilities as a result of such a storm (or any other severe weather event) requiring substantial repair or replacement, or if substantial damage to taxable property within the District were to occur as a result of a severe weather event, the investment security of the Bonds could be adversely affected.

Specific Flood Type Risks

The District may be subject to the following flood risks:

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

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

Temporary Tax Exemption for Property Damaged by Disaster

The Property Tax Code (hereinafter defined) 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.

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 jurisdiction's discretion to adopt a similar installment payment option for taxes imposed on personal 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.

Atlas 14

The National Weather Service recently completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in 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.

USE OF BOND PROCEEDS

Proceeds from the sale of the Bonds will be used to: (1) reimburse the Developer for advancing funds to construct certain water, wastewater, and drainage facilities serving the District and associated engineering, testing, permit, and land acquisition costs; (2) fund developer interest related to the advancement of funds for certain construction costs; (3) fund 12 months of capitalized interest on the Bonds; and (4) pay administrative cost and issuance expenses associated with the sale and delivery of the Bonds.

BGE, Inc. (the "Engineer") has advised the District that the proceeds listed below should be sufficient for the acquisition of such facilities. The District's present estimate of the use of proceeds of the Bonds is as follows:

CONSTRUCTION COSTS	Total Amount
<i>Developer Contribution Items</i>	
Manvel Town Center, Phase 1A – Clearing and Grubbing	\$198,958
Manvel Town Center Drainage Impact Study	\$79,500
General Environmental and Geotechnical Reports	\$37,013
Engineering	\$30,253
<i>Total Developer Contribution Items</i>	\$345,724
<i>District Items</i>	
Wastewater Treatment Plant, Phase 1	\$2,666,104
Engineering	\$86,488
Materials Testing	\$21,426
Wastewater Treatment Plant Discharge Permit	\$34,236
Land Acquisition Costs (Wastewater Treatment Plant)	\$176,387
<i>Total District Items</i>	\$2,984,641
TOTAL CONSTRUCTION COSTS	\$3,330,365 (a)
<u>NON-CONSTRUCTION COSTS</u>	
Legal Fees	\$137,500
Fiscal Agent Fees	\$98,000
Interest Costs	
Capitalized Interest (12 months)	\$241,394
Developer Interest	\$491,155
Bond Discount	\$146,534
District Creation Costs	\$125,169
Bond Issuance Expenses	\$33,563
Bond Application Report Costs	\$60,000
Operating Expenses	\$215,098
Attorney General Fee	\$4,900
TCEQ Bond Issuance Fee	\$12,250
Contingency	\$4,072 (b)
TOTAL NON-CONSTRUCTION COSTS	\$1,569,635
TOTAL BOND ISSUE REQUIREMENT	\$4,900,000

- (a) TCEQ rules require, with certain exceptions, that developers contribute to the District's construction program a minimum of 30% of the construction costs of certain system facilities. None of the facilities being financed with proceeds of the Bonds are subject to such rules.
- (b) Represents the difference between the estimated and actual amounts of capitalized interest and Bond Discount. Such funds will be used by the District to fund costs only after approval by the TCEQ.

THE DISTRICT

Authority

The District is a municipal utility district created by order of the TCEQ dated October 8, 2009. The District was created pursuant to the authority of Article XVI, Section 59 of the Texas Constitution and operates pursuant to Chapters 49 and 54, Texas Water Code, as amended. The District was granted road powers authorized by Article III, Section 52 of the Texas Constitution. The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54, Texas Water Code, as amended. The District is subject to the continuing supervision of the TCEQ. The District is empowered to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. Additionally, the District was created with certain park powers.

Under certain limited circumstances, the District is authorized to construct, develop, maintain, and finance park and recreational facilities, and to construct, develop, maintain, and finance roads. In addition, the District is authorized to establish, operate, and maintain a fire department, independently or with one or more other conservation and reclamation districts, and to provide such facilities and services to the customers of the District. See “RISK FACTORS – Financing Parks and Recreational Facilities,” “– Financing Road Facilities,” and “THE BONDS – Issuance of Additional Debt.”

In order to obtain the consent of the City, within whose corporate limits the District lies, to the District’s creation, the District has agreed to observe certain City requirements. These requirements limit the purposes for which the District may sell bonds for the acquisition and improvement of waterworks, wastewater, and drainage facilities, road facilities, and park and recreational facilities; limit the net effective interest rate on such bonds and other terms of such bonds; and require the City’s approval of certain of the District’s construction plans and specifications.

Description

The District, as it was originally created, included approximately 192 acres. Since the creation of the District there have been three annexations totaling approximately 101 acres and no exclusions of property within the District. The District currently includes approximately 293 acres. The District is located in northern Brazoria County, Texas and is situated entirely within the corporate limits of the City of Manvel, Texas (the “City”). The District is located approximately four (4) miles northwest of the central business district of the City and approximately 20 miles south of the central business district of the City of Houston, Texas. Most of the District lies north of State Highway 6, and west of State Highway 288, though a portion of the District lies on the south side of State Highway 6. See “– Location Map” herein. According to the District’s Engineer, none of the developed land within the District would be subject to flooding during a hypothetical 100-year flood event.

Land Uses and Status of Land Development

A summary of the approximate land use in the District as of December 1, 2024, appears in the following table:

<u>Type of Land Use</u>	<u>Approximate Acres</u>
Developed Acres (a)	20
Acres Under Development (b)	5
Remaining Developable Acreage (c)	196
Undevelopable Acreage (d)	<u>72</u>
Total Approximate Acres	293

-
- (a) Represents land that is served with utilities and has commercial improvements constructed on site. See “– Status of Development” herein.
 - (b) Represents commercial improvements currently under construction on land that is served with utilities. See “– Status of Development” herein.
 - (c) Represents land that will most likely be developed for mixed use commercial and multi-family development uses in the future. The District makes no representation that the development of such acreage will ever be undertaken or that taxable improvements will ever be constructed thereon. See “RISK FACTORS – Economic Factors” and “– Landowners/Developer Under No Obligation to the District.”
 - (d) Includes street rights-of-way, detention ponds, drainage easements, and District plant sites.

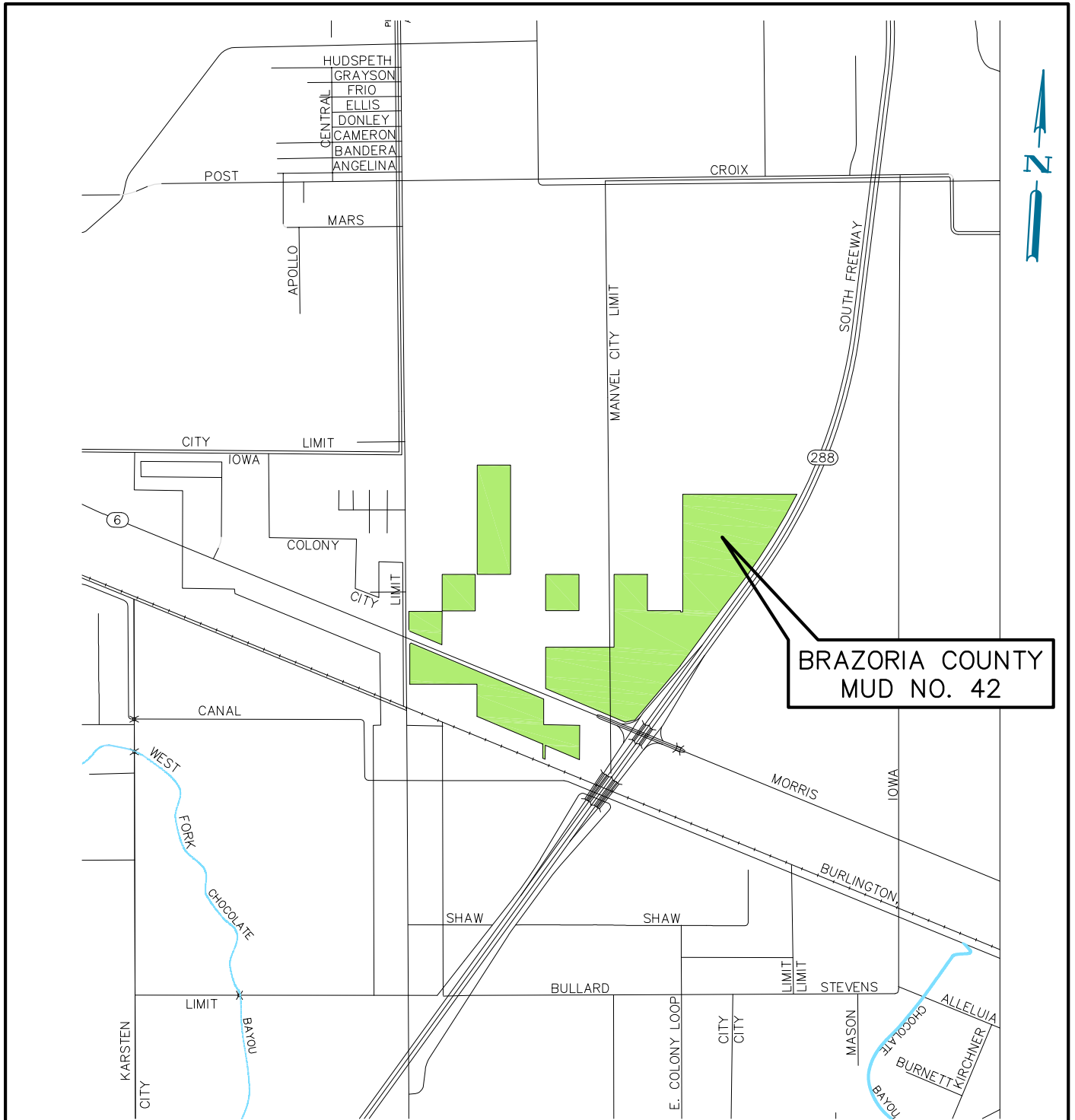
Status of Development

The District is currently being developed for commercial purposes in the development project known as Manvel Town Center. The District includes certain other tracts that are planned for commercial and multi-family purposes. The following table indicates the approximate status of commercial development as of December 1, 2024. See “APPENDIX B – Photographs Taken in the District” for further illustration of the various commercial improvements that have been constructed in the District.

<u>Owner and/or Tenant</u>	<u>Size (sq. ft.)</u>	<u>Building Purpose/Type of Business</u>
H-E-B	108,000	Grocery store and fuel station
Retail Building A	9,000	Retail space
Retail Building B	12,300	Retail space
Retail Building C	10,500	Retail space
Retail Building C1	5,600	Retail space
Retail Building D	16,400	Retail space
Retail Building E	10,400	Retail space
Teal Ridge Dental Care	3,500	Dental office
McDonald's	4,455	Restaurant
Whataburger	<u>3,745</u>	Restaurant
Total Size (sq. ft.)	183,900	

In addition, an approximately 113,960 sq. ft. Lowe's home improvement store is expected to commence construction in early 2025, with an estimated completion date during the third quarter of 2025. As stated elsewhere in this Official Statement, the Developer has no commitment or obligation to proceed at any particular rate or according to any specified plan with the development of land or the construction of commercial improvements in the District. Future development and construction depend, in part, upon short-term and long-term interest rates, availability of mortgage and development funds, labor conditions, and general economic conditions. Neither the District nor the Developer represent that the remaining development of Manvel Town Center will ever be undertaken nor that any taxable improvements will ever be constructed thereon. See “THE DISTRICT'S DEVELOPER,” “RISK FACTORS – Economic Factors,” and “– Landowners/Developer Under No Obligation to the District.”

Location Map



**BRAZORIA COUNTY
MUD NO. 42**

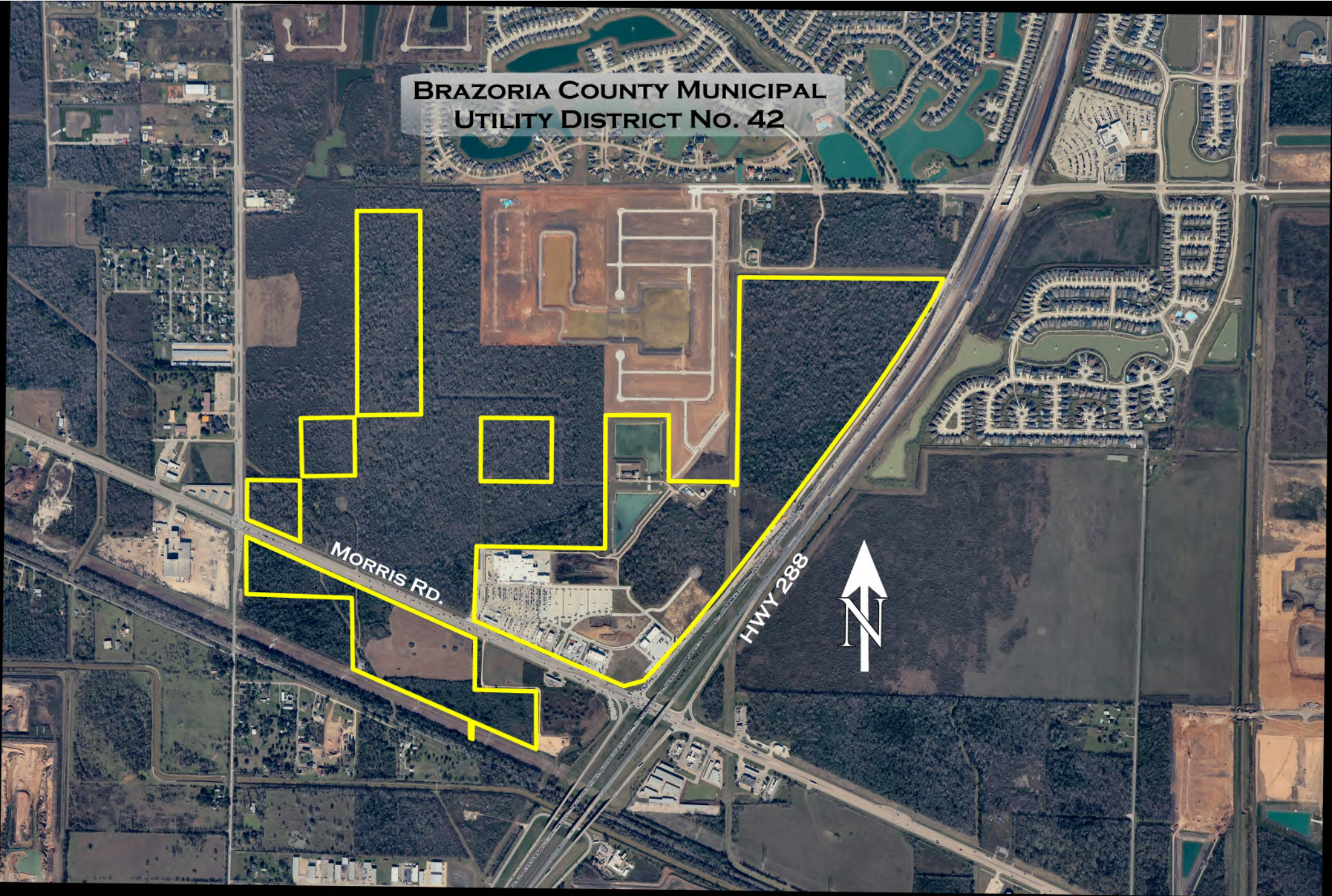


Brown & Gay Engineers, Inc.
10777 Westhelmer, Suite 400, Houston, TX 77042
Tel: 281-558-8700 • www.browngay.com
TBPE Registration No. F-1046

**BRAZORIA COUNTY
MUNICIPAL UTILITY
DISTRICT NO. 42
LOCATION MAP**

Scale: N.T.S.	Job No.: B4260-03	Date: JAN. 2018	Exhibit: A
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**BRAZORIA COUNTY MUNICIPAL
UTILITY DISTRICT No. 42**



THE DISTRICT'S DEVELOPER

Role of a Developer

In general, the activities of a developer in a municipal utility district, such as the District, include purchasing the land within a district, designing the streets 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, and selling improved lots and commercial reserves to builders, other developers, or other third parties. In most instances, a developer will be required to pay up to 30% of the cost of financing certain water, wastewater, and drainage facilities in the utility district exclusive of water and sewage treatment plants unless a waiver from this requirement is requested and obtained from the TCEQ by the District, pursuant to the rules of the TCEQ. In addition, a developer is ordinarily the major taxpayer within a utility district during the property development phase and the developer's inability to pay the taxes assessed on its property within a district would have a materially adverse effect on the revenues of the district. The relative success or failure of a developer to perform development activities within a utility district may have a profound effect on the ability of the district to generate sufficient tax revenues to service and retire all tax bonds issued by the district. While a developer generally commits to pave streets and pay its allocable portion of the costs of utilities to be financed by the utility district through a specific bond issue, a developer is generally under no obligation to a district to undertake development activities with respect to other property that it owns within a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land that the developer owns within a district.

The Developer

The District's developer is Manvel Town Center, Ltd., a Texas limited partnership ("MTC"). MTC was established for the sole purpose of developing approximately 103 acres of land within the District known as Manvel Town Center, which is being developed for commercial purposes based on current land plans. The general partner of MTC is Manvel Town Center One, L.C., a Texas limited liability company, which is managed by Mr. Herbert D. Weitzman. Mr. Weitzman is Executive Chairman of Weitzman Management Corporation, which was founded in 1990. Weitzman Management Corporation is a full-service commercial real estate brokerage firm that now ranks as one of the largest retail-focused real estate services firms based in Texas. On the brokerage side, Weitzman Management Corporation leases a retail portfolio of approximately 44 million square feet in Austin, Dallas-Fort Worth, Houston, and San Antonio. As a property manager, Weitzman Management Corporation is responsible for managing a statewide portfolio of more than 22 million square feet of retail and commercial properties.

According to MTC, its primary assets consist of land and improvements in the District. Further, according to MTC, it is currently operating with a net income comprised largely from lease payments from tenants of Manvel Town Center. MTC is referred to herein as the "Developer."

Developer Financing

MTC currently has a \$65,000,000 interim construction loan (the "Loan") provided by Frost Bank. As of December 12, 2024, the Loan had a balance of \$48,929,036. The Loan is a variable-rate loan based on the Prime Rate. The Loan is secured by a note and deed of trust in favor of Frost Bank and includes, among other terms, a lien on any undeveloped land, and the assignment of the right to future developer reimbursements from the District. According to MTC, the Loan is current and has never been in default.

DEVELOPMENT AGREEMENT WITH THE CITY OF MANVEL

The District entered into an Interlocal and Development Agreement (the "Development Agreement"), with the City and Manvel Town Center, LP, in accordance with Chapter 380, Texas Local Government Code, and Chapter 791, Texas Government Code, as amended, effective January 1, 2014, which was subsequently amended on February 20, 2018, and January 1, 2021. Manvel Town Center, LP subsequently assigned its obligations under the Development Agreement to the Developer. The Development Agreement will remain in effect until the earlier of December 31, 2044, unless earlier terminated by (i) mutual agreement of the City and the District, or (ii) by the dissolution of the District by the City. Pursuant to the Development Agreement, the District assumes responsibility for acquiring and constructing for the benefit of, and for ultimate conveyance to, the City, the water distribution and wastewater collection facilities to serve development occurring within the boundaries of the District (the "Facilities"). The City agrees to make certain annual payments to the District in consideration of the District's financing, acquisition, and construction of the Facilities.

The District will own and operate the detention facilities serving development within its boundaries.

The Facilities. The District will design, finance and construct the internal public infrastructure or improvements, including but not limited to, water and sewer lines, lift stations, treatment plants, ground and elevated storage tanks, roads, thoroughfares, and transportation systems. If or when the City determines the District can be served by existing or future City facilities, the City and District will construct or acquire trunklines, water or sewer facilities, or additional capacity necessary to serve the District. Each shall bear its pro rata share of the costs. For existing facilities capable of serving the District, the District shall be responsible for reimbursing the City for its pro rata share of the costs, or applicable capital recovery charges.

The City agrees to provide the District with its ultimate requirements for water supply and wastewater treatment subject to the District's agreement to: (i) assume the obligation to fund and construct an elevated water storage tank to serve the District, and (ii) construct a water treatment plant and a wastewater treatment plant, with sufficient capacity to serve the area of the District. If the City places either or both of the plants on a capital improvement plan, and adopts and imposes an impact fee associated with these plants on property within the District, the costs incurred by District, or by the Developer on the District's behalf, for constructing these

plants (including, but not limited to, land, engineering and survey expenses) will be credited against the impact fees due from the new development in the District.

Ownership, Operation, and Maintenance of the Facilities. Upon completion of construction of the Facilities, the District agrees to convey the Facilities to the City, together with all warranties and maintenance bonds and an appropriate interest in the real property upon which the Facilities are constructed, only after providing the City with a Phase 1 environmental study on such real property for review and approval. The District agrees to convey the Facilities to the City without liens or encumbrances, and the conveyance of any land will be “as-is,” but free and clear of liens or encumbrances, unless such liens or encumbrances are approved by the City. With regard to fee simple conveyances, the District or the Developer may retain such easements and other real property rights as may be necessary or appropriate for the development, provided that they do not conflict with the primary use of the property and that the City approves the deed reserving such rights. The City will not be responsible for the utilities and maintenance of streetlights within the District.

Detention ponds and storm lines shall be excluded from the improvements conveyed to the City, and instead will be owned and maintained by the District. The completed right turn lane improvements from Highway 288 to Highway 6 and any future Texas Department of Transportation (“TxDOT”) required improvements will not be conveyed to the City but will remain under TxDOT jurisdiction.

The Economic Development Fund. The City agrees to create the Economic Development Fund (the “Fund”) on or before August 15, 2015, and to deposit into such Fund annually during the term of the Development Agreement, the calculated annual payments set forth below, but not to exceed a maximum total payout of \$42,035,541. The City agrees to pay into this Fund an annual payment (the “Increment Payment”) based upon the actual collections for each year of: (i) the ad valorem taxes (other than the portion of the City’s ad valorem taxes allocated specifically to the City’s debt service) collected by the City within the District’s boundaries on taxable property prior to December 31, 2044 (which would include property taxes levied up to and including the 2043 tax year levy), above the base year; and (ii) 45 percent of the sales and use tax collected on behalf of the City within the District’s boundaries prior to December 31, 2044 above the sales tax base. The City will subtract and retain each year an amount equal to 5 percent of the Increment Payment representing City administrative expenses. The second amendment to the Development Agreement, effective January 1, 2021, reduced the percentage of ad valorem taxes shared by the City from 50 percent to 45 percent.

The City is required to make payments into the Fund by August 15 each year, with the first payment due following the receipt of written notice from the District of the commencement of construction of the Facilities by or on behalf of the District. The City shall continue to make payments into the Fund until the maximum total payout has been paid, or the term of this agreement ends, whichever comes first. The District may use monies deposited in the Fund to reimburse the Developer for costs of the Facilities or to pay debt service on bonds issued to reimburse the Developer.

The City’s property tax rate may change from year to year. The District is authorized to use the Increment Payment for the purposes described in the Development Agreement, including the payment of bonds and financing certain regional improvements. The District has not pledged the Increment Payment to the Bonds.

Authority of District to Issue Bonds. The District has the authority to issue, sell, and deliver unlimited tax bonds as permitted by law and the City’s consent ordinance. Bonds issued by the District are obligations solely of the District and shall not be construed to be obligations or indebtedness of the City.

THE SYSTEM

Regulation

Construction and operation of the District’s water, wastewater, and storm drainage system (the “System”) as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the District. Discharge of treated sewage into Texas waters is also subject to the regulatory authority of the TCEQ and the United States Environmental Protection Agency. Brazoria County Groundwater Conservation District and the City also exercise regulatory jurisdiction over the District’s System.

General

The District operates pursuant to a Development Agreement between the City, the District, and the Developer, pursuant to which the District assumes responsibility for the acquisition and construction of the water distribution and wastewater collection facilities necessary to serve the District. See “DEVELOPMENT AGREEMENT WITH THE CITY OF MANVEL.” The District entered into two Utility Conveyance and Security Agreements with the City, each dated October 2, 2023, pursuant to which the District conveyed to the City ownership and operation of its water supply and water distribution facilities and its wastewater collection and treatment facilities. The District does not operate any water supply or wastewater treatment facilities.

Water Supply

The District’s water supply capacity is provided by the City pursuant to the terms of the Development Agreement and the Utility Conveyance and Security Agreement between the District and the City, dated October 2, 2023. The District receives potable groundwater from Water Well No. 1, which is now owned and operated by the City. Under the Utility Conveyance and Security Agreement, the District has reserved to it capacity in the water supply facilities in an amount equal to 1,220 equivalent single-family

connections (“ESFCs”). According to the Engineer, such water supply capacity is adequate to serve the initial phases of development of the District based on current land plans. The District is currently serving approximately 140 ESFCs. If necessary in the future, the District or the City will expand the water supply facilities to serve the District at ultimate buildout.

Wastewater Treatment

The District’s wastewater treatment capacity is provided by the City pursuant to the terms of the Development Agreement and the Utility Conveyance and Security Agreement between the District and the City, dated October 2, 2023. The District receives wastewater treatment service from the City’s Phase 1 wastewater treatment plant. Pursuant to the terms of the Development Agreement, the District is reimbursing the Developer for costs associated with the acquisition and construction of the City’s wastewater treatment plant with a portion of the proceeds of the sale of the Bonds. See “USE OF BOND PROCEEDS.” Under the Utility Conveyance and Security Agreement, the District has reserved to it capacity in the wastewater collection and treatment facilities to treat 150,000 gallons per day of sanitary sewer, totaling approximately 476 ESFCs (based on 315 gallons per day of wastewater flow per connection). According to the Engineer, the District is currently serving approximately 140 ESFCs. If necessary in the future, the District or the City will expand the wastewater treatment plant to serve the District at ultimate buildout.

Drainage and Detention Facilities

The underground storm drainage collection system serving the initial development phases of Manvel Town Center is complete. The storm water within the District is collected by a system of underground storm sewers that carry storm runoff into a series of detention ponds and ultimately into Rodeo Palms Ditch (Drainage Channel), which drains to Chocolate Bayou. The District’s current storm drainage collection system consists of curbs and gutters with inlets and reinforced concrete storm sewers. This system serves the initial phases of the District’s drainage area and conveys flows to two storm water detention basins owned and maintained by the District.

100-Year Flood Plain

According to the District’s Engineer, none of the land located in the District’s boundaries is located within the 100-year floodplain as determined by the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Map (FIRM), Map Number 48039C0110K, dated December 30, 2020, for Brazoria County, Texas.

General Fund Operating History

The Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. The information included in the table below relating to the District’s operations is provided for information purposes only.

	<u>Fiscal Year Ended June 30 (a)</u>
	<u>2024</u>
REVENUES	
Property taxes	\$57,408
Penalty and Interest	\$225
Miscellaneous Revenues	\$572
TOTAL REVENUES	<u>\$58,205</u>
EXPENDITURES	
Professional Fees	\$817
Contracted Services	\$17,008
Repairs and Maintenance	\$35,411
Other	\$17,863
TOTAL EXPENDITURES	<u>\$71,099</u>
NET CHANGE IN FUND BALANCE	(\$12,894)
BEGINNING FUND BALANCE	<u>\$45,909</u>
ENDING FUND BALANCE (b)	<u>\$33,015</u>

(a) Data is taken from the District’s audited financial statements. See “APPENDIX A.” The information for the fiscal year ended June 30, 2024 represents the first year of audited financial statements.

(b) As of January 23, 2025, the District’s General Fund had an unaudited cash and investment balance of \$97,778. For the fiscal year ending June 30, 2025, the District’s General Fund is currently budgeting revenues of \$156,100, which includes budgeted operating advances from the Developer in the amount of \$101,000, and expenditures of \$156,100. See “RISK FACTORS – Operating Funds.”

MANAGEMENT OF THE DISTRICT

The District is governed by a board of directors (the "Board"), which has control over and management supervision of all affairs of the District. None of the directors reside in the District; each of the directors owns a parcel of land in the District subject to a note and deed of trust. A directors' election is held within the District in May in even-numbered years. Directors are elected to serve four-year staggered terms. The current members and officers of the Board, along with their titles on the Board, are listed below.

<u>Name</u>	<u>Title</u>	<u>Expires May</u>
Chris Hanvey	President	2028
Lori Victory	Vice President	2026
Jeremy Lilley	Secretary	2028
Thomas Arnold	Assistant Vice President	2026
Chris Verret	Assistant Secretary	2026

The District does not employ a general manager or any other full-time employees. The District has contracted for bookkeeping, tax assessing and collecting services, and annual auditing of its financial statements as follows:

Tax Assessor/Collector – The District's Tax Assessor/Collector is Assessments of the Southwest, Inc., who is employed under an annual contract to perform the District's tax collection functions.

Bookkeeper – The District has contracted with District Data Services, Inc. for bookkeeping services.

Auditor – The financial statements of the District as of June 30, 2024, and for the year then ended, included in this offering document, have been audited by McCall Gibson Swedlund Barfoot PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's June 30, 2024, audited financial statements.

Utility System Operator – The System's operator is the City of Manvel's Water and Wastewater Operations Division of the Community Services Department.

Engineer – The consulting engineer for the District is BGE, Inc. (the "Engineer").

Financial Advisor – The GMS Group, L.L.C., serves as Financial Advisor to the District, and is paid an hourly fee for certain work performed for the District and a contingent fee to be computed on each separate issuance of the bonds if and when such bonds are delivered.

Bond Counsel – Allen Boone Humphries Robinson LLP serves as Bond Counsel to the District and as counsel for the District on matters other than the issuance of bonds. Fees paid for the Bond Counsel services will be paid from proceeds of the Bonds; such fees are contingent upon the sale and delivery of such Bonds.

Disclosure Counsel – McCall, Parkhurst & Horton L.L.P., Houston, Texas, serves as Disclosure Counsel on certain matters related to the sale and delivery of the Bonds, but such advice should not be relied upon by the purchasers as a due diligence undertaking on their behalf. The fees to be paid to Disclosure Counsel for services rendered in connection with the issuance of the Bonds are contingent on the issuance, sale, and delivery of the Bonds.

DISTRICT INVESTMENT POLICY

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

DISTRICT DEBT

12/1/2024 Estimated Taxable Value	\$69,854,100	(a)
2024 Certified Taxable Value	\$62,831,992	(b)
Direct Debt:		
The Bonds	<u>\$4,900,000</u>	(c)
Total Direct Debt	\$4,900,000	
Estimated Overlapping Debt	<u>\$6,725,524</u>	(d)
Direct and Estimated Overlapping Debt	\$11,625,524	
Percentage of Direct Debt to:		
12/1/2024 Estimated Taxable Value	7.01%	
2024 Certified Taxable Value	7.80%	
Percentage of Direct and Estimated Overlapping Debt to:		
12/1/2024 Estimated Taxable Value	16.64%	
2024 Certified Taxable Value	18.50%	
2024 Tax Rate Per \$100 of Assessed Value		
Debt Service Tax	\$0.00	(e)
Maintenance Tax	<u>\$0.95</u>	
Total 2024 Tax Rate	\$0.95	
Cash and Temporary Investment Balances:		
General Fund (as of January 23 2025)	\$97,778	(f)
Debt Service Fund	\$241,394	(g)

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- (a) Reflects data supplied by BCAD. The Estimated Taxable Value as of December 1, 2024, was prepared by BCAD and provided to the District. Such values are not binding on BCAD and are provided for informational purposes only. Any value as a result of new construction since January 1, 2024 will not be included on the District's tax roll until the subsequent year's tax roll is prepared and certified by BCAD. The District is authorized by law to levy taxes only against certified values. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."
- (b) Reflects January 1, 2024 Certified Taxable Value according to data supplied to the District by BCAD. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."
- (c) The Bonds represent the first series of bonds to be issued by the District.
- (d) See "- Estimated Overlapping Debt" herein.
- (e) The Bonds represent the first series of bonds to be issued by the District to finance the acquisition or construction of water, wastewater, and drainage facilities. The District intends to levy a debt service tax beginning with its 2025 tax rate.
- (f) Unaudited figure per the District's records. The Developer has entered into an agreement with the District memorializing its obligation to make operating advances to the District as may be required from time to time. See "THE SYSTEM – General Fund Operating History" and "RISK FACTORS – Operating Funds."
- (g) Neither Texas law nor the District's Bond Resolution requires that the District maintain any particular balance in the Debt Service Fund. The cash and investment balance in the Debt Service Fund represents 12 months of capitalized interest to be funded with proceeds of the Bonds to be deposited into such fund on the date of delivery of the Bonds. See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue" and "USE OF BOND PROCEEDS."

Estimated Overlapping Debt

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in the "Texas Municipal Reports," published by the Municipal Advisory Council of Texas and from information obtained directly from certain jurisdictions. Except for the amounts 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, the amount of which has not been reported. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance, and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

<u>Taxing Jurisdiction</u>	<u>Outstanding Debt</u>	<u>Overlapping %</u>	<u>Overlapping Debt Amount</u>
Brazoria County	\$123,455,000	0.11%	\$139,796
Alvin Independent School District	\$918,045,000	0.40%	\$3,697,913
Alvin Community College District	\$19,520,000	0.31%	\$60,233
City of Manvel	\$97,500,000	2.90%	<u>\$2,827,582</u>
Total Estimated Overlapping Debt			<u>\$6,725,524</u>
The District (a)			<u>\$4,900,000</u>
Total Direct and Estimated Overlapping Debt			<u>\$11,625,524</u>

(a) The Bonds.

DISTRICT TAX DATA

Tax Rate and Collections

The following table sets forth the historical tax information collection experience of the District for the years 2020 through 2024. Such table has also been prepared based upon information from District records. Reference is made to such records for further and complete information.

<u>Tax Year</u>	<u>Taxable Valuation</u> (a)	<u>Tax Rate</u> (b)	<u>Tax Levy</u>	<u>Cumulative Tax Collections</u> (c)	<u>Tax Year Ended September 30</u>
2024	\$62,831,992	\$0.95	\$596,904	(d)	2025
2023	\$7,266,880	\$0.79	\$57,408	100%	2024
2022	\$4,630,900	\$0.78	\$36,121	100%	2023
2021	\$4,975,470	\$0.78	\$38,809	100%	2022
2020	\$3,664,490	\$0.74	\$27,117	100%	2021

(a) See "Analysis of Tax Base" herein.

(b) See "Tax Rate Distribution" herein.

(c) Represents cumulative collections as of November 30, 2024.

(d) The 2024 taxes are in the process of collections; such taxes become delinquent if not paid before February 1, 2025. See "TAXING PROCEDURES."

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance and operation of the District and its facilities. Such tax is in addition to taxes that the District is authorized to levy for paying principal of and interest on the Bonds, and any tax bonds that may be issued in the future. The District's voters authorized a maintenance tax of up to \$1.50 per \$100 of assessed valuation at an election held on May 8, 2010. The District's voters also authorized a road maintenance tax of up to \$0.25 per \$100 of assessed valuation at an election held on May 5, 2018. The District has never levied a road maintenance tax and the District currently has no plans to levy such tax. See "– Tax Rate Distribution" herein.

Tax Rate Distribution

The following table sets forth the tax rate distribution of the District for the years 2020 through 2024.

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Debt Service (a)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Maintenance/Operations	<u>\$0.95</u>	<u>\$0.79</u>	<u>\$0.78</u>	<u>\$0.78</u>	<u>\$0.74</u>
Total	\$0.95	\$0.79	\$0.78	\$0.78	\$0.74

(a) The Bonds represent the first series of bonds to be issued by the District to finance the acquisition or construction of water, wastewater, and drainage facilities. The District intends to levy a debt service tax beginning with its 2025 tax rate.

Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District has established an additional penalty of twenty percent (20%) of the tax to defray the costs of collection. This 20% penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not later than 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.

Principal Taxpayers

The list of principal taxpayers for 2024 and the other information provided by this table were provided by BCAD to the District's Tax Assessor/Collector based on certified tax rolls net of any exemptions from taxation. This table does not reflect any corrections pursuant to subsequent action of BCAD.

<u>Property Owner</u>	<u>Property Description</u>	<u>Property Value</u>	<u>% of Total</u>
Manvel Town Center, Ltd. (a)	Commercial	\$50,025,688	79.62%
H-E-B Grocery, LP (b)	Personal Property	\$8,140,810	12.96%
72 Acres on 288, Ltd.	Land	\$1,040,980	1.66%
Argovitz-Hagaman	Land	\$813,270	1.29%
McDonald's #39337	Personal Property	\$724,640	1.15%
Hemisphere Holdings, Inc.	Land	\$601,000	0.96%
Manvel South 32 Acres, Ltd.	Land	\$597,762	0.95%
Manvel North 40 Acres, Ltd.	Land	\$402,000	0.64%
Generate ER-NG, LLC.	Personal Property	\$301,150	0.48%
Winzeler, J. W.	Land	\$67,890	0.11%
TOTALS		\$62,715,190	99.81%

(a) See "THE DISTRICT'S DEVELOPER" and "RISK FACTORS – Dependence on Principal Taxpayers."

(b) See "RISK FACTORS – Personal Property Tax Collections" and "– Dependence on Principal Taxpayers."

Analysis of Tax Base

Based on information provided to the District by BCAD and its Tax Assessor/Collector, the following represents the composition of property comprising the gross tax roll valuations and the deferments for 2020 through 2024, and includes the December 1, 2024 Estimated Taxable Value.

<u>Year</u>	<u>Land</u>	<u>Improvement</u>	<u>Personal Property</u>	<u>Gross Valuations</u>	<u>Exemptions</u>	<u>Taxable Valuations</u>
12/1/2024						\$69,854,100 (a)
2024	\$23,058,360	\$33,034,410	\$9,282,020	\$65,374,790	\$2,542,798	\$62,831,992
2023	\$7,250,230	\$0	\$17,060	\$7,267,290	\$410	\$7,266,880
2022	\$4,631,100	\$0	\$0	\$4,631,100	\$200	\$4,630,900
2021	\$4,975,670	\$0	\$0	\$4,975,670	\$200	\$4,975,470
2020	\$3,623,190	\$41,500	\$0	\$3,664,690	\$200	\$3,664,490

(a) The Estimated Taxable Value as of December 1, 2024, was prepared by BCAD and provided to the District. Such values are not binding on BCAD and are provided for informational purposes only. The District is authorized by law to levy taxes only against certified values. See "TAXING PROCEDURES."

Estimated Overlapping Taxes

The following table sets forth all 2024 taxes levied by overlapping taxing jurisdictions. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges, or any other levy by entities other than political subdivisions.

<u>Taxing Jurisdictions</u>	<u>2024 Tax Rate</u>
Brazoria County (a)	\$0.303546
Alvin Independent School District	\$1.170000
Alvin Community College	\$0.155988
Brazoria County Drainage District No. 4	\$0.113276
Brazoria County Emergency Services District No. 3	\$0.077459
City of Manvel	<u>\$0.560000</u>
Overlapping Taxes	\$2.380269
The District	<u>\$0.950000</u>
Total Direct & Overlapping Taxes	\$3.330269

(a) Includes the 2024 taxes levied by Brazoria County Road and Bridge Fund.

Tax Adequacy of Tax Revenue

The calculations shown below are solely for the purpose of illustration, reflect no net revenues of the System, no transfers of surplus funds from the District’s Operating Fund to the Debt Service Fund, and no increase or decrease in assessed valuation over the December 1, 2024 Estimated Taxable Value and the 2024 Certified Taxable Value. The calculations utilize a tax rate adequate to service the District’s total debt service requirements after issuance of the Bonds.

Maximum Annual Debt Service Requirements (2052).....	\$337,219
Requires a \$0.51 debt service tax rate on the December 1, 2024 Estimated Taxable Value of \$69,854,100 at 95% collections	\$338,443
Requires a \$0.57 debt service tax rate on the 2024 Certified Taxable Value of \$62,831,992 at 95% collections	\$340,235

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 and interest on the Bonds and any additional bonds payable from taxes that the District may hereafter issue and to pay the expenses of assessing and collecting such taxes. See “RISK FACTORS – Future Debt.” The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully in this Official Statement under the caption "THE BONDS – Source of and Security for Payment." Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations if authorized by the voters in the District. See “DISTRICT TAX DATA – Maintenance Tax.”

Tax Code and County-Wide Appraisal District

Title I of the Texas Tax Code (the “Property Tax Code”) specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units in a county and an appraisal review board with responsibility for reviewing and equalizing the values established by BCAD. BCAD has the responsibility for appraising property for all taxing units within their respective county. Such appraisal values are subject to review and change by the Brazoria County Appraisal Review Board (the “Appraisal Review Board”). The Texas Comptroller of Public Accounts may provide for the administration and enforcement of uniform standards and procedures for appraisal of 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 of certain disabled persons, and travel trailers, 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 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. 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 \$5,000 to \$12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to the exemption for the full amount of the residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran is entitled to an exemption for the full value of the veteran's residence homestead to which the disabled veterans' exemption applied including the surviving spouse of a disabled veteran who would have qualified for such exemption if it had been in effect on the date the disabled veteran died. 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 homesteads 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 may 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 20% of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the assessor and collector 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. The District has never adopted an order granting a general residential homestead exemption.

Freeport Goods and Goods-in-Transit Exemptions: A "Freeport Exemption" applies to goods, wares, 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 that are destined to be forwarded outside of Texas and that are detained in Texas for assembling, storing, manufacturing, processing, or fabricating for fewer 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 that 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.

Tax Abatement

Either Brazoria County or the City may designate all or part of the area within the District as a reinvestment zone. Thereafter, the City, Brazoria County, or the District at the option and discretion of each entity, may enter into tax abatement agreements with property owners within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement agreements, which each entity will follow in granting tax abatement agreements to owners of property. The tax abatement agreements may exempt property from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to 10 years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction, including the District, 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 BCAD at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on 100% of market value, as such is defined in the Property Tax

Code. A residence homestead is required to be appraised solely on the basis of its value as a residence homestead regardless of whether residential use is considered to be the highest and best use 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 are valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. 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 chief 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 years for agricultural use, open space land, and timberland.

The Property Tax Code requires BCAD to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in BCAD at least once every three years. It is not known what frequency of reappraisal will be utilized by BCAD 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 BCAD 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 BCAD 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 orders of the Appraisal Review Board by filing a timely petition for review in state district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against BCAD to compel compliance with the Property Tax Code.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda that could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property 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.

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, may be 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, maybe 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 is made by the Board of Directors on an annual basis. The Board of Directors designated the District as a Developing District for purposes of setting the 2024 tax rate. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. 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 and land designated for agricultural use and six months for all other 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 months for commercial property, within two years for residence homesteads and land designated for agricultural use, and six months for all other property after the purchaser's deed issued at the foreclosure sale is filed in the county records), or by bankruptcy proceedings that restrict the collection of taxpayer debts. See "RISK FACTORS – Tax Collections."

ANNEXATION, STRATEGIC PARTNERSHIP AGREEMENT, AND CONSOLIDATION

Annexation by the City of Manvel

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City, the District must conform to a City consent ordinance. Generally, the District may be annexed by the City without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District. However, under legislation effective December 1, 2017, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement between the City and the District specifying the procedures for full purpose annexation of all or a portion of the District.

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

Strategic Partnership Agreement

The District is authorized to enter into a strategic partnership agreement with the City to provide the terms and conditions under which services would be provided and funded by the parties and under which the District would continue to exist for an extended period if the land within the District were to be annexed for full or limited purposes by the City. The terms of any such agreement would be determined by the City and the District and could provide for the conversion of a limited purpose annexation to a general purpose annexation or the payment of a fee by the District based on the costs of providing municipal services to the District. The agreement could also provide for the collection of the City's sales and use taxes within the District. Although the City has negotiated and entered into such an agreement with many other districts in its extraterritorial jurisdiction, none is currently contemplated with respect to the District although no representation can be made regarding the future likelihood of an agreement or the terms thereof.

Consolidation

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

THE BONDS

General

The Bond Resolution authorizes the issuance and sale of the Bonds and prescribes terms, conditions, and provisions for the payment of the principal of, and interest, on the Bonds by the District. Set forth below is a summary of certain provisions of the Bond Resolution. Capitalized terms in such summary are used as defined in the Bond Resolution. Such summary is not a complete description of the entire Bond Resolution and is qualified in its entirety by reference to the Bond Resolution, a copy of which is available from the District's Bond Counsel upon request.

The Bonds are dated and bear interest from March 1, 2025, at the per annum rates shown on the cover page hereof. The Bonds are fully registered, serial bonds maturing on April 1 in the years and in the principal amounts set forth on the cover page hereof. Interest on the Bonds is payable October 1, 2025, and each April 1 and October 1 thereafter until the earlier of maturity or redemption. The Record Date on the Bonds is the 15th day of the calendar month next preceding the interest payment date.

The Bonds will be issued only in fully registered form in any integral multiple of \$5,000 of the principal amount for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of the Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Principal of, premium, if any, and interest on the Bonds, will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

In the event that the Book-Entry-Only System is discontinued, interest on the Bonds shall be payable by check on or before each interest payment date, mailed by the Paying Agent/Registrar to the registered owners ("Registered Owners") as shown on the bond register (the "Register") kept by the Paying Agent/Registrar at the close of business on the 15th calendar day of the month immediately preceding each interest payment date to the address of such Registered Owner as shown on the Register, or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

Optional Redemption

The Bonds maturing on and after April 1, 2031, are subject to redemption prior to scheduled maturity at the option of the District, in whole or from time to time in part, on April 1, 2030, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the redemption date. In the event the Bonds are to be redeemed in part, the maturities and principal amounts to be redeemed shall be selected by the District. In the event of redemption of fewer than all of the Bonds of a particular maturity, the Paying Agent/Registrar, on behalf of the District, will select the Bonds of such maturity to be redeemed by lot or by such other customary method as the Paying Agent/Registrar deems fair and appropriate or while the Bonds are in Book-Entry-Only form the portions to be redeemed shall be selected by DTC in accordance with its procedures.

Mandatory Redemption

The Bonds maturing on April 1 in the years 2043, 2048, and 2052 (the "Term Bonds") shall be subject to annual mandatory sinking fund redemption as shown in the tables below.

\$1,270,000 Term Bonds, due April 1, 2043

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
April 1, 2037	\$155,000
April 1, 2038	\$165,000
April 1, 2039	\$170,000
April 1, 2040	\$180,000
April 1, 2041	\$190,000
April 1, 2042	\$200,000
April 1, 2043 (maturity)	\$210,000

\$1,220,000 Term Bonds, due April 1, 2048

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
April 1, 2044	\$220,000
April 1, 2045	\$230,000
April 1, 2046	\$245,000
April 1, 2047	\$255,000
April 1, 2048 (maturity)	\$270,000

\$1,220,000 Term Bonds, due April 1, 2052

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
April 1, 2049	\$285,000
April 1, 2050	\$295,000
April 1, 2051	\$310,000
April 1, 2052 (maturity)	\$330,000

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 Bond 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 random method, the Term Bond or portions of the Term Bond 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 Bond to be mandatorily redeemed on such Mandatory Redemption Date shall be reduced by the principal amount of such Term Bond, 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.

Notice of Redemption; Partial Redemption

While the Bonds are in book-entry-only form, pursuant to the Bond Resolution, the Term Bonds are scheduled for annual mandatory sinking fund redemption by DTC in accordance with its procedures. If the book-entry-only system is discontinued, the Paying Agent/Registrar shall select by lot the Term Bonds, if any, to be redeemed and issue a notice of redemption in the manner provided below. The principal amount of the Term Bonds of a maturity required to be redeemed pursuant to the operation of such mandatory redemption requirements shall be reduced, at the option of and as determined by the District, by the principal amount of any Term Bonds of such maturity which, prior to the date of the mailing of notice of such mandatory redemption, (1) shall have been acquired by the District and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the District, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

Notice of each exercise of the right of redemption will be given at least 30 calendar days prior to the date fixed for redemption by the mailing of a notice by the Paying Agent/Registrar to each of the registered owners of the Bonds to be redeemed at the address

shown on the records of the Paying Agent/Registrar on the date which is 45 calendar days prior to the redemption date. When Bonds have been called for redemption, the right of the registered owners of such Bonds to collect interest which would otherwise accrue after the date for redemption will be terminated.

The Bonds of a denomination larger than \$5,000 in principal amount may be redeemed in part (\$5,000 in principal or any integral multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same maturity for the unredeemed portion of the principal.

Source of and Security for Payment

The Bonds are secured by, and payable from, the levy of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property in the District. In the Bond Resolution, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, Registrar fees, and Appraisal District fees. The Bonds are obligations of the District and are not the obligations of the State of Texas, Brazoria County, the City of Manvel, or any entity other than the District.

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 tax 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 and all interest to accrue on the Bonds to maturity or redemption, or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision or 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 that 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 that would permit investments other than those described above to be made with amounts deposited to defease the Bonds.

Funds

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

Accrued interest on the Bonds and twelve (12) months of capitalized interest, funded with proceeds of the Bonds, shall be deposited into the Debt Service Fund upon receipt. The remaining proceeds of sale of the Bonds shall be deposited into the Capital Projects Fund to be used for the purpose of reimbursing the Developer for certain construction and land acquisition costs and for paying the costs of issuance of the Bonds. Any monies remaining in the Capital Projects Fund will be used as described in the Bond Resolution in accordance with TCEQ rules or ultimately transferred to the Debt Service Fund.

No Arbitrage

The District will certify as of the date the Bonds are delivered and paid for that, based upon all facts and estimates then known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed thereunder. Furthermore, all officers, employees, and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District are authorized to certify to the facts and circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District covenants in the Bond Resolution that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds, and take

such other and further actions and follow such procedures, including, without limitation, calculating the yield on the Bonds, as may be that the Bonds shall not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

Paying Agent/Registrar

Pursuant to the Bond Resolution, the initial paying agent and initial registrar with respect to the Bonds is BOKF, N.A., Dallas, Texas. The District will maintain at least one Registrar, where the Bonds may be surrendered for transfer and/or for exchange or replacement for other Bonds, any outstanding bonds, and for the purpose of maintaining the Bond Register on behalf of the District. The Registrar is required at all times to be a duly qualified banking corporation or association organized and doing business under the laws of the United States of America, or of any state thereof, and subject to supervision or examination by federal or state banking authorities.

The District reserves the right and authority to change any paying agent/registrar and, upon any such change, the District covenants and agrees in the Bond Resolution to promptly cause written notice thereof, specifying the name and address of such successor paying agent/registrar, to be sent to each Registered Owner of the Bonds by United States mail, first class, postage prepaid.

Registration and Transfer

In the event the Book-Entry-Only System should be discontinued, the Bonds will be transferable only on the Bond Register kept by the Registrar upon surrender and reissuance. The Bonds are exchangeable for an equal principal amount of Bonds of the same maturity and of any authorized denomination upon surrender of the Bonds to be exchanged at the operations office of the Registrar in Dallas, Texas. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to the ownership and transferability of the Bonds. Every Bond presented or surrendered for transfer is required to be duly endorsed, or be accompanied by a written instrument of transfer, in a form satisfactory to the Registrar. Neither the Registrar nor the District is required (1) to transfer or exchange any Bond during the period beginning at the opening of business on a Record Date (defined herein) 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 30 calendar days of the redemption date. No service charge will be made for any transfer or exchange, but the District or the Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Lost, Stolen, or Destroyed Bonds

In the event the Book-Entry-Only System is discontinued, 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 as may be required by either of them to keep them harmless. The District will require payment of taxes, governmental charges, and expenses in connection with any such replacement.

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 authorities, 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 authorities, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any un-matured interest coupons attached to them.”

The Public Funds Collateral Act (Chapter 2257, Texas Government Code) also provides that bonds of the District (including the Bonds) are eligible as collateral for public funds. No representation is made concerning other laws, rules, regulations, or investment criteria 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.

Issuance of Additional Debt

At elections held on May 8, 2010, and May 5, 2018, the District’s voters authorized the issuance of unlimited tax bonds for various purposes as reflected in the table below:

<u>Amount</u>	<u>Purpose</u>
\$130,900,000	For certain water, wastewater, and drainage facilities and for refunding
\$11,900,000	For certain parks and recreational facilities and for refunding
\$36,000,000	For certain road facilities and for refunding

After the issuance of the Bonds, the District will have the following amounts that remain authorized but unissued: (i) \$126,000,000 of unlimited tax bonds for water, wastewater, and drainage facilities (and for refunding such bonds previously issued); (ii) \$11,900,000 of unlimited tax bonds for parks and recreational facilities (and for refunding such bonds previously issued); and (iii) \$36,000,000 of unlimited tax bonds for road facilities (and for refunding such bonds previously issued).

The District has the right to issue additional bonds, as may hereafter be approved by both the Board and the voters of the District. Such additional bonds would be issued on a parity with the Bonds. Any future new money bonds (except road bonds) to be issued by the District must also be approved by the TCEQ.

Further, the principal amount of parks and recreational facilities bonds issued by the District may not exceed one percent of the District's certified taxable assessed valuation, 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 three percent of the value of the taxable property in the District.

The District is also authorized by statute to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue bonds payable from taxes for said purpose, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (b) amendment of the existing City ordinance specifying the purposes for which the District may issue bonds; (c) approval of the master plan and issuance of bonds by the TCEQ; and (d) approval of bonds by the Attorney General of Texas. The Board is not considering issuing any fire-fighting unlimited tax bonds at this time. The District has no information concerning any determination by the City to modify its consent ordinance. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, Maturity Value, and interest on the Bonds are to be paid to and credited by 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, the Financial Advisor, and the Underwriter believe the source of such information to be reliable but take no responsibility for the accuracy or completeness thereof.

The District and the Underwriter cannot and do 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 United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC, New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount or Maturity Value, as the case may be, 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. 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 Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, who will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Certificate ("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 securities representing their ownership interests in the 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 Certificate 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 fewer than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

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

All 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 Bonds 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. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are 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, securities are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the District believes to be reliable, but none of the District, the Financial Advisor or the Underwriter takes any responsibility for the accuracy thereof. Termination by the District of the DTC Book-Entry-Only System may require consent of DTC Participants under DTC Operational Arrangements.

LEGAL MATTERS

Legal Opinions

The District will furnish the Underwriter a transcript (the "Transcript") of certain certified proceedings incident to the issuance and authorization of the Bonds. Such Transcript will include the 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 payable from the proceeds of an annual ad valorem tax, levied without limit as to rate or amount, upon all taxable property in the District. The District will also furnish the approving legal opinion of Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without limitation as to rate or amount, against all taxable property within the District; and to the effect that, 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.

Legal Review

In its capacity as Bond Counsel, Allen Boone Humphries Robinson LLP has reviewed the information appearing in this Official Statement under the captions "CONTINUING DISCLOSURE OF INFORMATION – SEC RULE 15c2-12," "THE DISTRICT – Authority," "TAXING PROCEDURES," "ANNEXATION, STRATEGIC PARTNERSHIP AGREEMENT, AND CONSOLIDATION," "THE BONDS," "LEGAL MATTERS – Legal Proceedings" (to the extent such section relates to the opinion of Bond Counsel) and "– Legal Review," "TAX MATTERS," and "REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS" solely to determine whether such information fairly summarizes the documents and legal matters referred to therein. Bond Counsel has not, however, independently verified any of the other factual information contained in this Official Statement, nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of any of the other information contained herein. 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 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

On the date of delivery of the Bonds, the District will execute and deliver a certificate to the effect that there is not pending, and to the knowledge of the District, there is not threatened any litigation affecting the validity of the Bonds, the levy and/or collection of taxes for the payment thereof, the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

No Material Adverse Change

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

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 Internal Revenue Code of 1986, as amended (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 proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States, and a requirement that the District 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 that 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 of interest on tax-exempt obligations such as the Bonds are in many cases required to be reported to the Service. Additionally, backup withholding may apply to any 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 ownership of, receipt of interest on, 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 individuals 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 hereof. 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 of the Bonds 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 an 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 that 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 represents 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 2025 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 2025.

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

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

The offer and sale of the Bonds have not been registered or qualified under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein, and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

OFFICIAL STATEMENT

Sources of Information

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

Financial Advisor

The GMS Group, L.L.C. is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement, the Official Notice of Sale and the Official Bid Form for the sale of the Bonds. In its capacity as Financial Advisor, The GMS Group, L.L.C. has compiled and edited this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Consultants

In approving this Official Statement, the District has relied upon the following consultants:

Engineer – The information contained in this Official Statement relating to engineering matters generally and to the description of the System and in particular that information included in the sections entitled "THE SYSTEM," "USE OF BOND PROCEEDS," and certain engineering matters included in "THE DISTRICT – Description," and "THE DISTRICT – Land Uses and Status of Land Development" has been provided by BGE, Inc. and has been included in reliance upon the authority of such firm as an expert in the field of civil engineering.

Tax Assessor/Collector – The information contained in this Official Statement relating to the estimated assessed valuation of property and, in particular, such information contained in the section captioned "DISTRICT TAX DATA," has been provided by BCAD and by Assessments of the Southwest, Inc., in reliance upon their authority as experts in the field of tax assessing and appraising.

Auditor – The financial statements of the District as of June 30, 2024, and for the year then ended, included in this offering document, have been audited by McCall Gibson Swedlund Barfoot PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's June 30, 2024, audited financial statements.

Continuing Availability of Financial Information

Pursuant to Texas law, the District has its financial statements prepared in accordance with generally accepted accounting principles and has its financial statements audited by a certified public accountant in accordance with generally accepted auditing standards within 120 days after the close of its fiscal year. The District's audited financial statements are required to be filed with the TCEQ within 135 days after the close of its fiscal year.

The District's financial records and audited financial statements are available for public inspection during regular business hours at the office of the District and copies will be provided on written request, to the extent permitted by law, upon payment of copying charges. Requests for copies should be addressed to the District in care of Allen Boone Humphries Robinson LLP, Phoenix Tower, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

Certification as to Official Statement

The Board of Directors of the District, acting in its official capacity and in reliance upon the consultants listed above and certain certificates of representation to be provided to the Board, 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 the 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 of such matters and makes no representation as to the accuracy or completeness thereof.

Updating of Official Statement

The District will keep the Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information comes to its attention, in the other matters described in the Official Statement, until the delivery of the Bonds. All information with respect to the resale of the Bonds shall be the responsibility of the Underwriters.

MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of Brazoria County Municipal Utility District No. 42 as of the date shown on the cover page.

APPENDIX A

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS OF THE DISTRICT

FOR THE FISCAL YEAR ENDED JUNE 30, 2024

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 42

BRAZORIA COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2024

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McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708

PO Box 29584
Austin, TX 78755-5126
(512) 610-2209
www.mgsbpllc.com
E-Mail: mgsb@mgsbpllc.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Brazoria County Municipal
Utility District No. 42
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. 42 (the "District") as of and for the year ended June 30, 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 the District as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Board of Directors
Brazoria County Municipal Utility District No. 42

Supplementary Information

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



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

December 2, 2024

**BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 42
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

Management's discussion and analysis of Brazoria County Municipal Utility District No. 42's (the "District") financial performance provides an overview of the District's financial activities for the year ended June 30, 2024. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has two governmental fund types. The General Fund accounts for resources not accounted for in another fund, operating costs and general expenditures. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 42
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets by \$3,285,305 as of June 30, 2024. A portion of the District's net position reflects its net investment in capital assets (land and land improvements, water system, sanitary sewer system and detention and storm drainage less any debt used to acquire those assets that is still outstanding). The following is an analysis of government-wide changes in net position:

**BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 42
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position 2024
Current and Other Assets	\$ 53,908
Capital Assets (Net of Accumulated Depreciation)	14,797,974
Total Assets	\$ 14,851,882
Due to Developer	\$ 17,705,663
Other Liabilities	431,524
Total Liabilities	\$ 18,137,187
Net Position:	
Net Investment in Capital Assets	\$ (2,800,678)
Unrestricted	(484,627)
Total Net Position	\$ (3,285,305)

The following table provides a summary of the District's operations for the year ended June 30, 2024.

	Summary of Changes in the Statement of Activities 2024
Revenues:	
Property Taxes	\$ 57,408
Other Revenues	851
Total Revenues	\$ 58,259
Expenses for Services	3,318,432
Change in Net Position	\$ (3,260,173)
Net Position, Beginning of Year	(25,132)
Net Position, End of Year	\$ (3,285,305)

**BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 42
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUND

The District's combined fund balances as of June 30, 2024 were \$51,027, a decrease of \$12,840 from the prior year.

The General Fund fund balance decreased by \$12,894, primarily due to operating costs exceeding property tax revenues.

The Capital Projects Fund fund balance increased by \$54, primarily due to interest revenue.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did amend the budget during the current year to increase estimated property tax revenues. Actual revenues were \$3,105 more than budgeted. Actual expenditures were \$47,499 more than budgeted, primarily due to unbudgeted repairs and maintenance costs.

CAPITAL ASSETS

Water and Wastewater facilities were constructed by the Developer and will be reimbursed by the District. The right and obligation to operate certain facilities has been conveyed to the City of Manvel, Texas pursuant to an agreement with the City. The City operates these facilities for the benefit of the property owners of the District. However, the District is entitled to significant residual interest in the facilities conveyed.

Capital assets as of June 30, 2024, total \$14,797,974 and includes water systems, sanitary sewer systems, detention and storm drainage systems. Current year capital costs include costs related to water systems, sanitary sewer systems, detention and storm drainage systems.

Capital Assets At Year-End, Net of Accumulated Depreciation	
	2024
Capital Assets, Net of Accumulated Depreciation:	
Water System	\$ 6,078,896
Sanitary Sewer System	4,204,410
Detention/Storm Drainage	4,514,668
Total Net Capital Assets	\$ 14,797,974

Additional information on the District's capital assets can be found in Note 5 of this report.

**BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 42
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for anyone with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Brazoria County Municipal Utility District No. 42, c/o Allen Boone Humphries Robinson, LLP, 3200 Southwest Freeway, Suite 2600, Houston, Tx 77027.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 42
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2024

	General Fund	Capital Projects Fund
ASSETS		
Cash	\$ 35,896	\$ 18,012
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 35,896	\$ 18,012
LIABILITIES		
Accounts Payable	\$ 2,881	\$
Due to Developer		
TOTAL LIABILITIES	\$ 2,881	\$ -0-
FUND BALANCES		
Restricted for Authorized Construction	\$	\$ 18,012
Unassigned	33,015	
TOTAL FUND BALANCES	\$ 33,015	\$ 18,012
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 35,896	\$ 18,012
NET POSITION		
Net Investment in Capital Assets Unrestricted		
TOTAL NET POSITION		

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

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 53,908	\$	\$ 53,908
<u> </u>	<u>14,797,974</u>	<u>14,797,974</u>
<u>\$ 53,908</u>	<u>\$ 14,797,974</u>	<u>\$ 14,851,882</u>
\$ 2,881	\$ 428,643	\$ 431,524
<u> </u>	<u>17,705,663</u>	<u>17,705,663</u>
<u>\$ 2,881</u>	<u>\$ 18,134,306</u>	<u>\$ 18,137,187</u>
\$ 18,012	\$ (18,012)	
<u>33,015</u>	<u>(33,015)</u>	<u> </u>
<u>\$ 51,027</u>	<u>\$ (51,027)</u>	<u>\$ -0-</u>
<u>\$ 53,908</u>		
	\$ (2,800,678)	\$ (2,800,678)
	<u>(484,627)</u>	<u>(484,627)</u>
	<u>\$ (3,285,305)</u>	<u>\$ (3,285,305)</u>

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

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 42
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2024

Total Fund Balances - Governmental Funds	\$	51,027
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets and intangible assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		14,797,974
--	--	------------

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year-end consist of:

Accounts Payable	\$ (428,643)	
Due to Developer	<u>(17,705,663)</u>	<u>(18,134,306)</u>
Total Net Position - Governmental Activities		<u>\$ (3,285,305)</u>

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

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BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 42
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2024

	General Fund	Capital Projects Fund
REVENUES		
Property Taxes	\$ 57,408	\$
Penalty and Interest	225	
Miscellaneous Revenues	572	54
TOTAL REVENUES	\$ 58,205	\$ 54
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 817	\$
Contracted Services	17,008	
Repairs and Maintenance	35,411	
Depreciation		
Other	17,863	
Capital Outlay - Conveyed		
TOTAL EXPENDITURES/EXPENSES	\$ 71,099	\$ - 0 -
NET CHANGE IN FUND BALANCES	\$ (12,894)	\$ 54
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JULY 1, 2023	45,909	17,958
FUND BALANCES/NET POSITION - JUNE 30, 2024	\$ 33,015	\$ 18,012

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

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$ 57,408	\$	\$ 57,408
225		225
626		626
\$ 58,259	\$ - 0 -	\$ 58,259
\$ 817	\$ 428,643	\$ 429,460
17,008		17,008
35,411		35,411
	849,482	849,482
17,863		17,863
	1,969,208	1,969,208
\$ 71,099	\$ 3,247,333	\$ 3,318,432
\$ (12,840)	\$ 12,840	\$
	(3,260,173)	(3,260,173)
63,867	(88,999)	(25,132)
\$ 51,027	\$ (3,336,332)	\$ (3,285,305)

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

**BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 42
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024**

Net Change in Fund Balances - Governmental Funds	\$ (12,840)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds fo no record long-term liabilities. However, in the government-wide financial statements, the liability and related expenses are recorded.	(428,643)
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(849,482)
Governmental funds report costs paid for assets that will be conveyed to another entity as capital outlay in the year paid. However, in the government-wide financial statements, upon completion, the transfer of these assets is recorded as an expense.	<u>(1,969,208)</u>
Change in Net Position - Governmental Activities	<u>\$ (3,260,173)</u>

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

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 42
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1. CREATION OF DISTRICT

Brazoria County Municipal Utility District No. 42 of Brazoria County, Texas (the “District”) was created effective October 8, 2009 by an Order of the Texas Commission on Environmental Quality (the “Commission”). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants, and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, detention, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to construct, acquire, and repair all macadamized, graveled or paved roads. The Board of Directors held its first meeting on March 1, 2010.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

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

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

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 42
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense in the government-wide Statement of Activities.

Fund Financial Statements

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

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 42
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

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

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

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

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both “measurable and available.” Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenues reported in the governmental funds to be available if they are collectable within 60 days after year-end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

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

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

Capital Assets

Water and Wastewater facilities were constructed by the Developer and will be reimbursed by the District. The right and obligation to operate certain facilities has been conveyed to the City of Manvel, Texas pursuant to an agreement with the City. The City operates these facilities for the benefit of the residents of the District. However, the District is entitled to significant residual interest in the facilities conveyed. The District implemented Governmental Accounting Standards Board Statement No. 94 in the current fiscal year whereby the District continues to

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 42
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

record the facilities on its books and depreciates those facilities using the straight-line method of depreciation over the estimated useful lives.

Certain capital assets retained by the District for ownership and maintenance are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost of \$5,000 or more and an estimated useful life of three years or more following the date of acquisition. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Buildings	40
Water System	10-45
Wastewater System	10-45
Drainage System	10-45
All Other Equipment	3-20

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District’s Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Pensions

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

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 42
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

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

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

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

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

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

Unassigned: all other spendable amounts in the General Fund.

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

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 42
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates

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

NOTE 3. BOND AUTHORIZATION

As of June 30, 2024, the District had authorized but unissued bonds in the amount of \$130,900,000 for unlimited tax water, sanitary sewer, and drainage and storm sewer systems facilities bonds (and for refunding such bonds previously issued); \$11,900,000 for recreational facilities (and for refunding such bonds previously issued); and \$36,000,000 for road facilities (and for refunding such bonds previously issued).

NOTE 4. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. As of June 30, 2024, the carrying amount of the District's deposits was \$53,908 and the bank balance was \$53,908. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at June 30, 2024, as listed below:

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 42
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

	Cash
GENERAL FUND	\$ 35,896
CAPITAL PROJECTS FUND	18,012
TOTAL DEPOSITS	\$ 53,908

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District’s financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District’s investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.” No person may invest District funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District’s investment policy may be more restrictive than the Public Funds Investment Act.

As of June 30, 2024, the District did not own any investments.

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

NOTE 5. CAPITAL ASSETS

Water and Wastewater facilities were constructed by the Developer and will be reimbursed by the District. The right and obligation to operate certain facilities has been conveyed to the City of Manvel, Texas pursuant to an agreement with the City. The City operates these facilities for the benefit of the residents of the District. However, the District is entitled to significant residual interest in the facilities conveyed. The District implemented Governmental Accounting Standards Board Statement No. 94 in the current fiscal year whereby the District continues to

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 42
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 5. CAPITAL ASSETS (Continued)

record the facilities on its books and depreciates those facilities using the straight-line method of depreciation over the estimated useful lives.

Capital asset activity for the current fiscal year are summarized in the following table:

	July 1, 2023	Increases	Decreases	June 30, 2024
Capital Assets Subject to Depreciation				
Water System	\$	\$ 6,293,000		\$ 6,293,000
Sanitary Sewer System		4,345,921		4,345,921
Detention/Storm Drainage		5,008,535		5,008,535
Total Capital Assets Subject to Depreciation	<u>\$ - 0 -</u>	<u>\$ 15,647,456</u>	<u>\$ - 0 -</u>	<u>\$ 15,647,456</u>
Accumulated Depreciation				
Water System	\$	\$ 214,104	\$	\$ 214,104
Sanitary Sewer System		141,511		141,511
Detention/Storm Drainage		493,867		493,867
Total Accumulated Depreciation	<u>\$ - 0 -</u>	<u>\$ 849,482</u>	<u>\$ - 0 -</u>	<u>\$ 849,482</u>
Total Capital Assets, Net of Accumulated Depreciation	<u><u>\$ - 0 -</u></u>	<u><u>\$ 14,797,974</u></u>	<u><u>\$ - 0 -</u></u>	<u><u>\$ 14,797,974</u></u>

NOTE 6. MAINTENANCE TAX

On May 8, 2010, the voters of the District approved the levy and collection of an operation and maintenance tax not to exceed \$1.50 per \$100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District’s systems and other operating and maintenance expenses. During the year ended June 30, 2024, the District levied an ad valorem maintenance tax of \$0.79 per \$100 of assessed valuation, which resulted in a tax levy of \$57,408 on the adjusted taxable valuation of \$7,266,880 for the 2023 tax year.

On May 5, 2018, the voters of the District approved the levy and collection of a maintenance tax for road facilities not to exceed \$0.25 per \$100 of assessed valuation of taxable property within the District. During the year ended June 30, 2024, the District did not levy an ad valorem road facilities maintenance tax.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 42
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 6. MAINTENANCE TAX (Continued)

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

NOTE 7. UNREIMBURSED COSTS

The District has executed Financing Agreements for Construction of Water, Sewer and Drainage Facilities, Construction of Recreational Facilities and Construction of Road Facilities (the “Financing Agreements”) with a developer within the District. The agreements call for the developer to fund costs associated with water, wastewater and drainage facilities, recreational facilities, and road facilities until such time as the District can sell bonds to reimburse the developer. To date, the developer have advanced \$17,616,664 for completed District facilities.

In accordance with the terms of other financing agreements, the developers have advanced monies to the District’s General Fund for the District to meet its ongoing financial obligations. To date, the developers have advanced a total of \$88,999 to cover the operating deficits.

The District recorded a liability of \$17,705,663 for the above advances.

NOTE 8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, error and omission and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage and no settlements have exceeded coverage amounts in the past three years.

NOTE 9. AGREEMENT WITH THE CITY OF MANVEL, TEXAS

Effective January 1, 2014, the District entered into an agreement with the City of Manvel, Texas (“City”). The agreement was amended February 20, 2018, and January 1, 2021. The District is willing to construct or cause to be constructed certain additional public improvements on behalf of the City (the “Improvements”) in exchange for the City’s participation in funding the Improvements outlined below. The agreement will remain in effect until December 31, 2044, unless earlier terminated or the District fails to sell Bonds by June 1, 2020.

On May 11, 2020 the District issued Series 2020, Tax Anticipation Note in the amount of \$18,600.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 42
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 9. AGREEMENT WITH THE CITY OF MANVEL, TEXAS (Continued)

The Economic Development Fund is a special fund established by the City for funding the Improvements. The City agrees to pay into this fund an Increment based upon the actual collections for each year of: the ad valorem taxes collected by the City within the District's boundaries on taxable property prior to December 31, 2044 (which would include property taxes levied up to and including the 2043 tax year levy) above the base year; and 50 percent of the sales and use tax collected on behalf of the City within the District's boundaries prior to December 31, 2044 above the sales tax base. The second amendment reduced the percentage of ad valorem taxes shared by the City to 45 percent.

The first payment to the Economic Development Fund shall be August 15 following the City's receipt of written notice from the District of its commencement of construction of the Improvements. The City shall continue to make payments to the Economic Development Fund until the improvements have been paid or the term of this agreement ends, whichever comes first. The District may use monies deposited in the Economic Development Fund to reimburse the developer for costs of the Improvements or to pay debt service on bonds issued to reimburse the developer.

The District will design, finance and construct the internal public infrastructure or improvement including but not limited to water and sewer lines, lift stations, treatment plants, ground and elevated storage tanks, roads, thoroughfares and transportation systems. When the City determines the District can be served by existing or contemplated City facilities, the City and District will construct or acquire trunklines, water or sewer facilities, or additional capacity necessary to serve the District. Each shall bear its pro rata share of the costs including capacity requirements. For existing facilities capable of serving the District, the District shall be responsible for reimbursing the City for the reasonable costs, or applicable capital recovery charges.

The District agrees to assume the obligation to fund and construct an elevated water storage tank to serve the District. The District will construct a water treatment plant and a wastewater treatment plant, with sufficient capacity to serve the area of the District. If the City places either or both the plants on a capital improvement plan and adopts and imposes an impact fee associated with these plants on property within the District, for constructing these plants will be credited against the impact fees due from the new development in the District.

Upon completion of an Improvement, the Improvement together with all warranties and maintenance bonds and an appropriate interest in the real property upon which the improvement is constructed shall be conveyed to the City. Detention ponds and storm lines shall be excluded from the improvements conveyed to the City, and instead will be owned and maintained by the District. The completed right turn lane improvements from Highway 288 to Highway 6 and any future Texas Department of Transportation ("TxDOT") required improvements will not be conveyed to the City but will remain under TxDOT jurisdiction.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 42

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2024

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 42
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2024

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Property Taxes	\$ 37,000	\$ 55,000	\$ 57,408	\$ 2,408
Penalty and Interest			225	225
Miscellaneous Revenues	<u>100</u>	<u>100</u>	<u>572</u>	<u>472</u>
TOTAL REVENUES	<u>\$ 37,100</u>	<u>\$ 55,100</u>	<u>\$ 58,205</u>	<u>\$ 3,105</u>
EXPENDITURES				
Service Operations:				
Professional Fees	\$	\$	\$ 817	\$ (817)
Contracted Services	10,800	10,800	17,008	(6,208)
Repairs and Maintenance			35,411	(35,411)
Other	<u>12,800</u>	<u>12,800</u>	<u>17,863</u>	<u>(5,063)</u>
TOTAL EXPENDITURES	<u>\$ 23,600</u>	<u>\$ 23,600</u>	<u>\$ 71,099</u>	<u>\$ (47,499)</u>
NET CHANGE IN FUND BALANCE	\$ 13,500	\$ 31,500	\$ (12,894)	\$ (44,394)
FUND BALANCE-JULY 1, 2023	<u>45,909</u>	<u>45,909</u>	<u>45,909</u>	
FUND BALANCE-JUNE 30, 2024	<u>\$ 59,409</u>	<u>\$ 77,409</u>	<u>\$ 33,015</u>	<u>\$ (44,394)</u>

See accompanying independent auditor's report.

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BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 42

**SUPPLEMENTARY INFORMATION REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

JUNE 30, 2024

**BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 42
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2024**

1. SERVICES PROVIDED BY THE DISTRICT DURING THE YEAR:

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order approved N/A.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	N/A				
WASTEWATER:	N/A				
SURCHARGE:	N/A				

District employs winter averaging for wastewater usage? X
Yes No

Total monthly charges per 10,000 gallons usage: Water: \$ N/A Wastewater: \$ N/A Surcharge: \$ N/A

See accompanying independent auditor's report.

**BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 42
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2024**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered	_____	_____	x 1.0	_____
≤ ³ / ₄ "	_____	_____	x 1.0	_____
1"	_____	_____	x 2.5	_____
1½"	_____	_____	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 Connections	<u>N/A</u>	<u>N/A</u>		<u>N/A</u>
Total Wastewater Connections	<u>N/A</u>	<u>N/A</u>	x 1.0	<u>N/A</u>

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

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

See accompanying independent auditor's report.

**BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 42
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2024**

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

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County in which District is located:

Brazoria County, Texas

Is the District located within a city?

Entirely Partly Not at all

City in which District is located:

City of Manvel, Texas

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 42
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2024

PROFESSIONAL FEES:	
Engineering	\$ <u>817</u>
CONTRACTED SERVICES:	
Appraisal District	\$ 299
Bookkeeping	12,039
Tax Collector	<u>4,670</u>
TOTAL CONTRACTED SERVICES	\$ <u>17,008</u>
REPAIRS AND MAINTENANCE	\$ <u>35,411</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 3,536
Insurance	3,112
Office Supplies and Postage	825
Payroll Taxes	585
Other	<u>9,185</u>
TOTAL ADMINISTRATIVE EXPENDITURES	\$ <u>17,243</u>
OTHER EXPENDITURES:	
Permit Fees	\$ <u>620</u>
TOTAL EXPENDITURES	\$ <u>71,099</u>

See accompanying independent auditor's report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 42
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2024

	Maintenance Taxes	
TAXES RECEIVABLE -		
JULY 1, 2023	\$ -0-	
Adjustments to Beginning		
Balance	_____	\$ -0-
Original 2023 Tax Levy	\$ 29,552	
Adjustment to 2023 Tax Levy	27,856	57,408
TOTAL TO BE		
ACCOUNTED FOR		\$ 57,408
 TAX COLLECTIONS:		
Prior Years	\$	
Current Year	57,408	57,408
 TAXES RECEIVABLE -		
JUNE 30, 2024		\$ -0-

See accompanying independent auditor's report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 42
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2024

	2023	2022	2021	2020
PROPERTY VALUATIONS:				
Land	\$ 7,250,230	\$ 4,631,100	\$ 4,975,670	\$ 4,772,090
Personal Property	17,060			
Exemptions	(410)	(200)	(200)	(1,107,600)
TOTAL PROPERTY VALUATIONS	\$ 7,266,880	\$ 4,630,900	\$ 4,975,470	\$ 3,664,490
TAX RATES PER \$100 VALUATION:				
Maintenance	\$ 0.79	\$ 0.78	\$ 0.78	\$ 0.74
ADJUSTED TAX LEVY*	\$ 57,408	\$ 36,121	\$ 38,809	\$ 27,117
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	100.00 %	100.00 %	100.00 %	100.00 %

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

Maintenance Tax-Maximum tax rate of 1.50 per \$100 of assessed valuation approved by voters May 8, 2010. An additional \$0.25 per \$100 of assessed valuation was approved by voters on May 5, 2018, for road facilities.

See accompanying independent auditor's report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 42
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – ONE YEAR

	Amounts	Percentage of Total Revenues
	2024	2024
REVENUES		
Property Taxes	\$ 57,408	98.6 %
Penalty and Interest	225	0.4
Miscellaneous Revenues	572	1.0
TOTAL REVENUES	\$ 58,205	100.0 %
EXPENDITURES		
Professional Fees	\$ 817	1.4 %
Contracted Services	17,008	29.2
Repairs and Maintenance	35,411	60.8
Other	17,863	30.7
TOTAL EXPENDITURES	\$ 71,099	122.1 %
NET CHANGE IN FUND BALANCE	\$ (12,894)	(22.1) %
BEGINNING FUND BALANCE	45,909	
ENDING FUND BALANCE	\$ 33,015	
TOTAL ACTIVE RETAIL WATER CONNECTIONS	N/A	
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	N/A	

See accompanying independent auditor's report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 42
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2024

District Mailing Address - Brazoria County Municipal Utility District No. 42
c/o Allen Boone Humphries Robinson, LLP
3200 Southwest Freeway, Suite 2600
Houston, TX 77027

District Telephone Number - (713) 860-6400

Board Members:	<u>Term of Office (Elected or Appointed)</u>	<u>Fees of office for the year ended June 30, 2024</u>	<u>Expense reimbursements for the year ended June 30, 2024</u>	<u>Title</u>
Chris Hanvey	05/2024 05/2028 (Elected)	\$ -0-	\$ -0-	President
Lori Victory	10/2022 05/2026 (Appointed)	\$ 884	\$ 33	Vice President
Jeremy Lilley	05/2024 05/2028 (Elected)	\$ 884	\$ 121	Secretary
Thomas Arnold	05/2022 05/2026 (Elected)	\$ 884	\$ 40	Assistant Vice President
Chris Verret	05/2022 05/2026 (Elected)	\$ 884	\$ 119	Assistant Secretary

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

Submission date of most recent District Registration Form: April 15, 2024

The limit on Fees of Office that a Director may receive during a fiscal year is the maximum amount allowed by law as set by Board Resolution (TWC Section 49.060). Fees of Office are the amounts paid to a Director during the District’s current year.

See accompanying independent auditor’s report.

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 42
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2024

Consultants:	<u>Date Hired</u>	<u>Fees / Compensation for the year ended June 30, 2024</u>	<u>Title</u>
Allen Boone Humphries Robinson, LLP	03/01/10	\$ 46,156*	General Counsel
McCall Gibson Swedlund Barfoot PLLC	10/07/24	\$ -0-	Auditor
District Data Services, Inc.	02/15/21	\$ 12,039	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	02/08/18	\$ -0-	Delinquent Tax Attorney
Brown & Gay Engineers, Inc.	05/11/10	\$ 817	Engineer
The GMS Group, L.L.C.	05/14/18	\$ -0-	Financial Advisor
Assessments of the Southwest, Inc.	10/01/10	\$ 4,670	Tax Assessor/ Collector

* Amount Accrued for services during the current fiscal year.

See accompanying independent auditor's report.

APPENDIX B

PHOTOGRAPHS TAKEN IN THE DISTRICT











