

**OFFICIAL STATEMENT DATED MAY 27, 2025**

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 not been designated “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS – Not Qualified Tax-Exempt Obligations.”

NEW ISSUE – Book Entry Only

S&P Global Ratings (BAM Insured)..... “AA”  
Moody’s Investors Service, Inc. (Underlying) ..... “Baa1”  
See “MUNICIPAL BOND INSURANCE” and “RATINGS.”

**\$34,730,000**

**BAYBROOK MUNICIPAL UTILITY DISTRICT NO. 1**

(A Political Subdivision of the State of Texas Located within Harris County)

**UNLIMITED TAX BONDS**

**SERIES 2025**

Dated: June 1, 2025

Interest Accrues From: Date of Delivery

Due: May 1, as shown on inside cover

The \$34,730,000 Unlimited Tax Bonds, Series 2025 (the “Bonds”), are obligations of Baybrook Municipal Utility District No. 1 (the “District”) and are not obligations of the State of Texas; Harris County, Texas; the City of Houston, Texas; or any political subdivision or entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas; Harris County, Texas; the City of Houston, Texas; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

Principal of the Bonds is payable to the paying agent/registrar, initially, Zions Bancorporation, National Association, Houston, Texas (the “Paying Agent/Registrar”). Interest accrues from the initial date of delivery which is expected to be on or about June 26, 2025 (the “Date of Delivery”), and is payable November 1, 2025, and on each May 1 and November 1 thereafter (each an “Interest Payment Date”) until the earlier of maturity or redemption. Interest on the Bonds will be payable by check dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar to registered owners (“Registered Owners”) as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each Interest Payment Date (the “Record Date”). The Bonds are fully registered bonds in the denomination of \$5,000 or any integral multiple thereof.

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

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

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



The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation to rate or amount, levied against all taxable property within the District. See “THE BONDS – Source of Payment.” The Bonds are subject to certain investment considerations described herein. See “INVESTMENT CONSIDERATIONS.”

The Bonds are offered subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject to the approval of the Attorney General of Texas and of Allen Boone Humphries Robinson LLP, Bond Counsel. Certain legal matters will be passed on for the District by McCall, Parkhurst & Horton, L.L.P., Houston, Texas, as Disclosure Counsel. Delivery of the Bonds is expected on or about June 26, 2025.

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

### \$34,730,000 Unlimited Tax Bonds, Series 2025

#### \$26,165,000 Serial Bonds

Maturity (May 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 072724 (b)	Maturity (May 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 072724 (b)
2026	\$ 740,000	6.750%	3.450%	LK1	2038 (c)	\$ 1,310,000	4.250%	4.450%	LX3
2027	780,000	6.750%	3.500%	LL9	2039 (c)	1,375,000	4.250%	4.550%	LY1
2028	815,000	6.750%	3.500%	LM7	2040 (c)	1,440,000	4.500%	4.650%	LZ8
2029	855,000	6.750%	3.550%	LN5	2041 (c)	1,510,000	4.500%	4.750%	MA2
2030	895,000	6.750%	3.650%	LP0	2042 (c)	1,585,000	4.625%	4.800%	MB0
***	***	***	***	***	2043 (c)	1,665,000	4.750%	4.850%	MC8
2033 (c)	1,035,000	5.875%	3.850%	LS4	2044 (c)	1,745,000	4.750%	4.900%	MD6
2034 (c)	1,085,000	4.250%	4.100%	LT2	2045 (c)	1,830,000	4.750%	4.950%	ME4
2035 (c)	1,135,000	4.250%	4.200%	LU9	2046 (c)	1,915,000	4.750%	4.980%	MF1
2036 (c)	1,190,000	4.250%	4.300%	LV7	2047 (c)	2,010,000	4.750%	5.000%	MG9
2037 (c)	1,250,000	4.250%	4.400%	LW5					

#### \$8,565,000 Term Bonds

\$1,925,000 Term Bond Due May 1, 2032 (c)(d), Interest Rate: 6.750% (Price: \$113.177) (a), CUSIP No. 072724 LR6 (b)

\$6,640,000 Term Bond Due May 1, 2050 (c)(d), Interest Rate: 4.250% (Price: \$87.458) (a), CUSIP No. 072724 MK0 (b)

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- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser. Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.
- (c) The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after May 1, 2031, in whole or from time to time in part, on May 1, 2030, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS – Redemption of the Bonds – *Optional Redemption*."
- (d) Subject to mandatory sinking fund redemption by lot or other customary method of random selection on May 1 in the years and in the amounts set forth herein under "THE BONDS – Redemption of the Bonds – *Mandatory Redemption*."

## USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in 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 for further information.

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 such information actually comes to its attention, other matters described in this "Official Statement" until delivery of the Bonds to the Initial Purchaser and thereafter only as specified in "OFFICIAL STATEMENT – Updating of Official Statement."

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

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this offering document.

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## **INTRODUCTION**

This Official Statement provides certain information in connection with the issuance by Baybrook Municipal Utility District No. 1 (the "District") of its \$34,730,000 Unlimited Tax Bonds, Series 2025 (the "Bonds").

The Bonds are issued pursuant to (i) a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of the District (the "Board") on the date of sale of the Bonds; (ii) Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended; (iii) elections held within the District and passed by a majority of the participating voters on September 14, 2002, and May 6, 2023; and (iv) an order issued by the Texas Commission on Environmental Quality (the "TCEQ").

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

This Official Statement also includes information about the District and certain reports and other statistical data. The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive and each summary and reference is qualified in its entirety by reference to each such document, statute, report or instrument.

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

### **Award of the Bonds**

After requesting competitive bids for the Bonds, the District has accepted the bid of SAMCO Capital Markets, Inc. (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the inside cover of this Official Statement at a price of 97.005122% of par, resulting in a net effective interest rate to the District of 4.798179%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended. No assurance can be given that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchaser. The District has no control over the price at which the Bonds are subsequently sold, and the initial yields at which the Bonds are priced and reoffered are established by and are the sole responsibility of the Initial Purchaser.

### **Prices and Marketability**

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

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

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

### **Securities Laws**

No registration statement relating to the offer and sale of the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified

under the securities acts of any other jurisdictions. The District assumes no responsibility for registration of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds should not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

## **MUNICIPAL BOND INSURANCE**

### **Bond Insurance Policy**

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

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

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

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

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

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

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

### *Capitalization of BAM*

BAM’s total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2025, and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$482.1 million, \$246.4 million, and \$235.7 million, respectively.

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

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

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure

contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under “MUNICIPAL BOND INSURANCE.”

*Additional Information Available from BAM*

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

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

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

## **RATINGS**

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

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

The District is not aware of any rating assigned to the Bonds other than the ratings of S&P and Moody’s.

## OFFICIAL STATEMENT SUMMARY

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

### THE BONDS

The Issuer .....	Baybrook Municipal Utility District No. 1 (the "District"), a political subdivision of the State of Texas, is located in Harris County, Texas. See "THE DISTRICT."
The Issue .....	The District's \$34,730,000 Unlimited Tax Bonds, Series 2025 (the "Bonds"), are dated June 1, 2025. Interest accrues from the initial date of delivery which is expected to be on or about June 26, 2025 (the "Date of Delivery"), at the rates set forth on the inside cover page hereof, and is payable November 1, 2025, and each May 1 and November 1 thereafter until the earlier of stated maturity or redemption. See "THE BONDS."
Redemption of the Bonds .....	<p>The Bonds maturing on or after May 1, 2031, are subject to redemption, in whole or from time to time in part, on May 1, 2030, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption of the Bonds – <i>Optional Redemption</i>."</p> <p>The Bonds maturing on May 1, 2026, through May 1, 2030, both inclusive, and May 1, 2033, through May 1, 2047, both inclusive, are serial bonds. The Bonds maturing on May 1 in the years 2032 and 2050 are term bonds, which have mandatory redemption provisions set out herein under "THE BONDS – Redemption of the Bonds – <i>Mandatory Redemption</i>."</p>
Source of Payment .....	Principal and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied upon all taxable property within the District without legal limitation as to rate or amount. The Bonds are obligations solely of the District and are not obligations of the State of Texas; Harris County, Texas; the City of Houston, Texas (the "City"); or any other political subdivision or entity other than the District. See "THE BONDS – Source of Payment."
Payment Record.....	The District has never defaulted on the timely payment of principal or interest on its outstanding indebtedness. See "THE BONDS – Source of Payment."
Use of Proceeds .....	Proceeds of the Bonds will be used to finance water, sewer, and drainage projects and to reimburse Baybrook JV (herein defined) for the cost of land conveyed to the District, as set out herein under "THE BONDS – Use and Distribution of Bond Proceeds." Additionally, proceeds from the sale of the Bonds will be used to pay other costs associated with the issuance of the Bonds. See "THE BONDS – Use and Distribution of Bond Proceeds."
Authority for Issuance.....	The Bonds are issued pursuant to (i) a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of the District (the "Board") on the date of sale of the Bonds; (ii) Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, particularly Chapters 49 and 54



of the Texas Water Code, as amended; (iii) elections held within the District and passed by a majority of the participating voters on September 14, 2002, and May 6, 2023; and (iv) an order issued by the Texas Commission on Environmental Quality (the "TCEQ").

Voted Authorization.....At elections held within the District on September 14, 2002 (the "2002 Election"), and May 6, 2023 (the "2023 Election"), voters of the District authorized the District's issuance of \$36,000,000 and \$611,900,000, respectively, principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer, and storm water drainage facilities to serve the District (the "Utility System"). The Bonds represent the District's sixth final installment of the 2002 Election and the first installment of the 2023 Election. Following the issuance of the Bonds, \$595,235,000 principal amount of unlimited tax bonds for acquiring or constructing the Utility System will remain authorized but unissued from the 2023 Election.

At the 2023 Election, voters of the District also authorized the District's issuance of \$611,900,000 in bonds for the purpose of refunding bonds issued by the District for the Utility System; \$364,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing roads, and improvements in aid thereof, to serve the District (the "Road System"); \$364,000,000 in bonds for the purpose of refunding bonds issued by the District for the Road System; \$99,500,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District (the "Park System"); and \$99,500,000 in bonds for the purpose of refunding bonds issued by the District for the Park System. Following the issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: \$595,235,000 for the Utility System and \$611,900,000 principal amount for refunding such bonds; \$347,060,000 for the Road System and \$364,000,000 for refunding such bonds; and \$99,500,000 for the Park System and \$99,500,000 for refunding such bonds.

Outstanding Bonds .....Of the fourteen (14) series of bonds previously issued by the District, no bonds remain outstanding from ten (10) series, and, as of the Date of Delivery, \$34,025,000 in principal amount remains outstanding (the "Outstanding Bonds") from the following four (4) series: \$13,560,000 Unlimited Tax Bonds, Series 2015 (the "Series 2015 Bonds"); \$8,310,000 Unlimited Tax Refunding Bonds, Series 2016 (the "Series 2016 Refunding Bonds"); \$2,995,000 Unlimited Tax Refunding Bonds, Series 2019 (the "Series 2019 Refunding Bonds"); and \$16,940,000 Unlimited Tax Road Bonds, Series 2024 (the "Series 2024 Road Bonds"). See "THE BONDS – Outstanding Bonds."

Strategic Partnership Agreement .....The District entered into a Strategic Partnership Agreement with the City as authorized by Texas Local Government Code Chapter 43 in 2000. The original agreement was replaced with the First Amended and Restated Strategic Partnership Agreement which was effective as of December 31, 2018, and subsequently amended by the First Amendment to First Amended and Restated Strategic Partnership Agreement which was effective as of December 12, 2019 (the "SPA"). The SPA provides for a "limited-purpose annexation" of the District for purposes of applying certain City health, safety, planning, and

zoning ordinances within the District. The SPA terminates on January 1, 2031.

As a result of the SPA, the City is authorized to impose its one percent (1%) retail sales tax ("City Sales Tax") within the boundaries of the District. Pursuant to the SPA, the City has agreed to pay to the District an amount equal to one-half of all retail sales tax revenues generated within the boundaries of the District (the "Contract Sales Tax Revenue") and received by the City from the Comptroller of the State of Texas. The City began assessing the City Sales Tax in the District in April of 2001. The District began receiving Contract Sales Tax Revenue from the City in August of 2001. The City Sales Tax is levied and collected against the receipts from the sale of taxable items within the District. The City Sales Tax is an excise tax on the use, storage or other consumption of taxable tangible personal property purchased, leased, or rented from a retailer within the District. The imposition, computation, administration, governance, abolition, and use of the sales tax is governed by the Municipal Sales and Use Tax Act and is administered by the Comptroller of the State of Texas.

The District is authorized to use the Contract Sales Tax Revenue generated pursuant to the SPA for any lawfully authorized purpose. In accordance with such authorization, the District has pledged the first \$500,000 of Contract Sales Tax Revenue received each year during the term of the SPA to payment of debt service on certain of its outstanding bonds (the "Pledged Contract Revenue") as more fully described below.

Pledged Contract Revenue ..... Of the Outstanding Bonds, the Pledged Contract Revenue is only pledged to the Series 2016 Refunding Bonds (the "Pledged Outstanding Bonds") and **is not pledged to any of the other Outstanding Bonds or to the Bonds.**

While any of the Pledged Outstanding Bonds are outstanding, the District has covenanted to transfer from its general operating fund to its Utility System Debt Service Fund (herein defined) an amount of Pledged Contract Revenue that is the lesser of (a) the first \$500,000 of Contract Sales Tax Revenue received annually from the City pursuant to the SPA or (b) the debt service amount on the Pledged Outstanding Bonds during the term of the SPA, which expires on January 1, 2031, for the payment of principal and interest on the Pledged Outstanding Bonds. This transfer shall occur on or before September 1 of each year.

During its fiscal year ended June 30, 2024, the District received \$1,818,340 (unaudited) of Contract Sales Tax Revenue. The Contract Sales Tax Revenue that is not pledged to payment of debt service on the Pledged Outstanding Bonds is used by the District for operational purposes. See "CONTRACT SALES TAX REVENUE," "INVESTMENT CONSIDERATIONS - Dependence on Collection of Contract Sales Tax Revenue," and "THE DISTRICT - Strategic Partnership Agreement."

Metro Agreement ..... As a result of the SPA, the District is included within the boundaries of the Metropolitan Transit Authority of Harris County ("Metro"). As a result, Metro is authorized to impose its one percent (1%) sales tax ("Metro Sales Tax") within the boundaries of the District. The

District has entered into an agreement with Metro (the “Metro Agreement”), pursuant to which Metro has agreed to pay to the District one-half of its sales tax revenue generated within the District (“Contract Metro Sales Tax Revenue”). The District is authorized to use the Contract Metro Sales Tax Revenue for certain road and traffic projects (“Transportation Projects”) within the boundaries of the District or to pay debt service on bonds issued by the District for Transportation Projects. Metro makes payments to the District under the Metro Agreement on a monthly basis, during the term of the Metro Agreement, which expires on January 8, 2031. See “THE DISTRICT – Metro Agreement.”

Pending Agreement.....	The District has a pending agreement (the “Agreement”) with the City and the City of League City, Texas (“League City”), for the annexation of approximately 450 acres of land that lie or will lie entirely within the city limits of League City (the “Clearfield Tract”) into the boundaries of the District. If the Agreement is approved by the City and League City, the District will be able to issue bonds for the Utility System, the Road System, and the Park System to finance facilities to serve the Clearfield Tract. Upon approval of the Agreement, the District intends to proceed with annexing the Clearfield Tract into the boundaries of the District. If the Agreement is approved, the District will adhere to the League City Consent Conditions (as defined in the Agreement), which provide that (i) the District will not submit a bond application or issue bonds that would result in a total tax rate of more than \$1.00 per \$100 of assessed valuation, and (ii) the District will not levy a tax rate of more than \$1.00 per \$100 of assessed valuation beginning the year after the District issues its first series of bonds for the Clearfield Tract. Furthermore, the final maturity of all bonds issued by the District for the Clearfield Tract shall not exceed thirty (30) years from the initial date, and the final maturity on all bonds issued to serve the Clearfield Tract shall not extend beyond December 31, 2060. Certain City of Houston Consent Conditions (as defined in the Agreement) apply to District land within the City’s ETJ. There is no timeline for or guarantee of approval of the Agreement by the City or League City. See “THE DISTRICT – Pending Agreement.”-
Municipal Bond Insurance .....	Build America Mutual Assurance Company (“BAM”). See “MUNICIPAL BOND INSURANCE.”
Ratings.....	S&P Global Ratings (BAM Insured): “AA.” Moody’s Investor Service, Inc. (Underlying): “Baa1” See “RATINGS.”
Legal Opinion .....	Allen Boone Humphries Robinson LLP, Houston, Texas. See “LEGAL MATTERS.”
Financial Advisor .....	Robert W. Baird & Co. Incorporated, Houston, Texas.
Disclosure Counsel .....	McCall, Parkhurst & Horton, L.L.P., Houston, Texas.
Paying Agent/Escrow Agent .....	Zions Bancorporation, National Association, Houston, Texas.

## THE DISTRICT

Description .....	The District was created by the Texas Water Rights Commission (the predecessor of the Texas Commission on Environmental Quality, the “TCEQ”) on July 9, 1984, for the purpose of providing, operating, and maintaining water distribution, wastewater collection and storm drainage facilities serving land within the District. The District operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 and Article III, Section 52-a of the Texas Constitution. The District contains approximately 884.33 acres, and is located entirely within Harris County and entirely within the extraterritorial jurisdiction of the City. See “THE DISTRICT – Description.”
Location .....	The District is located approximately 21 miles southeast of the central business district of the City and is located entirely within the extraterritorial jurisdiction of the City. The District lies at the intersection of Interstate Highway 45 and Bay Area Boulevard. The District can be accessed by Interstate Highway 45, Bay Area Boulevard and El Dorado Boulevard.
Principal Landowner/Developer .....	<p>The owner of the majority of the undeveloped property in the District is BC-SB Baybrook JV LLC, a Delaware limited liability company (“Baybrook JV”). Baybrook JV was formed for the development of approximately 1,090 acres of land (of which approximately 497 acres are currently situated within the District) through a joint venture of Southbrook Land, Inc. a Delaware corporation (“Southbrook”), and Brookfield Communities (Baybrook) LLC, a Delaware limited liability company (“Brookfield”). Development of the undeveloped property in the District is being managed by Brookfield Properties Development, L.L.C. (“Developer”), which is wholly owned by Brookfield Residential Properties, Inc. Brookfield is a global developer and operator of high-quality real estate assets and is active in nearly all real estate sectors, including office, retail, multifamily, hospitality and logistics.</p> <p>The above-referenced lands in the District are to be developed as the master-planned residential community known as “Midline.” At full development, Midline is anticipated to include approximately 2,868 single-family residences (of which approximately 1,761 planned single-family residences are expected to be situated within the District). See “PRINCIPAL LANDOWNERS AND DEVELOPER.”</p>
Status of Development .....	<p>Development within the District to date includes the following:</p> <p>As of May 1, 2025, development within the District is primarily commercial development. Residential lots are projected to be delivered starting in September 2025, with home construction expected to begin in late 2025.</p> <p>Baybrook Square, a shopping center that includes approximately 309,500 total square feet of leasable area available to commercial tenants, is situated partially within the District and partially outside of the District, in the City of Webster. Establishments located in Baybrook Square and within the District include: Bath Junkie, Massage Heights, Kirkland’s, Marshalls Home Goods, DSW, Old Navy, Truist Bank, Five Guys, AT&amp;T Mobility, and Ulta Beauty. Tenants</p>

occupy approximately 151,186 square feet of leasable area of the approximately 173,626 square feet of total leasable area within the District in Baybrook Square.

Baybrook Village, a shopping center that includes approximately 275,000 total square feet of leasable area, is located wholly within the District and currently includes but is not limited to the following tenants: Nails of America, Amazing Lash Studio, Hand & Stone Massage and Facial Spa, Trudy's Hallmark Shop, Jo-Ann's Fabrics, Torrid, Ross Dress for Less, Chuck E. Cheese, PetsMart, Blaze Pizza, Panda Express, Outback Steakhouse, Cava, and Jos. A. Bank Clothiers.

A portion of the Baybrook Passage Shopping Center (approximately 48,830 square feet) is located in the City of Webster, and a portion (approximately 150,131 square feet) is located within the District. Commercial establishments located in Baybrook Passage Shopping Center and within the District include but are not limited to the following: Best Buy, Staples, Music & Arts, Ideal Image, Lewis Jewelers, Good Feet, Potbelly Sandwiches, 18|8 Men's Salon, and Pei Wei Asian Diner.

Baybrook Marketplace Shopping Center, all of which is located in the District, includes approximately 196,620 square feet and the following commercial establishments among others: Super Target, Sally's Beauty Supply, Great Clips, Capital One Bank, Mattress One, Subway, and Starbucks.

Baybrook Landing Shopping Center (approximately 170,300 square feet), all of which is located within the District, includes the following retail/commercial establishments: Lowe's Home Improvement on a 15-acre ground lease, LongHorn Steakhouse on a one-acre ground lease, and Charles Schwab.

Situated within the District, an extension of Baybrook Mall has recently been completed and is occupied by the following retail tenants: The Container Store, REI, Total Wine, Red Robin, The Whiskey Cake, Duluth Trading Company, and Dick's Sporting Goods.

In addition, H-E-B, In-N-Out Burger, Dave's Hot Chicken, Panera Bread, Firestone Tire, Chick-fil-A, Home Depot, Timewise Service Station, Taco Bell, La-Z-Boy Home Furnishings, and McDonald's are some of the commercial properties located within the District but not within one of the shopping centers described above.

In addition to the above retail commercial development, the District includes the following multi-family properties: The Grayson at Baybrook, a 322-unit apartment community on approximately 13 acres; San Palmilla, a 347-unit apartment community on approximately 12 acres; Lenox Bayside, a 315-unit apartment community on approximately 9 acres; and Broadstone Baybrook, a 380-unit apartment community on approximately 7 acres.

In addition, on two tracts of land totaling approximately 9 acres, two medical office buildings have been constructed and both are occupied by Kelsey Seybold Clinic. On a third tract of land of approximately 2.5 acres, another medical office building is currently under construction.

The commercial and multi-family improvements referenced above lie on approximately 237 acres and the balance of the District is composed of approximately 547 acres that have not been provided with water supply and distribution, wastewater collection and treatment or storm drainage facilities and approximately 100 acres (pipeline and drainage easements) that are not developable. The District encompasses approximately 884 total acres. See "DEVELOPMENT WITHIN THE DISTRICT."

#### **INVESTMENT CONSIDERATIONS**

THE DISTRICT'S TAX IS LEVIED ONLY ON THE PROPERTY LOCATED WITHIN THE DISTRICT. THEREFORE, THE INVESTMENT SECURITY AND QUALITY OF THE BONDS IS DEPENDENT UPON THE SUCCESSFUL DEVELOPMENT OF PROPERTY LOCATED WITHIN THE DISTRICT AND THE PAYMENT AND COLLECTION OF TAXES LEVIED THEREON.

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

*[Remainder of Page Intentionally Left Blank]*

**SELECTED FINANCIAL INFORMATION**  
**(UNAUDITED)**

2024 Taxable Assessed Valuation.....	\$ 635,325,876	(a)
2025 Preliminary Taxable Assessed Valuation .....	\$ 739,011,408	(b)
Direct Debt		
The Outstanding Bonds .....	\$ 34,025,000	
The Bonds .....	<u>\$ 34,730,000</u>	
Total Direct Debt.....	\$ 68,755,000	
Net Direct Debt		
Total Direct Debt.....	\$ 68,755,000	
Less Portion of Outstanding Bonds Supported by Pledged Contract Revenue.....	<u>\$ 1,650,000</u>	(c)
Net Direct Debt .....	\$ 67,105,000	
Total Net Direct Debt and Estimated Overlapping Debt		
Net Direct Debt .....	\$ 67,105,000	
Estimated Overlapping Debt .....	<u>\$ 23,820,153</u>	(d)
Total Net Direct Debt and Estimated Overlapping Debt.....	\$ 90,925,153	
Net Direct Debt Ratio:		
As a Percentage of 2024 Taxable Assessed Valuation .....	10.56	%
As a Percentage of 2025 Preliminary Taxable Assessed Valuation .....	9.08	%
Total Net Direct Debt and Estimated Overlapping Debt Ratio:		
As a Percentage of 2024 Taxable Assessed Valuation .....	14.31	%
As a Percentage of 2025 Preliminary Taxable Assessed Valuation .....	12.30	%
Utility System Debt Service Fund Balance (as of April 22, 2025).....	\$ 4,518,926	(e)
Road System Debt Service Fund Balance (as of April 22, 2025) .....	\$ 1,067,859	(f)
General Fund Balance (as of April 22, 2025) .....	\$ 13,819,506	
Metro Road Utility District Fund Balance (as of April 22, 2025) .....	\$ 16,136,594	

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- (a) Represents the taxable assessed value of all taxable property within the District as of January 1, 2024, as certified by the Harris Central Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES" and "TAX DATA."
- (b) Provided by the Appraisal District as the preliminary value as of January 1, 2025. This value represents the preliminary determination of the taxable value in the District as of January 1, 2025, provided by the Appraisal District. No taxes will be levied on this preliminary value, which is subject to protest by landowners. See "TAXING PROCEDURES" and "TAX DATA."
- (c) For illustrative purposes only. This amount reflects the approximate principal amount of the District's bonds supported by Pledged Contract Revenue. See "INVESTMENT CONSIDERATIONS – Dependence on Collection of Contract Sales Tax Revenue" and "CONTRACT SALES TAX REVENUE."
- (d) See "DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement."
- (e) Neither Texas Law nor the bond resolutions for the Bonds and the Outstanding Bonds (herein defined) for the Utility System (herein defined) requires that the District maintain any particular sum in the Utility System Debt Service Fund (herein defined).
- (f) Neither Texas Law nor the bond resolution for the Outstanding Bonds for the Road System (herein defined) requires that the District maintain any particular sum in the Road System Debt Service Fund (herein defined).

## SELECTED FINANCIAL INFORMATION

### (CONTINUED)

2024 Tax Rate per \$100 of Taxable Assessed Valuation		
Utility System Debt Service.....	\$0.62	(a)
Road System Debt Service.....	\$0.00	(a)
Maintenance .....	<u>\$0.49</u>	
Total.....	\$1.11	
Average Annual Debt Service Requirement on the Outstanding Bonds (2026–2049) .....	\$ 1,968,181	(b)
Less: Pledged Contract Revenue on Pledged Outstanding Bonds .....	<u>\$ 104,167</u>	
Net Average Annual Debt Service Requirement on the Outstanding Bonds .....	\$ 1,864,015	(c)
Maximum Annual Debt Service Requirement on the Outstanding Bonds (2026) .....	\$ 3,355,644	(b)
Less: Pledged Contract Revenue on Pledged Outstanding Bonds .....	<u>\$ 500,000</u>	
Net Maximum Annual Debt Service Requirement on the Outstanding Bonds.....	\$ 2,855,644	(c)
Combined Debt Service Tax Rate per \$100 of Taxable Assessed Valuation Required to Pay Net Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2025–2050) at 95% Tax Collections		
Based on 2024 Taxable Assessed Valuation.....	\$0.67	
Based on 2025 Preliminary Taxable Assessed Valuation.....	\$0.57	
Combined Debt Service Tax Rate per \$100 of Taxable Assessed Valuation Required to Pay Net Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2026) at 95% Tax Collections		
Based on 2024 Taxable Assessed Valuation.....	\$0.88	
Based on 2025 Preliminary Taxable Assessed Valuation.....	\$0.76	
Combined Net Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2025–2050) .....	\$ 3,994,611	(d)
Combined Net Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2026).....	\$ 5,272,906	(d)

- (a) The District is authorized to levy separate debt service taxes for payment of debt service on bonds issued for the Utility System (e.g., the Outstanding Bonds for the Utility System and the Bonds) and for payment of debt service on bonds issued for the Road System (e.g., the Outstanding Bonds for the Road System). Both such taxes are unlimited as to rate or amount.
- (b) Requirement of debt service on the Outstanding Bonds.
- (c) Requirement of debt service on the Outstanding Bonds after deductions for Pledged Contract Revenue to be transferred to the Utility System Debt Service Fund for payment of debt service on the Pledged Outstanding Bonds. See "DISTRICT DEBT – Debt Service Requirement Schedules," "CONTRACT SALES TAX REVENUE," "INVESTMENT CONSIDERATIONS – Dependence on Collection of Contract Sales Tax Revenue," and "THE DISTRICT – Strategic Partnership Agreement."
- (d) Requirement of debt service on the Outstanding Bonds and the Bonds.



## INTRODUCTION

This Official Statement of Baybrook Municipal Utility District No. 1 (the “District”) is provided to furnish information with respect to the issuance by the District of its \$34,730,000 Unlimited Tax Bonds, Series 2025 (the “Bonds”).

The Bonds are issued pursuant to (i) a resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the Board of Directors of the District (the “Board”) on the date of sale of the Bonds; (ii) Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended; (iii) elections held within the District and passed by a majority of the participating voters on September 14, 2002, and May 6, 2023; and (iv) an order issued by the Texas Commission on Environmental Quality (the “TCEQ”).

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

## THE BONDS

### General

The Bonds are dated June 1, 2025, with interest payable November 1, 2025, and each May 1 and November 1 thereafter (each an “Interest Payment Date”) until the earlier of maturity or redemption. The Bonds mature on May 1 in each of the years shown under “MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS” on the inside cover page of this Official Statement. Principal of the Bonds will be payable to the registered owners (the “Registered Owners”) at maturity or redemption at the principal payment office of the paying agent/registrar, initially, Zions Bancorporation, National Association, Houston, Texas (the “Paying Agent/Registrar”). Interest on the Bonds will be payable by check, dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar to Registered Owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding the Interest Payment Date (the “Record Date”) or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

### Book-Entry-Only System

*This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York (“DTC”), while the Bonds are registered in its nominee’s 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 believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

*The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participant, (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 will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be required by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

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

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee 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.

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

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

Redemption proceeds, principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or

Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or 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 Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

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

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

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

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

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

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

In the event the Book-Entry-Only system is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the corporate trust office of the Paying Agent/Registrar in Houston, Texas. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. At any time after the date of initial delivery, any Bond may be transferred upon its presentation and surrender at the designated offices of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Bondholder. The Bonds are exchangeable upon presentation at the designated office(s) of the Paying Agent/Registrar, for an equal principal amount of Bonds of the same maturity in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Bondholder or assignee of the Bondholder within not more than three (3) business days after the receipt by the Paying Agent/Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the denomination of \$5,000 in principal amount for a Bond, or any integral multiple thereof for any one maturity and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning fifteen (15) calendar days prior to, and ending on the date of the mailing of notice of redemption,

or where such redemption is scheduled to occur within thirty (30) calendar days. No service charge will be made for any transfer or exchange, but the District or Paying Agent/Registrar may require the Bondholder to pay a sum sufficient to cover any tax or governmental charge payable in connection therewith.

## **Redemption of the Bonds**

### *Optional Redemption*

The Bonds maturing on or after May 1, 2031, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on May 1, 2030, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by such random method as the Paying Agent/Registrar deems fair and appropriate in integral multiples of \$5,000 within any one maturity. The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

### *Mandatory Redemption*

The Bonds maturing on May 1 in the years 2032 and 2050 are term bonds (the "Term Bonds"), and shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Mandatory Redemption Date"), and in the principal amounts set forth in the following schedule:

#### \$1,925,000 Term Bond Maturing on May 1, 2032

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
May 1, 2031	\$ 940,000
May 1, 2032 (Maturity)	\$ 985,000

#### \$6,640,000 Term Bond Maturing on May 1, 2050

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
May 1, 2048	\$2,110,000
May 1, 2049	\$2,210,000
May 1, 2050 (Maturity)	\$2,320,000

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

## **Mutilated, 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 to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The District may require

the Registered Owner to pay taxes, governmental charges and other expenses in connection with any such replacement.

### **Authority for Issuance**

The Bonds are issued pursuant to (i) the Bond Resolution by the Board on the date of sale of the Bonds; (ii) Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended; (iii) elections held within the District and passed by a majority of the participating voters on September 14, 2002, and May 6, 2023; and (iv) an order issued by the TCEQ.

At elections held within the District on September 14, 2002 (the "2002 Election"), and May 6, 2023 (the "2023 Election"), voters of the District authorized the District's issuance of \$36,000,000 and \$611,900,000, respectively, principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer, and storm water drainage facilities to serve the District (the "Utility System"). The Bonds represent the District's sixth and final installment of the 2002 Election and the first installment of the 2023 Election. Following the issuance of the Bonds, \$595,235,000 principal amount of unlimited tax bonds for acquiring or constructing the Utility System will remain authorized but unissued.

At the 2023 Election, voters of the District also authorized the District's issuance of \$611,900,000 in bonds for the purpose of refunding bonds issued by the District for the Utility System; \$364,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing roads, and improvements in aid thereof, to serve the District (the "Road System"); \$364,000,000 in bonds for the purpose of refunding bonds issued by the District for the Road System; \$99,500,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District (the "Park System"); and \$99,500,000 in bonds for the purpose of refunding bonds issued by the District for the Park System. Following the issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: \$595,235,000 for the Utility System and \$611,900,000 principal amount for refunding such bonds; \$347,060,000 for the Road System and \$364,000,000 for refunding such bonds; and \$99,500,000 for the Park System and \$99,500,000 for refunding such bonds.

### **Outstanding Bonds**

Of the fourteen (14) series of bonds previously issued by the District, no bonds remain outstanding from ten (10) series, and, as of the Date of Delivery, \$34,025,000 in principal amount remains outstanding (the "Outstanding Bonds") from the following four (4) series: \$13,560,000 Unlimited Tax Bonds, Series 2015 (the "Series 2015 Bonds"); \$8,310,000 Unlimited Tax Refunding Bonds, Series 2016 (the "Series 2016 Refunding Bonds"); \$2,995,000 Unlimited Tax Refunding Bonds, Series 2019 (the "Series 2019 Refunding Bonds"); and \$16,940,000 Unlimited Tax Road Bonds, Series 2024 (the "Series 2024 Road Bonds").

### **Source of Payment**

The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District.

In the Bond Resolution, the District covenants to levy sufficient taxes to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, fees of the Paying Agent/Registrar, and fees of the Harris Central Appraisal District (the "Appraisal District"). Tax proceeds, after deduction for collection costs, will be placed in the Utility System Debt Service Fund (defined below) and used solely to pay principal of and interest on the Bonds, the Outstanding Bonds for the Utility System, any additional bonds payable from taxes which may be issued for the Utility System, and fees of the Paying Agent/Registrar.

Additionally, tax proceeds, after deduction for collection costs, will be placed in the Road System Debt Service Fund (defined below) and used solely to pay principal of and interest on the Outstanding Bonds for the Road System, any additional bonds payable from taxes which may be issued for the Road System, and fees of the paying agent/registrar for the Outstanding Bonds for the Road System.

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

service on bonds issued by the District for the Utility System, including the Bonds, and amounts on deposit in Utility System Debt Service Fund may not be used to pay debt service on bonds issued for the Road System.

The Bonds are obligations of the District and are not the obligations of the State of Texas; Harris County, Texas; the City of Houston, Texas; or any other political subdivision or any entity other than the District.

### **Funds**

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

### **Issuance of Additional Debt**

The District may issue additional bonds from its voted authorization. Following the issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: \$595,235,000 for the Utility System and \$611,900,000 principal amount for refunding such bonds; \$347,060,000 for the Road System and \$364,000,000 for refunding such bonds; and \$99,500,000 for the Park System and \$99,500,000 for refunding such bonds.

The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. See "INVESTMENT CONSIDERATIONS – Future Debt."

The District is also authorized by statute to engage in firefighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue firefighting bonds payable from taxes, the following actions would be required: (a) authorization of a detailed fire protection plan and bonds for such purpose by the qualified voters in the District; (b) approval of the plan and issuance of bonds by the TCEQ; and (c) approval of such bonds by the Attorney General of Texas. The Board has not considered calling an election for purposes of authorization of a detailed plan and issuance of bonds for firefighting activities at this time. Issuance of bonds for firefighting activities could dilute the investment security for the Bonds.

Conservation and reclamation districts in certain counties are authorized to develop and finance with property taxes certain recreational facilities after a district election has been successfully held to approve a maintenance tax to support recreational facilities and/or the issuance of bonds payable from taxes. Further, the District is authorized to issue bonds payable from an ad valorem tax to pay for the development and maintenance of recreational facilities if (i) the District duly adopts a plan for the facilities; (ii) the bonds are authorized at an election; (iii) the bonds payable from any source do not exceed 1% of the value of the taxable property in the District at the time of issuance of the bonds, or, in the event the District meets certain conditions, 3% of the value of the taxable property in the District at the time of issuance of the bonds, but in no event in an amount greater than the estimated cost in the plan; (iv) the District obtains any necessary governmental consents allowing the issuance of such bonds; (v) the issuance of the bonds is approved by the TCEQ in accordance with its rules with respect to same; and (vi) the bonds are approved by the Attorney General of Texas. The District may issue bonds for such purposes payable solely from net operating revenues without an election. In addition, the District is authorized to levy an operation and maintenance tax to support recreational facilities at a rate not to exceed 10 cents per \$100 of assessed valuation of taxable property in the District, after such tax is approved at an election. Said maintenance tax is in addition to any other maintenance tax authorized to be levied by the District. At an election held within the District on May 6, 2023, voters of the District authorized a

total of \$99,500,000 in bonds for the purpose of acquiring or constructing the Park System and could authorize additional amounts.

### **No Arbitrage**

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

### **Defeasance**

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

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

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

## **Annexation and Consolidation**

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District must conform to a City of Houston consent ordinance. Generally, the District may be annexed by the City of Houston without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District; however, 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. See "THE DISTRICT – Strategic Partnership Agreement" for a description of the terms of the Strategic Partnership Agreement between the City and the District.

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

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

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

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

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

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

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

## **Registered Owners' Remedies**

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



In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the District to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Resolution does not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay the principal of or interest on the Bonds.

The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners.

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## Use and Distribution of Bond Proceeds

Proceeds of the Bonds will be used to finance water, sewer, and drainage projects and to reimburse Baybrook JV for the costs of land conveyed to the District, as set out below. Additionally, proceeds from the sale of the Bonds will be used to pay other costs associated with the issuance of the Bonds.

Non-construction costs are based upon either contract amounts, or estimates of various costs by the Engineer and the Financial Advisor (each hereinafter defined). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District's auditor.

	Amount
<b><u>Construction Costs</u></b>	
A. Developer Contribution Items	
1. Midline Section 1 – W, WW, D	\$ 1,601,640
2. Midline Section 2 – W, WW, D	1,282,878
3. Midline Section 3 – W, WW, D	1,245,303
4. Midline Section 4 – W, WW, D	362,639
5. Midline Section 5 – W, WW, D	182,682
6. Engineering and Surveying	1,106,460
7. Geotech and Material Testing (Item Nos. 1-5)	116,879
8. SWPPP (2% of Construction Costs for Item Nos. 1-5)	93,503
9. Contingencies (10% of Item Nos. 1-8)	599,198
Total Developer Contribution Items	\$ 6,591,182
B. District Items	
1. FY 2024 City of Houston Southeast Transmission Line	\$ 4,432,268
2. Lift Station No. 4 – Phase 1	2,290,667
3. Offsite Drainage Channel	979,608
4. Drainage and Detention Facilities Phase 1	3,679,678
5. Water Plant No. 1 Phase 1B	4,357,500
6. Beamer Road Phase 1A – W, WW, D	1,208,435
7. Beamer Road Phase 1B – W, WW, D	1,798,707
8. Fife Lane Phase 1 – W, WW, D	854,374
9. Fife Lane Phase 2 – W, WW, D	484,706
10. Engineering and Surveying	1,165,000
11. Geotech and Material Testing (Item Nos. 2-9)	391,343
12. SWPPP (2% of Construction Costs for Item Nos. 2-9)	313,073
13. Contingencies (5% of Items 2-4 and 10% of Items 5-12)	1,404,812
14. Land Acquisition Costs	2,371,844
Total District Items	\$ 25,732,015
Total Construction Costs (93.07% of BIR)	\$ 32,323,197
<b><u>Non-Construction Costs</u></b>	
A. Legal Fees	\$ 587,300
B. Fiscal Agent Fees	572,300
C. Bond Discount	1,040,121
D. Bond Issuance Expenses	63,978
E. Bond Application Report Costs	45,000
F. Attorney General Fee (0.10% or \$9,500 max.)	9,500
G. TCEQ Bond Issuance Fee (0.25%)	86,825
H. Contingency (a)	1,779
Total Non-Construction Costs	\$ 2,406,803
<b>Total Bond Issue Amount</b>	<b>\$ 34,730,000</b>

(a) Represents the difference between the estimated and actual amount of Bond Discount.

the instance that approved estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for uses approved by the TCEQ, where required. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

## **THE DISTRICT**

### **Authority**

The District is a political subdivision of the State of Texas operating as a municipal utility district pursuant to Article XVI, Section 59 of the Texas Constitution. The District is vested with all the rights, privileges, authority and functions conferred by the laws of the State of Texas applicable to municipal utility districts, including without limitation those conferred by Chapters 49 and 54, Texas Water Code, as amended, and Chapter 8024, Texas Special District Local Laws Code. The District is empowered to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water, among other things. The District may also provide solid waste collection and disposal service, provide security services, and operate, construct and maintain recreational facilities. The District may operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, if approved by the voters and the TCEQ. The District does not operate and/or maintain a fire department. The District is also empowered to finance certain road improvements. In 2001 the Texas Legislature granted the District “road utility district authority” under Texas law. This authority allows the District to construct or acquire certain road and traffic facilities inside its boundaries and to maintain such facilities. The legislation authorizes the District to impose an ad valorem tax and issue bonds to finance the construction or acquisition of road facilities. The District is subject to the continuing supervision of the TCEQ. See “THE BONDS – Issuance of Additional Debt.”

### **Description**

The District encompasses approximately 884.33 acres and is located approximately 21 miles southeast of the central business district of the City of Houston, Texas (the “City”), and is situated entirely within the extraterritorial jurisdiction of the City. The District lies at the intersection of Interstate Highway 45 and Bay Area Boulevard. The District can be accessed by Interstate Highway 45, Bay Area Boulevard and El Dorado Boulevard.

The District is located within the boundaries of the Baybrook Management District (the “Management District”). The Management District was created by special act of the Texas legislature on June 20, 2003, to promote, develop, encourage, and maintain employment, commerce, transportation, housing, tourism, recreation, the arts, entertainment, economic development, safety, and public welfare. The Management District has the authority to impose and collect an assessment against property located within its boundaries, although no such assessment has been imposed to date. As of this date, the Management District is inactive.

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## Management of the District

The District is governed by a board of five (5) directors who have control over and management supervision of all affairs of the District. All of the directors own land within the District. All directors serve four-year staggered terms. Elections are held in even-numbered years in May. The present members and officers of the Board are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires May</u>
Mark Hardy	President	2028
Burdette Keeland III	Vice President	2028
Ursalla Kelly	Secretary	2028
Debra Greenwood-Sharp	Assistant Vice President	2026
David Martin	Assistant Secretary	2026

## Management and Contract Services

The District does not have any full-time employees; however, the District contracts for management and administrative services, tax collecting, bookkeeping, facilities repair and maintenance, legal, financial advisory, auditing and other professional services as follows:

**Bookkeeper:** The District's bookkeeper is Municipal Accounts & Consulting, L.P.

**Tax Assessor/Collector:** The District's Tax Assessor/Collector is Assessments of the Southwest, Inc. (the "Tax Assessor/Collector"). The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Harris Central Appraisal District and bills and collects such levy.

**Engineer:** The District's consulting engineer is LJA Engineering, Inc. (the "Engineer").

**Auditing:** The firm of McGrath & Co., PLLC, Certified Public Accountants, audited the financial statements for the District's fiscal year ended June 30, 2024. See "APPENDIX A."

**Financial Advisor:** The District has engaged Robert W. Baird and Co. Incorporated, as financial advisor (the "Financial Advisor") to the District. The fees to be paid the Financial Advisor for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued and sold. Therefore, the payment of such fees is contingent upon the sale and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

**Bond Counsel:** Allen Boone Humphries Robinson LLP, Houston, Texas, serves as Bond Counsel to the District, and also represents the District on certain other matters of a general legal nature. The fees for Bond Counsel for bond-related services are contingent on the issuance, sale and delivery of the Bonds.

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

## Investment Policy

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

nationally recognized rating service. The District does not currently own, nor does it anticipate, the inclusion of long term securities or derivative products in the portfolio.

### **Strategic Partnership Agreement**

The District entered into a Strategic Partnership Agreement with the City as authorized by Texas Local Government Code Chapter 43 in 2000. The original agreement was replaced with the First Amended and Restated Strategic Partnership Agreement which was effective as of December 31, 2018, and subsequently amended by the First Amendment to First Amended and Restated Strategic Partnership Agreement which was effective as of December 12, 2019 (the “SPA”). The SPA provides for a “limited-purpose annexation” of the District for purposes of applying certain City health, safety, planning, and zoning ordinances within the District. The SPA terminates on January 1, 2031.

As a result of the SPA, the City is authorized to impose its one percent (1%) retail sales tax (“City Sales Tax”) within the boundaries of the District. Pursuant to the SPA, the City has agreed to pay to the District an amount equal to one-half of all retail sales tax revenues generated within the boundaries of the District (the “Contract Sales Tax Revenue”) and received by the City from the Comptroller of the State of Texas. The City began assessing the City Sales Tax in the District in April of 2001. The District began receiving Contract Sales Tax Revenue from the City in August of 2001. The City Sales Tax is levied and collected against the receipts from the sale of taxable items within the District. The City Sales Tax is an excise tax on the use, storage or other consumption of taxable tangible personal property purchased, leased, or rented from a retailer within the District. The imposition, computation, administration, governance, abolition, and use of the sales tax is governed by the Municipal Sales and Use Tax Act and is administered by the Comptroller of the State of Texas.

### **Metro Agreement**

As a result of the SPA, the District is included within the boundaries of the Metropolitan Transit Authority of Harris County, Texas (“Metro”). As a result, Metro is authorized to impose its one percent (1%) sales tax (“Metro Sales Tax”) within the boundaries of the District. The District has entered into an agreement with Metro (the “Metro Agreement”), pursuant to which Metro has agreed to pay to the District one-half of its sales tax revenue generated within the District (“Contract Metro Sales Tax Revenue”). The District is authorized to use the Contract Metro Sales Tax Revenue for certain road and traffic projects (“Transportation Projects”) within the boundaries of the District or to pay debt service on bonds issued by the District for Transportation Projects. Metro makes payments to the District under the Metro Agreement on a monthly basis, during the term of the Metro Agreement, which expires on January 8, 2031.

In order to implement the Metro Agreement, in 2001 the Texas Legislature granted the District “road utility district authority” under Texas law. This authority allows the District to construct or acquire certain road and traffic facilities inside its boundaries and to maintain such facilities. The legislation authorizes the District to impose an ad valorem tax and issue bonds to finance the construction or acquisition of road facilities. However, such authorization must be submitted to the qualified voters of the District for approval. At an election held within the District on May 6, 2023, voters of the District authorized a total of \$364,000,000 in bonds for the purpose of acquiring or constructing the Road System. The Metro Agreement expires January 8, 2031, or when the City annexes the District for full purposes, whichever comes first.

### **Pending Agreement**

The District has a pending agreement (the “Agreement”) with the City and the City of League City, Texas (“League City”), for the annexation of approximately 450 acres of land that lie or will lie entirely within the city limits of League City (the “Clearfield Tract”) into the boundaries of the District. If the Agreement is approved by the City and League City, the District will be able to issue bonds for the Utility System, the Road System, and the Park System to finance facilities to serve the Clearfield Tract. Upon approval of the Agreement, the District intends to proceed with annexing the Clearfield Tract into the boundaries of the District. If the Agreement is approved, the District will adhere to the League City Consent Conditions (as defined in the Agreement), which provide that (i) the District will not submit a bond application or issue bonds that would result in a total tax rate of more than \$1.00 per \$100 of assessed valuation, and (ii) the District will not levy a tax rate of more than \$1.00 per \$100 of assessed valuation beginning the year after the District issues its first series of bonds for the Clearfield Tract. Furthermore, the final maturity of all bonds issued by the District for the Clearfield Tract shall not exceed thirty (30) years from the initial date, and the final maturity on all bonds issued to serve the

Clearfield Tract shall not extend beyond December 31, 2060. Certain City of Houston Consent Conditions (as defined in the Agreement) apply to District land within the City's ETJ. There is no timeline for or guarantee of approval of the Agreement by the City or League City.

## **PRINCIPAL LANDOWNERS AND DEVELOPER**

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

In general, the activities of a developer in a municipal utility district such as the District include purchasing the land within the District, designing the subdivision, designing the utilities and streets to be constructed in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, wastewater, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. In certain instances, the developer will be required to pay up to thirty percent of the cost of constructing certain of the water, wastewater and drainage facilities in a municipal utility district pursuant to the rules of the TCEQ. The relative success or failure of a developer to perform such activities in development of the property within a municipal utility district may have a profound effect on the security of the unlimited tax bonds issued by a district. A developer is generally under no obligation to a district to develop the property which it owns in a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which it owns within a district. In addition, a developer is ordinarily a major taxpayer within a municipal utility district during the development phase of the property.

### **Principal Landowner and Developer**

The owner of the majority of the undeveloped property in the District is BC-SB Baybrook JV LLC, a Delaware limited liability company ("Baybrook JV"). Baybrook JV was formed for the development of approximately 1,090 acres of land (of which approximately 497 acres are currently situated within the District) through joint venture of Southbrook Land, Inc. a Delaware corporation ("Southbrook"), and Brookfield Communities (Baybrook) LLC, a Delaware limited liability company ("Brookfield"). Development of the undeveloped property in the District is being managed by Brookfield Properties Development, L.L.C. ("Developer"), which is wholly owned by Brookfield Residential Properties, Inc. Brookfield is a global developer and operator of high-quality real estate assets and is active in nearly all real estate sectors, including office, retail, multifamily, hospitality and logistics.

The above-referenced lands in the District are to be developed as the master-planned residential community known as "Midline." At full development, Midline is anticipated to include approximately 2,868 single-family residences (of which approximately 1,761 planned single-family residences are expected to be situated within the District).

### **Other Principal Owners of Property**

The current owners of multi-family properties in the District are: Grayson at Baybrook Multifamily Friendswood Borrower DE LLC, owner of The Grayson at Baybrook, a 322-unit apartment community; VR Palmilla Limited Partnership, owner of San Palmilla, a community consisting of 347 rental units; OH Bayside LLC, owner of Lenox Bayside, a 315-unit apartment community; and CRP/AR Prose Baybrook Owner, L.P., owner of Broadstone Baybrook, a 380-unit apartment community.

Eastfield Realty 2, Inc., a Delaware corporation, is the owner of approximately 7 acres in the District on which commercial improvements are planned for construction.

The extension of Baybrook Mall, a portion of which is located in the District, is owned by Baybrook LPC LLC. OWRF Baybrook LLC is the owner of the Baybrook Village Shopping Center and 7.225 acres of land in the District. Baybrook Passage Shopping Center and Baybrook Landing Shopping Center are owned by GC Baybrook LP and managed by Gulf Coast Commercial Group. See "TAX DATA –Principal Taxpayers."

Prospective Bond purchasers should note that the prior real estate experience of any principal landowners or developer should not be construed as an indication that further development within the District will occur, or that construction of taxable improvements upon property within the District will occur, or that marketing or

leasing of taxable improvements constructed upon property within the District will be successful. See “INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments.”

## **DEVELOPMENT WITHIN THE DISTRICT**

### **Status of Development**

Development within the District to date includes the following:

As of May 1, 2025, development within the District is primarily commercial development. Residential lots are projected to be delivered starting in September 2025, with home construction expected to begin in late 2025.

Baybrook Square, a shopping center that includes approximately 309,500 total square feet of leasable area available to commercial tenants, is situated partially within the District and partially outside of the District, in the City of Webster. Establishments located in Baybrook Square and within the District include: Bath Junkie, Massage Heights, Kirkland's, Marshalls Home Goods, DSW, Old Navy, Truist Bank, Five Guys, AT&T Mobility, and Ulta Beauty. Tenants occupy approximately 151,186 square feet of leasable area of the approximately 173,626 square feet of total leasable area within the District in Baybrook Square.

Baybrook Village, a shopping center that includes approximately 275,000 total square feet of leasable area, is located wholly within the District and currently includes but is not limited to the following tenants: Nails of America, Amazing Lash Studio, Hand & Stone Massage and Facial Spa, Trudy's Hallmark Shop, Jo-Ann's Fabrics, Torrid, Ross Dress for Less, Chuck E. Cheese, PetsMart, Blaze Pizza, Panda Express, Outback Steakhouse, Cava, and Jos. A. Bank Clothiers.

A portion of the Baybrook Passage Shopping Center (approximately 48,830 square feet) is located in the City of Webster, and a portion (approximately 150,131 square feet) is located within the District. Commercial establishments located in Baybrook Passage Shopping Center and within the District include but are not limited to the following: Best Buy, Staples, Music & Arts, Ideal Image, Lewis Jewelers, Good Feet, Potbelly Sandwiches, 18|8 Men's Salon, and Pei Wei Asian Diner.

Baybrook Marketplace Shopping Center, all of which is located in the District, includes approximately 196,620 square feet and the following commercial establishments among others: Super Target, Sally's Beauty Supply, Great Clips, Capital One Bank, Mattress One, Subway, and Starbucks.

Baybrook Landing Shopping Center (approximately 170,300 square feet), all of which is located within the District, includes the following retail/commercial establishments: Lowe's Home Improvement on a 15-acre ground lease, LongHorn Steakhouse on a one-acre ground lease, and Charles Schwab.

Situated within the District, an extension of Baybrook Mall has recently been completed and is occupied by the following retail tenants: The Container Store, REI, Total Wine, Red Robin, The Whiskey Cake, Duluth Trading Company, and Dick's Sporting Goods.

In addition, H-E-B, In-N-Out Burger, Dave's Hot Chicken, Panera Bread, Firestone Tire, Chick-fil-A, Home Depot, Timewise Service Station, Taco Bell, La-Z-Boy Home Furnishings, and McDonald's are some of the commercial properties located within the District but not within one of the shopping centers described above.

In addition to the above retail commercial development, the District includes the following multi-family properties: The Grayson at Baybrook, a 322-unit apartment community on approximately 13 acres; San Palmilla, a 347-unit apartment community on approximately 12 acres; Lenox Bayside, a 315-unit apartment community on approximately 9 acres; and Broadstone Baybrook, a 380-unit apartment community on approximately 7 acres.

In addition, on two tracts of land totaling approximately 9 acres, two medical office buildings have been constructed and both are occupied by Kelsey Seybold Clinic. On a third tract of land of approximately 2.5 acres, another medical office building is currently under construction.

The commercial and multi-family improvements referenced above lie on approximately 237 acres and the balance of the District is composed of approximately 547 acres that have not been provided with water supply and distribution, wastewater collection and treatment or storm drainage facilities and approximately 100 acres (pipeline and drainage easements) that are not developable. The District encompasses approximately 884 total acres.

## DISTRICT DEBT

### Debt Service Requirement Schedule

The following schedule sets forth the principal and interest requirements of the Outstanding Bonds and the principal and interest requirements for the Bonds. Totals may not sum due to rounding.

Calendar Year	Outstanding Debt Service	Less: Pledged Contract Revenue	The Bonds:			Total Debt Service
			Principal	Interest	Debt Service	
2025	\$ -	\$ -	\$ -	\$ 591,055	\$ 591,055	\$ 591,055
2026	3,355,644	500,000	740,000	1,677,263	2,417,263	5,272,906
2027	3,314,129	500,000	780,000	1,625,963	2,405,963	5,220,091
2028	3,270,046	500,000	815,000	1,572,131	2,387,131	5,157,177
2029	3,218,881	500,000	855,000	1,515,769	2,370,769	5,089,650
2030	3,165,594	500,000	895,000	1,456,706	2,351,706	5,017,300
2031	2,220,375	-	940,000	1,394,775	2,334,775	4,555,150
2032	2,226,006	-	985,000	1,329,806	2,314,806	4,540,813
2033	2,236,313	-	1,035,000	1,266,159	2,301,159	4,537,472
2034	2,243,163	-	1,085,000	1,212,700	2,297,700	4,540,863
2035	2,247,150	-	1,135,000	1,165,525	2,300,525	4,547,675
2036	1,972,859	-	1,190,000	1,116,119	2,306,119	4,278,978
2037	1,970,609	-	1,250,000	1,064,269	2,314,269	4,284,878
2038	1,975,919	-	1,310,000	1,009,869	2,319,869	4,295,788
2039	1,978,584	-	1,375,000	952,813	2,327,813	4,306,397
2040	1,983,503	-	1,440,000	891,194	2,331,194	4,314,697
2041	1,084,550	-	1,510,000	824,819	2,334,819	3,419,369
2042	1,087,450	-	1,585,000	754,191	2,339,191	3,426,641
2043	1,088,950	-	1,665,000	677,994	2,342,994	3,431,944
2044	1,089,050	-	1,745,000	597,006	2,342,006	3,431,056
2045	1,092,650	-	1,830,000	512,100	2,342,100	3,434,750
2046	1,094,650	-	1,915,000	423,156	2,338,156	3,432,806
2047	1,099,950	-	2,010,000	329,938	2,339,938	3,439,888
2048	1,103,825	-	2,110,000	237,363	2,347,363	3,451,188
2049	1,116,500	-	2,210,000	145,563	2,355,563	3,472,063
2050	-	-	2,320,000	49,300	2,369,300	2,369,300
Total	\$47,236,350	\$ 2,500,000	\$34,730,000	\$24,393,542	\$59,123,542	\$103,859,892

Combined Net Average Annual Debt Service Requirement (2025–2050) .....\$3,994,611

Combined Net Maximum Annual Debt Service Requirement (2026).....\$5,272,906

Net Average Annual Debt Service Requirement (2026–2049).....\$1,864,015 (a)

Net Maximum Annual Debt Service Requirement (2026) .....\$2,855,644 (a)

(a) This amount reflects the application of the Pledged Contract Revenue to the debt service requirement.



## Bonded Indebtedness

2024 Taxable Assessed Valuation.....	\$ 635,325,876	(a)
2025 Preliminary Taxable Assessed Valuation .....	\$ 739,011,408	(b)
Direct Debt		
The Outstanding Bonds .....	\$ 34,025,000	
The Bonds .....	\$ 34,730,000	
Total Direct Debt.....	\$ 68,755,000	
Net Direct Debt		
Total Direct Debt.....	\$ 68,755,000	
Less Portion of Outstanding Bonds Supported by Pledged Contract Revenue.....	\$ 1,650,000	(c)
Net Direct Debt .....	\$ 67,105,000	
Total Net Direct Debt and Estimated Overlapping Debt		
Net Direct Debt .....	\$ 67,105,000	
Estimated Overlapping Debt .....	\$ 23,820,153	(d)
Total Net Direct Debt and Estimated Overlapping Debt.....	\$ 90,925,153	
Net Direct Debt Ratio:		
As a Percentage of 2024 Taxable Assessed Valuation .....	10.56	%
As a Percentage of 2025 Preliminary Taxable Assessed Valuation .....	9.08	%
Total Net Direct Debt and Estimated Overlapping Debt Ratio:		
As a Percentage of 2024 Taxable Assessed Valuation .....	14.31	%
As a Percentage of 2025 Preliminary Taxable Assessed Valuation .....	12.30	%
Utility System Debt Service Fund Balance (as of April 22, 2025).....	\$ 4,518,926	(e)
Road System Debt Service Fund Balance (as of April 22, 2025) .....	\$ 1,067,859	(f)
General Fund Balance (as of April 22, 2025) .....	\$ 13,819,506	
Metro Road Utility District Fund Balance (as of April 22, 2025) .....	\$ 16,136,594	

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- (a) Represents the taxable assessed value of all taxable property within the District as of January 1, 2024, as certified by the Harris Central Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES" and "TAX DATA."
- (b) Provided by the Appraisal District as the preliminary value as of January 1, 2025. This value represents the preliminary determination of the taxable value in the District as of January 1, 2025, provided by the Appraisal District. No taxes will be levied on this preliminary value, which is subject to protest by landowners. See "TAXING PROCEDURES" and "TAX DATA."
- (c) For illustrative purposes only. This amount reflects the approximate principal amount of the District's bonds supported by Pledged Contract Revenue. See "INVESTMENT CONSIDERATIONS – Dependence on Collection of Contract Sales Tax Revenue" and "CONTRACT SALES TAX REVENUE."
- (d) See "DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement."
- (e) Neither Texas Law nor the bond resolutions for the Bonds and the Outstanding Bonds for the Utility System requires that the District maintain any particular sum in the Utility System Debt Service Fund.
- (f) Neither Texas Law nor the bond resolution for the Outstanding Bonds for the Road System requires that the District maintain any particular sum in the Road System Debt Service Fund.

2024 Tax Rate per \$100 of Taxable Assessed Valuation		
Utility System Debt Service.....	\$0.62	(a)
Road System Debt Service.....	\$0.00	(a)
Maintenance .....	<u>\$0.49</u>	
Total.....	\$1.11	
Average Annual Debt Service Requirement on the Outstanding Bonds (2025–2049).....	\$ 1,968,181	(b)
Less: Pledged Contract Revenue on Pledged Outstanding Bonds .....	<u>\$ 104,167</u>	
Net Average Annual Debt Service Requirement on the Outstanding Bonds .....	\$ 1,864,015	(c)
Maximum Annual Debt Service Requirement on the Outstanding Bonds (2026) .....	\$ 3,355,644	(b)
Less: Pledged Contract Revenue on Pledged Outstanding Bonds .....	<u>\$ 500,000</u>	
Net Maximum Annual Debt Service Requirement on the Outstanding Bonds.....	\$ 2,855,644	(c)
Combined Debt Service Tax Rate per \$100 of Taxable Assessed Valuation Required to Pay Net Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2025–2050) at 95% Tax Collections		
Based on 2024 Taxable Assessed Valuation.....	\$0.67	
Based on 2025 Preliminary Taxable Assessed Valuation.....	\$0.57	
Combined Debt Service Tax Rate per \$100 of Taxable Assessed Valuation Required to Pay Net Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2026) at 95% Tax Collections		
Based on 2024 Taxable Assessed Valuation.....	\$0.88	
Based on 2025 Preliminary Taxable Assessed Valuation.....	\$0.76	
Combined Net Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2025–2050) .....	\$ 3,994,611	(d)
Combined Net Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2026).....	\$ 5,272,906	(d)

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- (a) The District is authorized to levy separate debt service taxes for payment of debt service on bonds issued for the Utility System (e.g., the Outstanding Bonds for the Utility System and the Bonds) and for payment of debt service on bonds issued for the Road System (e.g., the Outstanding Bonds for the Road System). Both such taxes are unlimited as to rate or amount.
- (b) Requirement of debt service on the Outstanding Bonds.
- (c) Requirement of debt service on the Outstanding Bonds after deductions for Pledged Contract Revenue to be transferred to the Utility System Debt Service Fund for payment of debt service on the Pledged Outstanding Bonds. See "DISTRICT DEBT – Debt Service Requirement Schedules," "CONTRACT SALES TAX REVENUE," "INVESTMENT CONSIDERATIONS – Dependence on Collection of Contract Sales Tax Revenue," and "THE DISTRICT – Strategic Partnership Agreement."
- (d) Requirement of debt service on the Outstanding Bonds and the Bonds.

## Bonds Authorized but Unissued

The following sets out the unlimited tax bonds authorized and remaining unissued.

Date Authorized	Purpose	Amount Authorized	Authorization Used	Remaining Unissued
05/07/88	Water, Wastewater, Drainage & Refunding	\$28,850,000	\$28,850,000	\$ -
09/14/02	Water, Wastewater, Drainage & Refunding	36,000,000	36,000,000 (a)	-
05/06/23	Water, Wastewater & Drainage	611,900,000	16,665,000 (a)	595,235,000
05/06/23	Refunding Water, Wastewater & Drainage	611,900,000	-	611,900,000
05/06/23	Roads	364,000,000	16,940,000	347,060,000
05/06/23	Refunding Roads	364,000,000	-	364,000,000
05/06/23	Park & Recreational	99,500,000	-	99,500,000
05/06/23	Refunding Park & Recreational	99,500,000	-	99,500,000

(a) Includes the Bonds.

## Estimated Direct and Overlapping Debt Statement

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

Taxing Jurisdiction	Outstanding Debt March 31, 2025	Overlapping	
		Percent	Amount
Clear Creek Independent School District	\$ 996,560,000	2.01%	\$20,059,654
Harris County	2,424,019,039	0.10%	2,328,893
Harris County Department of Education	28,960,000	0.10%	27,643
Harris County Flood Control District	968,445,000	0.10%	949,942
Harris County Hospital District	59,315,000	0.10%	57,798
Port of Houston Authority	406,509,397	0.10%	396,224
Total Estimated Overlapping Debt .....			\$23,820,153
The District (a).....			<u>\$67,105,000</u>
Total Direct & Estimated Overlapping Debt (a).....			\$90,925,153

(a) Includes the Outstanding Bonds and the Bonds and excludes the amount of the Outstanding Bonds supported by Pledged Contract Revenue.

## Debt Ratios

### Net Direct Debt Ratio:

As a percentage of 2024 Taxable Assessed Valuation .....	10.56 %
As a percentage of 2025 Preliminary Taxable Assessed Valuation .....	9.08 %

### Net Direct and Estimated Overlapping Debt Ratio:

As a percentage of 2024 Taxable Assessed Valuation .....	14.31 %
As a percentage of 2025 Preliminary Taxable Assessed Valuation .....	12.30 %

## CONTRACT SALES TAX REVENUE

*Source and Authorization:* The City began assessing the City Sales Tax in the District on April 1, 2001. The City Sales Tax is levied and collected against the receipts from the sale of taxable items within the District. The City Sales Tax is also an excise tax on the use, storage or other consumption of taxable tangible personal property purchased, leased or rented from a retailer within the District. The imposition, computation, administration, governance, abolition and use of the Sales Tax is governed by the Municipal Sales and Use Tax Act.

In general, as applied to the sales tax, a taxable item includes any tangible personal property and certain taxable services. "Taxable services" include certain amusement services, cable television services, personal services, motor vehicle parking and storage services, the repair, remodeling, maintenance and restoration of most tangible personal property, certain telecommunication services, credit reporting services, debt collection services, insurance services, information services, real property services, data processing services, real property repair and remodeling, security services, telephone answering services, and Internet access service. Certain items are exempted by State law from sales and use taxes, including items purchased for resale, certain coin-operated machine sales, food products (except food products which are sold for immediate consumption, e.g. by restaurants, lunch counters, etc.), health care supplies (including medicines, corrective lens and various therapeutic appliances and devices), agricultural items (if the item is to be used exclusively on a farm or ranch or in the production of agricultural products), gas and electricity purchased for residential and certain other uses (unless a city has taken steps to repeal the exemption), certain property used in manufacturing, telecommunication services, newspapers, magazines, and basic fees for Internet access service. During an annual tax holiday, school clothing and supplies and other items are exempt. In addition, items which are taxed under other State laws are generally exempted from sales taxes. These items include certain natural resources, cement, motor vehicles and insurance premiums. Alcohol and tobacco products are taxed under both State alcohol and tobacco taxes, as well as through the sales taxes. In addition, purchases made by various exempt organizations are not subject to the sales and use taxes. Such organizations include the federal and state governments, political subdivisions, Indian tribes, religious institutions and certain charitable organizations and non-profit corporations. Also, State law provides an exemption from sales taxes on items purchased under a contract in effect when the legislation authorizing such tax (or the increase in the rate thereof) is enacted, up to a maximum of three years.

In general, a sale of a taxable item is deemed to occur within the political subdivision, county or special district in which the sale is consummated. The tax levied on the use, storage or consumption of tangible personal property is considered to be consummated at the location where the item is first stored, used or consumed. Thus, the use is considered to be consummated in a political subdivision, and the tax is levied there if the item is shipped from outside the state to a point within the political subdivision.

While any of the Pledged Outstanding Bonds remain outstanding, the District has covenanted to transfer from its General Operating Fund to its Utility System Debt Service Fund the lesser of (a) the first \$500,000 of Contract Sales Tax Revenue received annually from the City pursuant to the SPA or (b) the debt service amount on the Pledged Outstanding Bonds, during the term of the SPA, which ends on January 1, 2031, which is derived from the 1% City Sales Tax that is currently imposed on all taxable transactions within the District. This transfer shall occur on or before September 1 of each year.

*Other Sales Taxes.* In addition to the City Sales Tax and the Metro Sales Tax as described earlier, the State levies and collects a 6.25% sales and use tax against essentially the same taxable items and transactions as the City's sales tax is levied. Under current State law, the maximum aggregate sales and use tax which may be levied within a given area by most authorized political subdivisions and municipalities within such area, including the State, is 8.25%. The current aggregate sales and use tax levied in the District is 8.25%, of which 6.25% is levied by the State, 1% is levied by the City and 1% is levied by Metro.

*Collection and Administration.* The Comptroller administers and enforces all sales tax laws and collects all sales and use taxes levied by the State, and levying municipalities, counties, political subdivisions and other special districts having sales tax powers, such as the City and Metro. Certain limited items are taxed for the benefit of the State under sales tax statutes, such as certain natural resources and other items described above, and are not subject to the sales tax base available to political subdivisions, municipalities, counties and other special districts, including the tax base against which the City Sales Tax is levied. Political subdivisions may by local option determine to tax certain telecommunication services on the same basis as the State taxes such services

or to opt out of the tax holiday. With respect to the taxation of the residential use of gas and electricity, the State is not authorized to collect a sales tax, while political subdivisions, on a local option basis, may tax such use. The City has not opted out of the tax holiday.

In recent years, several changes in the State sales tax laws have contributed to the growth of local sales tax revenues. These changes have added additional goods and services to the list of taxable items. Other items have been subjected to sales tax on an interim basis or have been taxed pursuant to legislation which includes planned phase-outs of the tax.

With certain exceptions, sales and use taxes in the State are collected at the point of sale and are remitted to the Comptroller by the “taxpayer” who is, generally speaking, the business that collects the tax resulting from a taxable transaction. Taxpayers owing \$500 or more in sales and use taxes in a calendar month submit their tax collections to the Comptroller on a monthly basis; taxpayers owing less than \$500 in sales and use taxes in a calendar month, or \$1,500 in a calendar quarter, submit their tax collections quarterly. Taxpayers owing less than \$1,000 annually may submit their tax collections annually. Generally, taxpayers are required to submit tax reports to the Comptroller on the same date as payment is due. The Comptroller is required by law to distribute funds to the receiving political subdivisions periodically and as promptly as feasible, but not less frequently than twice during each fiscal year of the State. Historically, and at the present time, the Comptroller distributes the funds monthly with the largest payments being made quarterly in February, May, August and November. The Comptroller has initiated a direct deposit program using electronic funds transfers to expedite the distribution of monthly allocation checks. If a political subdivision desires to participate in the electronic funds transfers, it may make application to the Comptroller. The City participates in this program. Otherwise, the Comptroller mails the monthly allocation check, which is typically received by the middle of the month following the month in which the taxpayer reports and remits payment on the tax.

The Comptroller is responsible for enforcing the collection of sales and use taxes in the State. Under current State law, the Comptroller utilizes sales tax permits, sales tax bonds and audits to encourage, timely payment of sales and use taxes. Each entity selling, renting, leasing or otherwise providing taxable goods or services is required to have a sales tax permit. Permits are required for each individual location of a taxpayer and are valid for only one year, requiring an annual renewal. As a general rule, every person who applies for a sales tax permit for the first time, or who becomes delinquent in paying the sales or use tax, is required to post a bond in an amount sufficient to protect against the failure to pay taxes. The Comptroller’s audit procedures include auditing the largest 2% of the sales and use tax taxpayers (who report about 65% of all sales and use taxes in the State annually), every three or four years. Other taxpayers are selected at random or upon some other basis for audits. The Comptroller also engages in taxpayer education programs and mails a report to each taxpayer before the last day of the month, quarter or year that it covers.

Once a taxpayer becomes delinquent in the payment of a sales or use tax, the Comptroller may collect the delinquent tax by using one or more of the following methods: (i) collection by an automated collection center or local field office, (ii) estimating the taxpayer’s liability based on the highest amount due in the previous 12 months and billing the taxpayer for the estimated amount, (iii) filing liens and requiring a new or increased payment bond, (iv) utilizing forced collections procedures, such as seizing assets of the taxpayer (such as a banking account) or freezing assets of the taxpayer that are in the custody of third parties, (v) removing a taxpayer’s sales and use tax permit, and (vi) certifying the account to the Office of the Attorney General of Texas for the filing of suit for collection. A political subdivision may not sue for delinquent taxes unless it joins the Attorney General as a plaintiff or unless it first receives the permission of the Attorney General and the Comptroller.

### **Historical City Sales Tax Revenue and Collection of Contract Sale Tax Revenue**

The City began imposing the City Sales Tax upon businesses within the District on April 1, 2001, with the first collections received on August 1, 2001. City Sales Taxes are generally received by the City from the Comptroller two months after the period of collection from the Comptroller.

The table below represents the annual receipts from the City for fiscal years 2019 through 2023. Contract Sales Tax Revenue represents one-half of the 1% City Sales Tax. Only the first \$500,000 of Contract Sales Tax Revenue received by the District during a calendar each year is Pledged Contract Revenue, and only during the term of the SPA, which ends on January 1, 2031, or while any of the Pledged Outstanding Bonds remain outstanding.

<u>Fiscal Year Ending June 30,</u>	<u>District Sales Tax Receipts</u>
2023	\$2,303,293
2022	2,227,234
2021	1,989,967
2020	1,669,766
2019	1,711,464

### **Major Sources of Sales Taxes in the District**

The City Sales Tax is levied by the City on all taxable transactions within the District. Most of the City Sales Tax revenues are from the retail establishments shown herein under “DEVELOPMENT WITHIN THE DISTRICT.” The amount of actual City Sales Tax revenues or City Sales Taxes generated by particular retail establishments is deemed confidential and protected by State law.

## **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 sufficient amount to pay the principal of and interest on the Outstanding Bonds, the Bonds and any additional bonds payable from taxes which the District may hereafter issue (see “INVESTMENT CONSIDERATIONS – Future Debt”), and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully above under “THE BONDS – Source of Payment.” Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District, the Utility System, and the Road System and for the payment of certain contractual obligations. See “TAX DATA – Maintenance Tax.”

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

Title I of the Texas Tax Code (the “Property Tax Code”) specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Appraisal District has the responsibility of appraising property for all taxing units within the County including the District. Such appraisal values will be subject to review and change by the Harris County Appraisal Review Board (the “Appraisal Review Board”).

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

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District. The District has not granted a tax exemption for residential homesteads of persons who are 65 years of age or older or disabled. 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 the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to

an exemption for the full value of the veteran's residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. This exemption will also apply to a residence homestead that was donated by a charitable organization at some cost to such veterans. Also, the surviving spouse of a member of the armed forces who was killed in action is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption may be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

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

**Residential Homestead Exemptions:** The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. The District has not adopted a general homestead exemption.

**Freeport Goods Exemption:** A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2012 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 2013 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 property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

## **Tax Abatement**

Harris County or the City of Houston may designate all or part of the area within the District as a reinvestment zone. Thereafter, the City of Houston (after annexation of the land within the District), Harris County, and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. Currently, no part of the District has been designated as a reinvestment zone.

## **Valuation of Property for Taxation**

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

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by one political subdivision 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 the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all property in the Appraisal District at least once every three years. It is not known what frequency of reappraisals will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense, has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses to formally include such values on its appraisal roll.

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax



Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

### **District and Taxpayer Remedies**

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

The Property Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda which could result in the repeal of certain tax increases. The Property 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. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. 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, may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement in writing and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in equal monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continues to accrue during the period of deferral.

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

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

### *Special Taxing Units*

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

### *Developed Districts*

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

### *Developing Districts*

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

### *The District*

For the 2024 tax year, the District has determined its status as a Developing District. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

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

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

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

## **TAX DATA**

### **General**

All taxable property within the District is subject to the assessment, levy and collection by the District of a continuing, direct annual ad valorem tax without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (see "TAXING PROCEDURES"). The Board of Directors of the District has in its Bond Resolution covenanted to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. See "THE BONDS" and "INVESTMENT CONSIDERATIONS." The District levied a debt service tax of \$0.62 per \$100 of assessed valuation and a maintenance tax of \$0.49 per \$100 of assessed valuation for the 2024 tax year.

### **Tax Rate Limitation**

Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance:	\$1.00 per \$100 Assessed Taxable Valuation.
Road Maintenance:	\$0.25 per \$100 Assessed Taxable Valuation.

### **Maintenance Tax**

The Board of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance tax is authorized by vote of the District's electors. The District's voters have authorized the levy of such a maintenance tax not to exceed \$1.00 per \$100 of assessed valuation. The District has also authorized the levy of a maintenance tax not to exceed \$0.25 per \$100 of assessed valuation for roads.

### **Additional Penalties**

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

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## Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of taxable assessed valuation that would be required to meet certain debt service requirements on the Outstanding Bonds and the Bonds assuming no growth in the District's tax base beyond the 2024 Taxable Assessed Valuation (\$635,325,876) or the 2025 Preliminary Taxable Assessed Valuation (\$739,011,408). The calculations also assume collection of 95% of taxes levied.

Combined Net Average Annual Debt Service Requirement on the  
Outstanding Bonds and the Bonds (2025–2050) .....\$3,994,611  
Debt Service Tax Rate of \$0.67 on the 2024 Taxable Assessed Valuation produces.....\$4,043,849  
Debt Service Tax Rate of \$0.57 on the 2025 Preliminary Taxable Assessed Valuation produces .....\$4,001,747

Combined Net Maximum Annual Debt Service Requirement on the  
Outstanding Bonds and the Bonds (2026).....\$5,272,906  
Debt Service Tax Rate of \$0.88 on the 2024 Taxable Assessed Valuation produces.....\$5,311,324  
Debt Service Tax Rate of \$0.76 on the 2025 Preliminary Taxable Assessed Valuation produces .....\$5,335,662

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of taxable assessed valuation that would be required to meet certain debt service requirements on the Outstanding Bonds if Pledged Contract Revenue is applied toward payment of debt service on the Pledged Outstanding Bonds and no growth in the District's tax base occurs beyond the 2024 Taxable Assessed Valuation (\$635,325,876) or the 2025 Preliminary Taxable Assessed Valuation (\$739,011,408). The calculations also assume collection of 95% of taxes levied.

Net Average Annual Debt Service Requirement on the Outstanding Bonds (2026–2049).....\$1,864,015  
Debt Service Tax Rate of \$0.31 on the 2024 Taxable Assessed Valuation produces.....\$1,871,035  
Debt Service Tax Rate of \$0.27 on the 2025 Preliminary Taxable Assessed Valuation produces .....\$1,895,564

Net Maximum Annual Debt Service Requirement on the Outstanding Bonds (2026).....\$2,855,644  
Debt Service Tax Rate of \$0.48 on the 2024 Taxable Assessed Valuation produces.....\$2,897,086  
Debt Service Tax Rate of \$0.41 on the 2025 Preliminary Taxable Assessed Valuation produces .....\$2,878,449

## Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions (see "DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement"), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below is a chart of all taxes per \$100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. The following chart includes the 2024 taxes per \$100 of assessed valuation levied by all such taxing jurisdictions.

No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

<u>Taxing Jurisdiction</u>	<u>2024 Tax Rate</u>
Clear Creek Independent School District	\$0.969000
Harris County	0.385290
Harris County Flood Control District	0.048970
Port of Houston Authority	0.006150
Harris County Hospital District	0.163480
Harris County Department of Education	0.004799
The District	<u>1.110000</u>
Total Tax Rate	\$2.687689

## Historical Tax Collections

Tax Year	Assessed Valuation	Tax Rate (a)	Adjusted Levy	Collections Current Year	Current Year Ended 9/30	Collections 03/31/2025
2020	\$376,856,080	\$1.11	\$4,183,102	99.86%	2021	99.93%
2021	376,558,301	1.11	4,179,797	99.81	2022	99.98
2022	424,633,588	1.11	4,713,433	99.87	2023	99.92
2023	504,001,619	1.11	5,594,418	99.92	2024	99.91
2024	635,325,876	1.11	7,052,117	98.40	2025	98.40

(a) Total tax rate per \$100 of assessed valuation for each respective tax year. See "Tax Rate Distribution" below.

## Tax Rate Distribution

The following sets out the components of the District's tax rate for each of tax years 2020–2024.

	2024	2023	2022	2021	2020
Debt Service	\$0.620	\$0.350	\$0.420	\$0.320	\$0.610
Maintenance	<u>\$0.490</u>	<u>\$0.760</u>	<u>\$0.690</u>	<u>\$0.790</u>	<u>\$0.500</u>
Total	\$1.110	\$1.110	\$1.110	\$1.110	\$1.110

## Assessed Taxable Valuation Summary

The following represents the type of property comprising the 2020–2024 tax rolls as certified by the Harris Central Appraisal District.

Type of Property	2024 Assessed Taxable Valuation	2023 Assessed Taxable Valuation	2022 Assessed Taxable Valuation	2021 Assessed Taxable Valuation	2020 Assessed Taxable Valuation
Land	\$ 145,587,787	\$ 145,958,972	\$ 145,553,101	\$ 129,707,527	\$ 129,531,225
Improvements	425,842,062	300,267,684	236,450,788	209,585,496	208,951,444
Personal Property (a)	82,430,439	75,398,429	59,802,814	52,133,615	52,232,437
Exemptions	<u>(18,534,412)</u>	<u>(17,623,466)</u>	<u>(17,173,115)</u>	<u>(14,868,337)</u>	<u>(13,859,026)</u>
Total	\$ 635,325,876	\$ 504,001,619	\$ 424,633,588	\$ 376,558,301	\$ 376,856,080

(a) See "INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments."

## Principal Taxpayers

The following are the principal taxpayers in the District as shown on the District's certified appraisal rolls for the 2024 tax year.

Taxpayer (a)	Type of Property	Assessed Valuation 2024 Tax Roll	% of Total Assessed Valuation
VR Palmilla Limited Partnership (b)	Land & Improvements	\$ 61,908,286	9.74%
Welltower OM Group LLC (c)	Land & Improvements	54,110,863	8.52%
OH Bayside LLC (b)	Land & Improvements	53,089,275	8.36%
OWRF Baybrook LLC (d)	Land & Improvements	46,564,265	7.33%
Grayson at Baybrook Multifamily (b)	Land & Improvements	46,032,923	7.25%
Baybrook LPC LLC (d)	Land & Improvements	41,041,065	6.46%
CRP AR Prose Baybrook (b)	Land & Improvements	40,329,342	6.35%
Eastfield at Baybrook LLC (d)	Land & Improvements	38,447,522	6.05%
Texas Baybrook Square Center (d)	Land & Improvements	29,635,206	4.66%
Health Care Reit Inc. (c)	Land & Improvements	24,284,200	3.82%
Total		\$ 435,442,947	68.54%

- (a) See "PRINCIPAL LANDOWNERS AND DEVELOPER."  
 (b) Owner of a multi-family property in the District.  
 (c) Owner of a medical office property in the District.  
 (d) Owner of a retail shopping center in the District.

## THE SYSTEM

### General

The water and wastewater facilities, the purchase, acquisition and construction of which have been financed by the District with the proceeds from certain of the District's prior bond issues, have been designed in accordance with accepted engineering practices and the recommendation of certain governmental agencies having regulatory or supervisory jurisdiction over construction and operation of such facilities, including, among others, the TCEQ. According to LJA Engineering, Inc. (the "Engineer"), the design of all such facilities has been approved by all governmental agencies, which have jurisdiction over the District.

### Description

The water, wastewater and drainage facilities which were constructed on behalf of the District are described below, based upon information obtained from the Engineer:

#### - Water Supply -

The District entered into a contract with the City of Houston to share in the construction of the City of Houston's Southeast Water Purification Plant (the "SEWPP"), which supplies treated surface water to the District. The District has purchased capacity for 1.8 million gallons per day ("MGD") from the SEWPP, which represents approximately 0.9% of the SEWPP's total capacity of 200 MGD. Under the terms of the contract with the City of Houston, the SEWPP is operated by the City of Houston, and the District is responsible for its pro-rata share of the operation and maintenance of the SEWPP.

The District receives treated water from the SEWPP from two transmission lines: a 24-inch line with a capacity of 12 MGD and a 12-inch line with capacity of 3 MGD for a total transmission line capacity of 15 MGD.

The District owns and operates Water Plant No. 1, which is used to repressurize the flows received from the SEWPP. Water Plant No. 1 consists of a 420,000 gallon ground storage tank, a 20,000 gallon hydropneumatic tank and two 500 gallon per minute ("GPM") booster pumps. The District is under construction of an expansion of Water Plant No. 1 to add additional booster pumps and a hydropneumatic tank. After completion of such expansion, the resulting capacity of Water Plant No. 1 in conjunction with the flows from the SEWPP will be

sufficient to serve approximately 2,500 equivalent single-family connections ("ESFCs"). The District currently serves approximately 1,581 ESFCs within the District.

The District also has an emergency water interconnect with the City of Webster.

- Wastewater Treatment -

The District currently receives wastewater treatment service through its participation in the Blackhawk Regional Wastewater Treatment Plant ("WWTP"), a 9.25 MGD plant operated by the Gulf Coast Authority. The District owns 1.025 MGD (approximately 11.08%) of capacity in the WWTP, which is sufficient to serve approximately 3,417 ESFCs. The District currently serves approximately 1,581 ESFCs within the District.

- Drainage -

The District is within the Clear Creek watershed. The majority of the District area drains into Harris County Flood Control District Ditch No. A111-00-00. Developed areas are collected by curb and gutter, routed through detention ponds, then released into Ditch No. A111-00-00, which drains into Clear Creek beyond the boundaries of the District.

- The Road System -

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

The Road System serves residents of the District by providing access to the major thoroughfares and collectors along the boundaries of Farm to Market 528 and surrounding areas. The major thoroughfares and collectors adjacent to the District include Farm to Market 528 and Bay Area Boulevard. The District will finance, design, and construct the Road System in phases as development progresses. Harris County will ultimately own, operate, and maintain the Road System as the phases are built and accepted by the County. The District does not intend to maintain or operate the roads once the County accepts them.

Harris County is responsible for ongoing maintenance of public roads in the District, once accepted by the County.

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## Operating History

The following is a summary of the District's operating fund for the last six years. The figures below for the District's fiscal years ended on or before June 30, 2024, were obtained from the District's annual audited financial statements for the fiscal year ended June 30, 2024, reference to which is hereby made (see "APPENDIX A"). The figures below for the fiscal year ended June 30, 2025, are unaudited and were obtained from a report of the District's bookkeeper as of March 31, 2025. The District is required by statute to have a certified public accountant audit the District's financial statements, which annual audited financial statements are filed with the TCEQ.

	Fiscal Year Ended June 30					
	2025 (a)	2024	2023	2022	2021	2020
<b>Revenues</b>						
Water service	\$ 429,320	\$ 480,183	\$ 372,855	\$ 338,716	\$ 316,817	\$ 280,181
Sewer service	428,976	459,556	353,799	293,929	257,530	231,558
Property taxes	2,914,050	3,831,180	3,012,918	2,795,667	1,794,790	2,260,032
Penalties and interest	14,939	16,948	10,403	10,336	9,281	2,548
Tap connection and inspection	1,580	289,180	444,230	230,667	190,014	49,057
Sales tax revenue	1,900,773	2,407,398	2,303,293	2,227,234	1,989,967	1,669,766
Miscellaneous	344,496	80,848	55,825	77,833	36,711	4,804
Investment earnings	515,225	964,798	645,785	47,601	40,070	272,318
<b>Total Revenues</b>	<b>\$ 6,549,359</b>	<b>\$ 8,530,091</b>	<b>\$ 7,199,108</b>	<b>\$ 6,021,983</b>	<b>\$ 4,635,180</b>	<b>\$ 4,770,264</b>
<b>Expenditures</b>						
Purchased services	\$ 183,913	\$ 396,779	\$ 413,406	\$ 305,858	\$ 315,863	\$ 242,110
Professional fees	262,686	563,949	606,116	329,728	443,408	237,142
Contracted services	225,814	236,160	267,111	252,930	176,925	144,284
Repairs and maintenance	241,384	623,597	563,741	457,873	417,792	457,544
Utilities	28,635	41,152	35,578	36,056	36,827	42,628
Administrative	49,990	71,899	71,520	59,574	54,942	50,039
Other	131,686	46,347	9,757	7,016	20,180	17,280
Capital outlay	6,850,829	8,243,205	2,764,730	4,379,776	1,931,650	3,226,518
Intergovernmental Facility Costs	87,199	64,581	32,617	47,919	118,862	282,589
Transfer to Debt Service	500,000	0	0	0	0	0
<b>Total Expenditures</b>	<b>\$ 8,562,289</b>	<b>\$10,287,669</b>	<b>\$ 4,764,576</b>	<b>\$ 5,876,730</b>	<b>\$ 3,516,449</b>	<b>\$ 4,700,134</b>
<b>Revenues Over Expenditures</b>	<b>\$(2,012,777)</b>	<b>\$(1,757,578)</b>	<b>\$ 2,434,532</b>	<b>\$ 145,253</b>	<b>\$ 1,118,731</b>	<b>\$ 70,130</b>

(a) Unaudited.



## INVESTMENT CONSIDERATIONS

### General

The Bonds are obligations solely of the District and are not obligations of the City of Houston, Texas, Harris County, Texas, the State of Texas, or any entity other than the District. The ultimate security for payment of the principal of and interest on the Bonds depends on the ability of the District to collect taxes levied on taxable property within the District sufficient to meet debt service requirements and on the value of taxable property with respect to taxes levied by the District or by similar taxing authorities. The District cannot and does not make any representations that over the life of the Bonds the construction of taxable improvements, accumulation of taxable personal property or continued development of taxable property within the District will accumulate or maintain taxable values sufficient to justify continued payment of taxes by property owners.

### Factors Affecting Taxable Values and Tax Payments

*Economic Factors:* The rate of development within the District is directly related to the vitality of the commercial, single-family housing, and multi-family housing industry in the Houston metropolitan area. New commercial, single-family housing, and multi-family construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of commercial, single-family housing, and multi-family construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development in the District. See “DEVELOPMENT WITHIN THE DISTRICT – Status of Development.” The Houston area economy has significant exposure to the oil and gas industry. Any extended downturn in such industry could negatively impact the District’s taxable value, and consequently, the security of the Bonds.

*Location and Access:* The District is located in an outlying area of the Houston metropolitan area, approximately 21 miles southeast from the central business district of the City of Houston, adjacent to Interstate Highway 45. Many of the mixed-use developments with which the District competes are in a more developed state and have lower taxes. As a result, particularly during times of increased competition, the developer within the District may be at a competitive disadvantage to the developers in other mixed-use projects located closer to major urban centers or in a more developed state. See “THE DISTRICT” and “DEVELOPMENT WITHIN THE DISTRICT.”

*Principal Landowners’ Obligations to the District:* The District’s tax base is concentrated in a small number of taxpayers. As reflected in this Official Statement under the caption “TAX DATA – Principal Taxpayers,” the District’s ten principal taxpayers in 2024 owned property located in the District, the aggregate assessed valuation of which comprised approximately 68.54% of the District’s total assessed valuation. The District cannot represent that its tax base will in the future be (i) distributed among a significantly larger number of taxpayers, or (ii) less concentrated in property owned by a relatively small number of property owners, than it is currently. Failure by one or more of the District’s principal property owners to make full and timely payments of taxes due may have an adverse effect on the investment quality or security of the Bonds. If any one or more of the principal District taxpayers did not pay taxes due, the District might need to levy additional taxes or use other debt service funds available to meet its debt service requirements. Some of the District’s principal taxpayers own large commercial facilities that may not be readily sold, re-leased, or re-purposed should the businesses located in such facilities cease operations in the District.

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners. The District levied a tax of \$1.11 per \$100 of assessed valuation for 2024.

*Dependence on Personal Property Tax Collections:* Approximately 12.97% (\$82,430,439) of the District’s 2024 Certified Taxable Assessed Valuation is personal property. Most other municipal utility districts in Texas are not dependent to such an extent on taxes levied on personal property, and personal property taxation and collection create special risks for Registered Owners. See “TAX DATA – Principal Taxpayers,” “– Assessed Taxable Valuation Summary,” and “TAXING PROCEDURES.”

Unlike real property, there is no certainty that personal property will remain in the District from year to year. Automobiles and other personal property are 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. 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 then or thereafter owned by the taxpayer. However, the District may not be able to foreclose on personal property located outside the State of Texas and 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, as contrasted with the 20-year statute of limitations for real property. Personal property may not be seized, and a suit may not be filed to collect delinquent personal property taxes if the tax has been delinquent for more than four years. A tax and any penalty and interest on the tax that is delinquent longer than the limitation period is presumed paid unless a suit to collect such personal property tax is pending. As with real property taxes, ad valorem taxes levied on personal property are the personal obligation of the taxpayer. See "TAXING PROCEDURES."

*Maximum Impact on District Tax Rates:* Assuming no further development, the value of the land and commercial or multi-family improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2024 Taxable Assessed Valuation of property located within the District is \$635,325,876 and the 2025 Preliminary Taxable Assessed Valuation is \$739,011,408. After issuance of the Bonds, the net maximum annual debt service requirement on the Outstanding Bonds and the Bonds will be \$5,272,906 (2026), and the net average annual debt service requirement on the Bonds will be \$3,994,611 (2025–2050). Assuming no increase to nor decrease from the 2024 Taxable Assessed Valuation, tax rates of \$0.88 and \$0.67 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement on the Outstanding Bonds and the Bonds and the average annual debt service requirement on the Outstanding Bonds and the Bonds, respectively. Assuming no increase to nor decrease from the 2025 Preliminary Taxable Assessed Valuation, tax rates of \$0.76 and \$0.57 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement on the Outstanding Bonds and the Bonds and the average annual debt service requirement on the Outstanding Bonds and the Bonds, respectively. Such tax rates are in addition to the tax rates required to pay debt service requirements on the Outstanding Bonds.

Assuming the District's transfer of Pledged Contract Revenue to the Utility System Debt Service Fund for payment of debt service on the Pledged Outstanding Bonds (see "CONTRACT SALES TAX REVENUE" and "INVESTMENT CONSIDERATIONS – Dependence on Collection of Contract Sales Tax Revenue"), the net maximum annual debt service requirement on the Outstanding Bonds is \$2,855,644 (2026), and the net average annual debt service requirement on the Outstanding Bonds is \$1,864,015 (2026–2049). Assuming no increase to nor decrease from the 2024 Taxable Assessed Valuation of \$635,325,876, tax rates of \$0.48 and \$0.31 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the net maximum annual debt service requirement on the Outstanding Bonds and the net average annual debt service requirement on the Outstanding Bonds, respectively. Assuming no increase to nor decrease from the 2025 Preliminary Taxable Assessed Valuation of \$739,011,408, tax rates of \$0.41 and \$0.27 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the net maximum annual debt service requirement on the Outstanding Bonds and the net average annual debt service requirement on the Outstanding Bonds, respectively. See "TAX DATA – Tax Rate Calculations."

Increases in the District's tax rate to rates substantially higher than the levels discussed above may have an adverse impact upon future development of the District, and the ability of the District to collect, and the willingness of owners of property located within the District to pay ad valorem taxes levied by the District.

### **Tax Exemption Provided to Public Facility Corporations and Certain Lessees**

Chapter 392 of the Texas Local Government Code authorizes a housing authority to exempt certain property from all taxes and special assessments of a political subdivision, including a municipal utility district, if certain conditions are met and Chapter 303 of the Texas Local Government Code (the "PFC Act") authorizes cities, counties, school districts, housing authorities and special districts (a "Sponsor") to create a sponsored Public Facility Corporation ("PFC") to acquire, construct, rehabilitate, renovate, repair, equip, furnish and place in service public facilities. These activities may be financed through certain obligations of either the Sponsor or the PFC. Under the PFC Act, a "public facility" includes any real, personal, or mixed property, or an interest in property devoted or to be devoted to public use, and authorized to be financed under the PFC Act. A public

facility, including a leasehold estate in a public facility, that is owned by a PFC is exempt from taxation by the State or a municipality or other political subdivision of the State, including the District. This exemption applies to both ad valorem and sales taxes levied by such taxing authorities. Subject to certain restrictions, a leasehold or other possessory interest granted by the PFC to the user of a PFC-owned multifamily residential development entitles that user to this same exemption. The 88th Texas Legislature passed H.B. 2071, which became effective June 18, 2023, to amend the PFC Act. H.B. 2071 significantly revised the PFC Act's requirements for the lessee of a multi-family residential development to qualify for this exemption and provides that the exemption for such projects does not apply to taxes imposed by a conservation and reclamation district providing water, sewer, or drainage services to the development, unless an agreement is entered into with the district concerning payments in lieu of taxation. Projects for which PFC or Sponsor approval was received prior to the effective date of H.B. 2071 are governed by the prior law and are not subject to the same requirements.

### **Increase in Costs of Materials, Supply and Trade Disruptions and Labor Shortages**

As a result of low supply and high demand, shipping constraints, and ongoing trade disputes (including tariffs and retaliatory tariffs), there have been substantial increases in the cost of lumber and other materials, causing many general contractors to experience budget overruns. Further, the federal administration's unpredictable tariff policy (including the threatened imposition of tariffs) may impact or disrupt global supply chains and trade, including the ability of developers to estimate costs. The federal administration's immigration policies may additionally impact the State's workforce, particularly in construction. Mass deportations or immigration policies that make it challenging for foreign workers to work in the United States may result in labor shortages that impact construction activity within the District. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact existing values. The District makes no representations regarding the probability of development continuing in a timely manner or the effects that current or future economic or governmental circumstances may have on any plans of developers or builders within the District.

### **Potential Impact of Natural Disaster**

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

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

### **Specific Flood Type Risks**

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

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

release of water by a debris or ice jam. In addition, planned or unplanned controlled releases from a dam, levee or reservoir also may result in flooding in areas adjacent to rivers, bayous, or drainage systems downstream.

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

The sudden change in oil prices in the U.S. and globally, which at times have led to the lowest such prices in three decades, 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 or homebuilding activity 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.

### **Tax Collections 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 state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property or (d) the taxpayer's right to redeem the property within six (6) months for commercial property and two (2) years for residential and all other property after the purchaser's deed issued at the foreclosure sale is filed in the county records. 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. Attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale.

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 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 (2) other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six (6) years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

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

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no provision for 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. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The enforceability of the rights and remedies of the Registered Owners further 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. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the District to seek judicial foreclosure of its tax lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See "THE BONDS – Registered Owners' Remedies."

## **Dependence on Collection of Contract Sales Tax Revenue**

Contract Sales Tax Revenues are a significant source of payment for the Pledged Outstanding Bonds. The District has covenanted to transfer annually, before September 1 of each year, from its General Operating Fund to its Utility System Debt Service Fund the lesser of (a) the first \$500,000 of Contract Sales Tax Revenue received annually from the City pursuant to the SPA or (b) the debt service amount on the Pledged Outstanding Bonds to the extent there are sufficient Contract Sales Tax Revenues and during the term of the SPA, which expires on January 1, 2031. The amount of the Pledged Contract Revenue derived from the Contract Sales Tax Revenue is closely related to the amount of economic activity in the District. Sales tax receipts, unlike other taxes levied by political subdivisions, immediately reflect changes in economic conditions. Assuming no increase to nor decrease from the District's 2024 Taxable Assessed Valuation of \$635,325,876, a 95% tax collections rate, and no Pledged Contract Revenues, a tax rate of \$0.27 per \$100 of assessed valuation would be necessary to pay the average annual debt service requirement of \$1,626,950 on the Outstanding Bonds from 2031 to 2049. See "CONTRACT SALES TAX REVENUE" and "THE DISTRICT – Strategic Partnership Agreement."

Historically, the Comptroller of Public Accounts of the state (the "Comptroller") has remitted sales and use tax allocation checks to political subdivisions on a monthly basis, but State law currently requires that such allocation be made at least twice annually and such procedures could change in the future without the City's or District's consent. Additionally, the taxable items and services subject to State and local sales and use taxes are subject to legislative action, and are reviewed every session by the State Legislature and are changed periodically by the State Legislature. State law provides that the Sales Tax cannot be levied against any taxable item or service unless such item or service is also subject to the State sales and use tax.

The State Legislature has enacted laws permitting the State, together with its political subdivisions, to levy sales and use taxes of up to 8.25%, which is among the highest sales tax rates in the nation (although the State has no personal or corporate income tax), and the current total sales and use tax rate within the District's boundaries for State, City and Metro purposes is 8.25%. The rate of the sales and use taxes authorized in the State could be further increased by the State Legislature, and the District has no way of predicting any such increase or the resulting effects, if any, on the collectability of the portion of the City Sales Tax which is pledged toward the payment of debt service on the Pledged Outstanding Bonds. State leaders have appointed committees to study methods of achieving greater tax equity within the State's tax system. Any changes which may be enacted by the State Legislature could affect the tax base against which the Sales Tax is levied, and the District, except in certain limited instances described above, has no control over the components of the tax base. The District has no statutory authority to increase or decrease the maximum authorized rate of the Sales Tax.

City Sales Tax receipts received by the City and in turn the District, pursuant to the SPA, are expected to be subject to seasonal variations and to changes in State laws and administrative practices governing the remittance of sales and use tax receipts which authorize certain taxpayers to remit tax receipts at different times throughout the year.

## **Future Debt**

At the 2002 Election and 2023 Election, voters of the District authorized the District's issuance of \$36,000,000 and \$611,900,000, respectively, principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System. The Bonds represent the District's sixth and final installment of the 2002 Election and the first installment of the 2023 Election. Following the issuance of the Bonds, \$595,235,000 principal amount of unlimited tax bonds for acquiring or constructing the Utility System will remain authorized but unissued from the 2023 Election.

At an election held within the District on May 6, 2023, voters of the District also authorized the District's issuance of \$611,900,000 in bonds for the purpose of refunding bond issued by the District for the Utility System; \$364,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; \$364,000,000 in bonds for the purpose of refunding bonds issued by the District for the Road System; \$99,500,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Park System; and \$99,500,000 in bonds for the purpose of refunding bonds issued by the District for the Park System. Following the issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: \$595,235,000 for the Utility System and \$611,900,000 principal amount for

refunding such bonds; \$347,060,000 for the Road System and \$364,000,000 for refunding such bonds; and \$99,500,000 for the Park System and \$99,500,000 for refunding such bonds.

In the Bond Resolution, the District reserves the right to issue the remaining authorized but unissued bonds for the Utility System and such additional bonds as may hereafter be approved by both the Board of Directors and voters of the District. The District has also reserved the right to issue certain other additional bonds, special project bonds, inferior lien bonds, and other obligations described in the Bond Resolution. All the remaining bonds for construction of the Utility System and all of the remaining bonds for construction of the Park System, which have heretofore been authorized by the voters of the District, may be issued by the District, with the approval of the TCEQ, from time to time as improvement needs arise. If the District does issue future bonds or other debt obligations, such issuance could increase gross debt/property valuation ratios and might adversely affect the investment security of the Bonds.

To date, the District has fully reimbursed all developers for funds advanced on behalf of the District. If a developer is entitled to reimbursement in the future, the District may issue bonds to reimburse such costs or may use a combination of cash on hand and bond proceeds to reimburse such costs. With respect to the District's issuance of additional bonds to reimburse such costs, the District may do so after approval of the TCEQ for water, sewer, drainage, and recreational facility bonds. In addition, future, changes in health, environmental, or other governmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See "THE BONDS – Issuance of Additional Debt."

### **Competitive Nature of Commercial, Single-Family Housing and Multi-Family Housing Market**

The commercial, single-family housing, and multi-family housing industry in the Houston area is very competitive, and the District can give no assurance that further development of land within the District for commercial or multi-family housing purposes will be continued or completed. The respective competitive positions of the developers and any of the commercial users are affected by most of the factors discussed in this section, and such competitive positions are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

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

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

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

### **Marketability of the Bonds**

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

### **Approval of the Bonds**

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

### **2025 Legislative Session**

The 89th Regular Legislative Session convened on January 14, 2025, and will conclude on June 2, 2025. The Texas Legislature could enact laws that materially change current laws affecting ad valorem tax matters, which could adversely affect the marketability or market value of the Bonds. The Governor of Texas has declared property tax reform a priority item for the legislative session. In addition, the Governor may call one or more



additional special sessions that may include legislation affecting property taxes. The District can make no representation regarding any actions the Texas Legislature may take or the effect of such actions.

### **Bond Insurance Risk Factors**

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

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

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

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

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

Neither the District nor the Initial Purchaser have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment.

### **Changes in Tax Legislation**

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

## **LEGAL MATTERS**

### **Legal Opinions**

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

to rate or amount, upon all taxable property within the District and based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds; the approving legal opinion of Bond Counsel, to a like effect, and to the effect that, 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 Code (as defined below)) for the purpose of computing the alternative minimum tax imposed on corporations.

Bond Counsel has reviewed the information appearing in this Official Statement under the caption "THE DISTRICT - Description," "THE DISTRICT - Strategic Partnership Agreement," "THE BONDS," "CONTRACT SALES TAX REVENUE," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS", and "CONTINUING DISCLOSURE OF INFORMATION," solely to determine whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District or the Developer or the Principal Landowners for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

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

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

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

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

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

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

### **TAX MATTERS**

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code")) for the purpose of determining the alternative minimum tax imposed on corporations.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of 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 issuer file an information report with the

Internal Revenue Service (the “Service”). The District has covenanted in the Bond Resolution that it will comply with these requirements.

Bond Counsel’s opinion will assume continuing compliance with the covenants of the Bond Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the District, the District’s Financial Advisor, and the Initial Purchaser, with respect to matters solely within the knowledge of the District, the District’s Financial Advisor, and the Initial Purchaser, 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 IRS. Additionally, backup withholding may apply to any such payments made 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 taxpayers otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the “branch profits tax” on their effectively-connected earnings and profits, including tax-exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

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

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

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

Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption "TAX MATTERS" generally applies, except as otherwise provided below, to original issue discount on 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 Initial Purchaser has purchased the Bonds for contemporaneous sale to the general public and not for investment purposes, and (b) all of the Original Issue Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the cover page of this Official Statement, and (c) the respective initial offering prices of the Original Issue Discount Bonds to the general public are equal to the fair market value thereof. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

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

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

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

The Bonds are not "qualified tax-exempt obligations" for financial institutions.

## **CONTINUING DISCLOSURE OF INFORMATION**

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

### **Annual Reports**

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

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

“APPENDIX A.” 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 via EMMA.

Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when the audit report becomes available.

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 the MSRB of the change.

### **Event Notices**

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR §240.15c2-12 (the “Rule”); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. The terms “obligated person” and “financial obligation” when used in this paragraph shall have the meanings ascribed to them under the Rule. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities law. Neither the Bonds nor the Bond Resolution make any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

### **Availability of Information from EMMA**

The District has agreed to provide the information only to the MSRB. The MSRB has prescribed that such information must be filed via EMMA. The MSRB makes the information available to the public without charge and investors will be able to access continuing disclosure information filed with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org).

### **Limitations and Amendments**

The District has agreed to update information and to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete

presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement, or from any statement made pursuant to its agreement, although holders 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 from time to time to adapt the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

### **Compliance with Prior Undertakings**

During the last five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

## **OFFICIAL STATEMENT**

### **Preparation**

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

"THE DISTRICT" and "THE SYSTEM," – the Engineer; "PRINCIPAL LANDOWNERS AND DEVELOPER," and "DEVELOPMENT WITHIN THE DISTRICT," – the Developer; "DISTRICT DEBT" – Municipal Advisory Council of Texas; "TAX DATA" – Tax Assessor/Collector; "THE DISTRICT – Strategic Partnership Agreement," "CONTRACT SALES TAX REVENUE," "THE BONDS," "CONTINUING DISCLOSURE OF INFORMATION," "TAXING PROCEDURES," "LEGAL MATTERS" and "TAX MATTERS" – Allen Boone Humphries Robinson LLP.

### **Experts**

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

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

*Appraisal District:* The information contained in the Official Statement relating to principal taxpayers and tax collection rates and the certified assessed valuation of property in the District and, in particular such information contained in the section captioned "TAX DATA" has been provided by the Harris Central Appraisal District, in reliance upon the authority as experts in appraising taxable property.

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

The District, acting by and through its Board of Directors in its official capacity and in reliance upon the experts listed above, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information,

statements and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, descriptions and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof.

#### **Updating of Official Statement**

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

#### **CONCLUDING STATEMENT**

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

This Official Statement was approved by the Board of Directors of Baybrook Municipal Utility District No. 1 as of the date shown on the cover page hereof.

/s/ Mark Hardy  
President, Board of Directors  
Baybrook Municipal Utility District No. 1

ATTEST:

/s/ Ursalla Kelly  
Secretary, Board of Directors  
Baybrook Municipal Utility District No. 1

**APPENDIX A**  
**Financial Statements of the District**



**EXHIBIT B**

**BAYBROOK MUNICIPAL  
UTILITY DISTRICT NO. 1**

**HARRIS COUNTY, TEXAS**

**FINANCIAL REPORT**

**June 30, 2024**



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# **McGRATH & CO., PLLC**

*Certified Public Accountants*

2900 North Loop West, Suite 880

Houston, Texas 77092

## **Independent Auditor's Report**

Board of Directors  
Baybrook Municipal Utility District No. 1  
Harris County, Texas

### **Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of Baybrook Municipal Utility District No. 1 (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 Baybrook Municipal Utility District No. 1, as of June 30, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

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

### **Emphasis of Matter**

As discussed in Note 3 to the financial statements, the District implemented GASB Implementation Guide 2021-1, Question 5.1 during the current fiscal year. Our opinion is not modified with respect to this matter.

### **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.

***Board of Directors  
Baybrook Municipal Utility District No. 1  
Harris County, Texas***

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.

***Board of Directors  
Baybrook Municipal Utility District No. 1  
Harris County, Texas***

**Required Supplementary Information**

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

**Supplementary Information**

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

*McGuath & Co, P.C.*

Houston, Texas  
October 22, 2024

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

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***Baybrook Municipal Utility District No. 1  
Management's Discussion and Analysis  
June 30, 2024***

**Using this Annual Report**

Within this section of the financial report of Baybrook Municipal Utility District No. 1 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended June 30, 2024. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

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

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

**Overview of the Financial Statements**

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

**Government-Wide Financial Statements**

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

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

***Baybrook Municipal Utility District No. 1  
Management's Discussion and Analysis  
June 30, 2024***

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

**Fund Financial Statements**

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

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

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

The District's net position at June 30, 2024, was \$72,723,018. A comparative summary of the District's overall financial position, as of June 30, 2024 and 2023, is as follows:

	2024	2023
Current and other assets	\$ 32,200,167	\$ 30,930,880
Capital assets	59,417,536	52,595,450
Total assets	91,617,703	83,526,330
Total deferred outflows of resources	305,601	353,130
Current liabilities	2,311,792	2,115,572
Long-term liabilities	16,888,494	18,556,213
Total liabilities	19,200,286	20,671,785
Net position		
Net investment in capital assets	41,154,643	33,230,157
Restricted	637,799	759,462
Unrestricted	30,930,576	29,218,056
Total net position	\$ 72,723,018	\$ 63,207,675

During the current fiscal year, the District implemented GASB Implementation Guide ("GASBIG") 2021-1, Question 5.1, which requires the capitalization of a group of individual assets that are below the capitalization threshold when the cost of the acquisition of the assets in the aggregate is significant. In accordance with this standard, the District recognized, as infrastructure capital assets, water meters that were previously expensed in prior fiscal years, net of related accumulated depreciation, as of the beginning of the current fiscal year. Prior year data has not been restated to include values for these

***Baybrook Municipal Utility District No. 1***  
***Management's Discussion and Analysis***  
***June 30, 2024***

infrastructure assets and, as a result, the presentation of prior year data as it relates to these assets is not consistent with the current year presentation (see Notes 3 and 6).

The total net position of the District increased during the current fiscal year by \$9,299,256. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2024	2023
Revenues		
Water and sewer service	\$ 939,739	\$ 726,654
Property taxes, penalties and interest	5,569,189	4,915,262
Sales tax rebates	4,842,362	4,593,998
Other	2,060,030	1,538,341
Total revenues	<u>13,411,320</u>	<u>11,774,255</u>
Expenses		
Current service operations	2,058,390	2,062,466
Facility costs	64,581	32,617
Debt interest and fees	721,888	762,736
Depreciation and amortization	1,019,947	853,395
Total expenses	<u>3,864,806</u>	<u>3,711,214</u>
Change in net position before other items	9,546,514	8,063,041
Other items		
Transfers to other governments		(1,256,596)
Loss on sale of land	<u>(247,258)</u>	
Change in net position	9,299,256	6,806,445
Net position, beginning of year (2024 restated)	<u>63,423,762</u>	<u>56,401,230</u>
Net position, end of year	<u><u>\$ 72,723,018</u></u>	<u><u>\$ 63,207,675</u></u>

As previously noted, the District implemented GASBIG 2021-1, Question 5.1 during the current year and, as a result, has restated its beginning net position for the current fiscal year. Prior year data is not consistent with current year data due to the recognition of certain capital assets and the related accumulated depreciation at the beginning of the current fiscal year (See Notes 3 and 6).

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

The District's combined fund balances, as of June 30, 2024, were \$30,841,816, which consists of \$16,059,166 in the General Fund, \$685,996 in the Debt Service Fund and \$14,096,654 in the Special Revenue Fund.

***Baybrook Municipal Utility District No. 1  
Management's Discussion and Analysis  
June 30, 2024***

*General Fund*

A comparative summary of the General Fund's financial position as of June 30, 2024 and 2023, is as follows:

	2024	2023
Total assets	<u>\$ 17,037,336</u>	<u>\$ 18,871,952</u>
Total liabilities	\$ 420,396	\$ 301,833
Total deferred inflows	557,774	238,194
Total fund balance	<u>16,059,166</u>	<u>18,331,925</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 17,037,336</u>	<u>\$ 18,871,952</u>

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

	2024	2023
Total revenues	\$ 8,530,091	\$ 7,199,108
Total expenditures	<u>(10,287,669)</u>	<u>(4,764,576)</u>
Revenues over/(under) expenditures	(1,757,578)	2,434,532
Other changes in fund balance	<u>(515,181)</u>	<u>(1,100,000)</u>
Net change in fund balance	<u>\$ (2,272,759)</u>	<u>\$ 1,334,532</u>

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

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues increased from prior year because the District increased the maintenance and operations component of the levy and because assessed values increased from prior year.
- Water and sewer revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.
- Tap connection fees fluctuate with building activity within the District.
- Sales tax rebates received from the City of Houston under a Strategic Partnership Agreement are dependent on consumer spending at retail stores located within the District's boundaries and will fluctuate from year to year.

***Baybrook Municipal Utility District No. 1  
Management's Discussion and Analysis  
June 30, 2024***

*Debt Service Fund*

A comparative summary of the Debt Service Fund's financial position as of June 30, 2024 and 2023, is as follows:

	2024	2023
Total assets	<u>\$ 849,195</u>	<u>\$ 884,484</u>
Total liabilities	\$ 107,372	\$ 13,571
Total deferred inflows	55,827	87,189
Total fund balance	<u>685,996</u>	<u>783,724</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 849,195</u>	<u>\$ 884,484</u>

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

	2024	2023
Total revenues	\$ 1,824,547	\$ 1,869,196
Total expenditures	<u>(2,422,275)</u>	<u>(2,479,057)</u>
Revenues under expenditures	(597,728)	(609,861)
Other changes in fund balance	500,000	1,100,000
Net change in fund balance	<u>\$ (97,728)</u>	<u>\$ 490,139</u>

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

*Special Revenue Fund*

Financial resources in the Special Revenue Fund consist of sales tax revenues received from the Metropolitan Transit Authority ("METRO") pursuant to the Congestion Mitigation/Traffic Management Agreement entered into with METRO. These funds are to be used for transportation projects in or around the District.

***Baybrook Municipal Utility District No. 1***  
***Management's Discussion and Analysis***  
***June 30, 2024***

A comparative summary of the Special Revenue Fund's financial position as of June 30, 2024 and 2023, is as follows:

	2024	2023
Total assets	<u>\$ 14,313,636</u>	<u>\$ 11,174,444</u>
Total liabilities	\$ -	\$ 3,717
Total deferred inflows	216,982	203,199
Total fund balance	<u>14,096,654</u>	<u>10,967,528</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 14,313,636</u>	<u>\$ 11,174,444</u>

A comparative summary of activities for the Special Revenue Fund's current and prior fiscal year is as follows:

	2024	2023
Total revenues	\$ 3,074,681	\$ 2,658,450
Total expenditures	<u>(10,736)</u>	<u>(132,768)</u>
Revenues over expenditures	3,063,945	2,525,682
Other changes in fund balance	65,181	
Net change in fund balance	<u>\$ 3,129,126</u>	<u>\$ 2,525,682</u>

**General Fund Budgetary Highlights**

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$354,495 greater than budgeted. The *Budgetary Comparison Schedule* on page 38 of this report provides variance information per financial statement line item.



***Baybrook Municipal Utility District No. 1***  
***Management's Discussion and Analysis***  
***June 30, 2024***

**Capital Assets**

Capital assets held by the District at June 30, 2024 and 2023, are summarized as follows:

	2024	2023
Capital assets not being depreciated		
Land and improvements	\$ 26,569,150	\$ 23,273,424
Construction in progress	423,402	375,708
Construction in progress - joint facilities	5,707,240	3,075,426
	<u>32,699,792</u>	<u>26,724,558</u>
Capital assets being depreciated/amortized		
Infrastructure	39,717,760	37,757,862
Less accumulated depreciation/amortization	<u>(13,000,016)</u>	<u>(11,886,970)</u>
Depreciable capital assets, net	<u>26,717,744</u>	<u>25,870,892</u>
Capital assets, net	<u><u>\$ 59,417,536</u></u>	<u><u>\$ 52,595,450</u></u>

As previously noted, the District implemented GASBIG 2021-1, Question 5.1 during the current year. As a result, prior year data is not consistent with current year data due to the recognition of certain capital assets and the related accumulated depreciation at the beginning of the current fiscal year (See Notes 3 and 6).

Capital asset additions during the current year include the following:

- Blackhawk Wastewater Treatment Plant - aeration improvements
- Water meters

The District's construction in progress is for Fife Lane, Phase 1 and Beamer Road, Phases 1A and 1B. The District's construction in progress – joint facilities is for the District's investment in the joint construction of the City of Houston's southeast transmission line project.

Additionally, Harris County assumes responsibility for all road facilities constructed in public streets. Consequently, these projects are not recorded as capital assets on the District's financial statements but are recorded as transfers to other governments upon completion of construction.

**Long-Term Debt**

At June 30, 2024 and 2023, the District had total bonded debt outstanding as shown below:

Series	2024	2023
2015	\$ 10,465,000	\$ 10,910,000
2016 Refunding	5,875,000	6,945,000
2019 Refunding	2,425,000	2,595,000
	<u><u>\$ 18,765,000</u></u>	<u><u>\$ 20,450,000</u></u>

***Baybrook Municipal Utility District No. 1  
Management's Discussion and Analysis  
June 30, 2024***

At June 30, 2024, the District had authorization to issue additional bonds as follows:

- \$18,065,000 unlimited tax bonds authorized, but unissued from a 2005 bond election for water, sanitary sewer and drainage systems and for refunding of such bonds;
- \$611,900,000 unlimited tax bonds authorized, but unissued from a 2023 bond election for water, sanitary sewer and drainage systems and \$611,900,000 for the refunding of such bonds;
- \$99,500,000 unlimited tax bonds authorized, but unissued from a 2023 bond election for parks and recreation facilities and \$99,500,000 for the refunding of such bonds;
- \$364,000,000 unlimited tax bonds authorized, but unissued from a 2023 bond election for road improvements and \$364,000,000 for the refunding of such bonds.

**Next Year's Budget**

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

	2024 Actual	2025 Budget
Total revenues	\$ 8,530,091	\$ 8,655,180
Current service operations expenditures	(2,044,464)	(5,866,577)
Capital expenditures	(8,243,205)	(4,300,750)
Revenues under expenditures	(1,757,578)	(1,512,147)
Other changes in fund balance	(515,181)	(500,000)
Net change in fund balance	(2,272,759)	(2,012,147)
Beginning fund balance	18,331,925	16,059,166
Ending fund balance	<u>\$ 16,059,166</u>	<u>\$ 14,047,019</u>

**Property Taxes**

The District's property tax base increased approximately \$98,639,000 for the 2024 tax year from \$517,193,251 to \$615,832,656. This increase was primarily due to new construction in the District and property values. For the 2024 tax year, the District has levied a maintenance tax rate of \$0.49 per \$100 of assessed value and a debt service tax rate of \$0.62 per \$100 of assessed value, for a total combined tax rate of \$1.11 per \$100 of assessed value. Tax rates for the 2023 tax year were \$0.76 per \$100 for maintenance and operations and \$0.35 per \$100 for debt service for a combined total of \$1.11 per \$100 of assessed value.

## **Basic Financial Statements**

**Baybrook Municipal Utility District No. 1**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**June 30, 2024**

	General Fund	Debt Service Fund	Special Revenue Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>						
Cash	\$ 116,774	\$ 86,635	\$ 21,092	\$ 224,501	\$ -	\$ 224,501
Investments	16,173,820	514,841	13,575,860	30,264,521		30,264,521
Taxes receivable, net	20,792	55,827		76,619		76,619
Customer service receivables	124,102			124,102		124,102
Due from other governments	611,373		410,804	1,022,177		1,022,177
Accrued interest receivable	34,671		15,170	49,841		49,841
Internal balances	(482,602)	191,892	290,710			
Note receivable	320,000			320,000		320,000
Operating reserve - Wastewater Treatment Plant	118,406			118,406		118,406
Capital assets not being depreciated					32,699,792	32,699,792
Capital assets, net					26,717,744	26,717,744
Total Assets	<u>\$ 17,037,336</u>	<u>\$ 849,195</u>	<u>\$ 14,313,636</u>	<u>\$ 32,200,167</u>	<u>59,417,536</u>	<u>91,617,703</u>
<b>Deferred Outflows of Resources</b>						
Deferred difference on refunding					305,601	305,601
<b>Liabilities</b>						
Accounts payable	\$ 345,803	\$ -	\$ -	\$ 345,803		345,803
Other payables	74,593	107,372		181,965		181,965
Accrued interest payable					104,024	104,024
Long-term debt						
Due within one year					1,680,000	1,680,000
Due after one year					16,888,494	16,888,494
Total Liabilities	<u>420,396</u>	<u>107,372</u>		<u>527,768</u>	<u>18,672,518</u>	<u>19,200,286</u>
<b>Deferred Inflows of Resources</b>						
Deferred sales tax rebates	216,982		216,982	433,964	(433,964)	
Deferred property taxes	20,792	55,827		76,619	(76,619)	
Deferred proceeds from sale of land	320,000			320,000	(320,000)	
Total Deferred Inflows	<u>557,774</u>	<u>55,827</u>	<u>216,982</u>	<u>830,583</u>	<u>(830,583)</u>	
<b>Fund Balances/Net Position</b>						
<b>Fund Balances</b>						
Nonspendable	118,406			118,406	(118,406)	
Restricted		685,996	14,096,654	14,782,650	(14,782,650)	
Unassigned	15,940,760			15,940,760	(15,940,760)	
Total Fund Balances	<u>16,059,166</u>	<u>685,996</u>	<u>14,096,654</u>	<u>30,841,816</u>	<u>(30,841,816)</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 17,037,336</u>	<u>\$ 849,195</u>	<u>\$ 14,313,636</u>	<u>\$ 32,200,167</u>		
<b>Net Position</b>						
Net investment in capital assets					41,154,643	41,154,643
Restricted for debt service					637,799	637,799
Unrestricted					30,930,576	30,930,576
Total Net Position					<u>\$ 72,723,018</u>	<u>\$ 72,723,018</u>

See notes to basic financial statements.

**Baybrook Municipal Utility District No. 1****Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2024**

	General Fund	Debt Service Fund	Special Revenue Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>						
Water service	\$ 480,183	\$ -	\$ -	\$ 480,183	\$ -	\$ 480,183
Sewer service	459,556			459,556		459,556
Property taxes	3,831,180	1,756,662		5,587,842	(28,996)	5,558,846
Penalties and interest	16,948	9,964		26,912	(16,569)	10,343
Tap connection and inspection	289,180			289,180		289,180
Sales tax rebates	2,407,398		2,407,398	4,814,796	27,566	4,842,362
Miscellaneous	80,848	2,636		83,484		83,484
Investment earnings	964,798	55,285	667,283	1,687,366		1,687,366
Total Revenues	8,530,091	1,824,547	3,074,681	13,429,319	(17,999)	13,411,320
<b>Expenditures/Expenses</b>						
Current service operations						
Purchased services	396,779			396,779		396,779
Professional fees	563,949			563,949		563,949
Contracted services	236,160	65,277	5,381	306,818		306,818
Repairs and maintenance	623,597			623,597		623,597
Utilities	41,152			41,152		41,152
Administrative	71,899	2,494	30	74,423		74,423
Other	46,347		5,325	51,672		51,672
Capital outlay	8,243,205			8,243,205	(8,243,205)	
Intergovernmental						
Facility costs	64,581			64,581		64,581
Debt service						
Principal		1,685,000		1,685,000	(1,685,000)	
Interest and fees		669,504		669,504	52,384	721,888
Depreciation and amortization					1,019,947	1,019,947
Total Expenditures/Expenses	10,287,669	2,422,275	10,736	12,720,680	(8,855,874)	3,864,806
<b>Revenues Over/(Under) Expenditures/Expenses</b>	(1,757,578)	(597,728)	3,063,945	708,639	8,837,875	9,546,514
<b>Other Financing Sources/(Uses)</b>						
Internal transfers	(565,181)	500,000	65,181			
<b>Other Items</b>						
Proceeds from the sale of land	50,000			50,000	(50,000)	
Loss on the sale of land					(247,258)	(247,258)
<b>Net Change in Fund Balances</b>	(2,272,759)	(97,728)	3,129,126	758,639	(758,639)	
<b>Change in Net Position</b>					9,299,256	9,299,256
Fund Balances/Net Position						
Beginning of the year (See Note 3)	18,331,925	783,724	10,967,528	30,083,177	33,340,585	63,423,762
<b>End of the year</b>	<u>\$ 16,059,166</u>	<u>\$ 685,996</u>	<u>\$ 14,096,654</u>	<u>\$ 30,841,816</u>	<u>\$ 41,881,202</u>	<u>\$ 72,723,018</u>

See notes to basic financial statements.

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

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

### **Creation**

The District was organized, created and established pursuant to an order of the Texas Water Rights Commission, dated July 9, 1984, and operates in accordance with the Texas Water Code, Chapters 49 and 54.

The District’s primary activities include construction, maintenance and operation of water, sewer and drainage facilities. The District also obtained road powers in 2001. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

### **Reporting Entity**

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

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

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

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

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

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

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

- The General Fund is used to account for the operations of the District's water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes, sales tax rebates and water and sewer service fees. Expenditures include costs associated with the daily operations of the District and construction of the District's water, sewer and drainage facilities.
- The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt. The principal sources of revenue for debt service are property taxes and transfers from the General Fund from sales tax rebates. Expenditures include costs incurred in assessing and collecting these taxes.
- The Special Revenue Fund is used to account for sales and use tax revenues for the construction, acquisition, and improvements of transportation projects.

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

**Measurement Focus and Basis of Accounting**

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

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

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



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

**Use of Restricted Resources**

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

**Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At June 30, 2024, an allowance of \$14,542 was provided for possible uncollectible property taxes. An allowance for possible uncollectible water/sewer accounts was not considered necessary.

**Unbilled Service Revenues**

Utility revenue is recorded when earned. Customers are billed monthly. The estimated value of services provided but unbilled at year-end has been included in the accompanying financial statements.

**Interfund Activity**

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

**Capital Assets**

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

Depreciable capital assets, which primarily consist of the District's internal water, wastewater and drainage facilities and capacity in City of Houston surface water facilities, which is included in infrastructure, are depreciated/amortized using the straight-line method as follows:

<u>Assets</u>	<u>Useful Life</u>
Infrastructure	10 - 45 years

The District's detention facilities are considered improvements to land and are non-depreciable.

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

**Deferred Inflows and Outflows of Financial Resources**

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

At the fund level, property taxes receivable, City of Houston sales tax rebates receivable and proceeds from the sale of land receivable that are not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources.

Deferred outflows of financial resources at the government-wide level are from refunding bond transactions in which the amount required to repay the old debt exceeded the net carrying amount of the old debt. This amount is being amortized to interest expense.

**Net Position – Governmental Activities**

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

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

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

Unrestricted – resources not included in the other components.

**Fund Balances – Governmental Funds**

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District’s nonspendable fund balance consists of operating reserves paid to Gulf Coast Authority for the Blackhawk Regional Wastewater Treatment Facility.

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

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

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

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

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

Unassigned - all other spendable amounts in the General Fund.

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

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the value of unbilled utility revenues and receivables; the useful lives and impairment of capital assets; and the value of capital assets transferred to Harris County. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

***Baybrook Municipal Utility District No. 1***  
***Notes to Financial Statements***  
***June 30, 2024***

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

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

Total fund balance, governmental funds		\$ 30,841,816
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost	\$ 72,417,552	
Less accumulated depreciation/amortization	<u>(13,000,016)</u>	
Change due to capital assets		59,417,536

The deferred difference on refunding bonds is recorded as a deferred outflow in the government wide statements, but is not a financial resource in the fund statements.

305,601

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

Bonds payable, net	(18,568,494)	
Interest payable on bonds	<u>(104,024)</u>	
Change due to long-term debt		(18,672,518)

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

Deferred sales taxes	433,964	
Property taxes receivable	41,759	
Penalty and interest receivable	<u>34,860</u>	
Change due to property taxes		510,583

Proceeds from the sale of land are earned, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.

320,000

Total net position - governmental activities

\$ 72,723,018

***Baybrook Municipal Utility District No. 1***  
***Notes to Financial Statements***  
***June 30, 2024***

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

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

Net change in fund balances - total governmental funds	\$ 758,639
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Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes, related penalties and interest and sales tax revenues.

	(17,999)
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Governmental funds report capital outlays for construction costs as expenditures in the funds; however, in the *Statement of Activities*, the cost of capital assets is charged to expense over the estimated useful life of the asset.

Capital outlays	\$ 8,243,205	
Depreciation/amortization expense	<u>(1,019,947)</u>	
		7,223,258

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

Principal payments	1,685,000	
Interest expense accrual	<u>(52,384)</u>	
		1,632,616

Proceeds from the sale of land provides financial resources in the funds; however, in the *Statement of Activities*, the difference between proceeds and the net book value of the asset is recorded as a gain or loss.

Proceeds from the sale of land	(50,000)	
Loss on the sale of land	<u>(247,258)</u>	
		(297,258)

Change in net position of governmental activities	<u><u>\$ 9,299,256</u></u>
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**Note 3 – Implementation of New Accounting Guidance**

During the current fiscal year, the District implemented GASB Implementation Guide (“GASBIG”) 2021-1, Question 5.1, which requires the capitalization of the acquisition of a group of individual capital assets whose individual acquisition costs are less than the capitalization threshold when the cost of the acquisition of the assets in the aggregate is significant. Under this new guidance, the District’s acquisition of water meters that exceeds the capitalization threshold in the aggregate should be recorded as Capital outlays instead of Contracted services in the *Statement of Revenues, Expenditures and Changes in Fund Balances*. On the government wide statements, the acquisition of water meters should not be recorded as an expense on the *Statement of Activities* but should be recorded as capital assets on the *Statement of Net Position*.

GASBIG 2021-1, Question 5.1 is required to be retroactively implemented, which means the District is required to record the acquisition of water meters that were expensed in previous fiscal years as infrastructure capital assets and to record the related accumulated depreciation at the beginning of the current fiscal year. Accordingly, the District has recorded a prior period adjustment to recognize \$216,087 in depreciable capital assets, which were measured at net book value (i.e., cost less accumulated depreciation) as of the beginning of the current fiscal year and increased its beginning net position by the same amount. Prior year amounts in the Management’s Discussion and Analysis and supplementary schedules were not restated.

The effect of the implementation of the new accounting guidance on the District’s beginning net position is as follows:

Beginning Net Position, as reported	\$ 63,207,675
Change due to implementation of new accounting guidance	216,087
Beginning Net Position, as restated	<u><u>\$ 63,423,762</u></u>

**Note 4 – Deposits and Investments**

**Deposit Custodial Credit Risk**

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

***Baybrook Municipal Utility District No. 1***  
***Notes to Financial Statements***  
***June 30, 2024***

**Note 4 – Deposits and Investments (continued)**

**Investments**

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

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

As of June 30, 2024, the District's investments consist of the following:

Type	Fund	Carrying Value	Percentage of Total	Rating	Weighted Average Maturity
Certificates of deposit	General	\$ 1,175,000			
	Special Revenue	470,000			
		<u>1,645,000</u>	5%	N/A	N/A
Texas CLASS	General	14,998,820			
	Debt Service	514,841			
	Special Revenue	<u>13,105,860</u>			
		<u>28,619,521</u>	95%	AAAm	25 days
Total		<u>\$ 30,264,521</u>	<u>100%</u>		

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

**Note 4 – Deposits and Investments (continued)**

**Texas CLASS**

The District participates in Texas Cooperative Liquid Assets Securities System (Texas CLASS). Texas CLASS is managed by an elected Board of Trustees consisting of members of the pool. Additionally, the Board of Trustees has established an advisory board, the function of which is to provide guidance on investment policies and strategies. The Board of Trustees has selected Public Trust Advisors, LLC as the program administer and UMB Bank N.A., as the custodian.

The District's investment in Texas CLASS is reported at fair value because Texas CLASS uses fair value to report investments (other than repurchase agreements which are valued at amortized cost). Governmental accounting standards establish the following hierarchy of inputs used to measure fair value: Level 1 inputs are based on quoted prices in active markets, Level 2 inputs are based on significant other observable inputs, and Level 3 inputs are based on significant unobservable inputs. The District's investment in Texas CLASS is measured using published fair value per share (level 1 inputs).

Investments in Texas CLASS may be withdrawn via wire transfer on a same day basis, as long as the transaction is executed by 4 p.m. ACH withdrawals made by 4 p.m. will settle on the next business day.

**Investment Credit and Interest Rate Risk**

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

**Note 5 – Interfund Balances and Transactions**

Amounts due to/from other funds at June 30, 2024, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
Debt Service Fund	General Fund	\$ 191,892	Over transfer of tax collections as a result of value reduction refunds
Special Revenue Fund	General Fund	290,710	Project costs paid by the Special Revenue Fund

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



***Baybrook Municipal Utility District No. 1***  
***Notes to Financial Statements***  
***June 30, 2024***

**Note 5 – Interfund Balances and Transactions (continued)**

A summary of internal transfers for the current fiscal year is as follows:

Transfers Out	Transfers In	Amounts	Purpose
General Fund	Debt Service Fund	\$ 500,000	Sales tax rebates as required by bond resolutions
General Fund	Special Revenue Fund	65,181	Prior year engineering fees paid by the Special Revenue Fund

**Note 6 – Capital Assets**

A summary of changes in capital assets, for the year ended June 30, 2024, is as follows:

	Beginning Balances	Additions	Retirements	Ending Balances
Capital assets not being depreciated				
Land and improvements	\$ 23,273,424	\$ 3,912,984	\$ (617,258)	\$ 26,569,150
Construction in progress	375,708	423,401	(375,707)	423,402
Construction in progress - joint facilities	3,075,426	2,631,814		5,707,240
	<u>26,724,558</u>	<u>6,968,199</u>	<u>(992,965)</u>	<u>32,699,792</u>
Capital assets being depreciated/amortized				
Infrastructure	38,067,047	1,650,713		39,717,760
Less accumulated depreciation/amortization	<u>(11,980,069)</u>	<u>(1,019,947)</u>		<u>(13,000,016)</u>
Subtotal depreciable capital assets, net	<u>26,086,978</u>	<u>630,766</u>		<u>26,717,744</u>
Capital assets, net	<u>\$ 52,811,536</u>	<u>\$ 7,598,965</u>	<u>\$ (992,965)</u>	<u>\$ 59,417,536</u>

Depreciation/amortization expense for the current fiscal year was \$1,019,947.

As discussed in Note 3, the District recorded a prior period adjustment to capitalize the acquisition of certain capital assets and accumulated depreciation at the beginning of the current fiscal year. In previous years, these costs were expensed. As a result, beginning balances for infrastructure capital assets in the current fiscal year are not consistent with prior year data.

**Note 7 – Long-Term Debt**

Long-term debt is comprised of the following:

Bonds payable	\$ 18,765,000
Unamortized discounts	<u>(196,506)</u>
	<u>\$ 18,568,494</u>
Due within one year	<u>\$ 1,680,000</u>

***Baybrook Municipal Utility District No. 1***  
***Notes to Financial Statements***  
***June 30, 2024***

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

The District's bonds payable at June 30, 2024, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2015	\$ 10,465,000	\$ 13,560,000	2.0% - 4.125%	May 1, 2017/2040	November 1, May 1	May 1, 2024
2016 Refunding	5,875,000	8,310,000	2.663% - 3.298%	May 1, 2016/2030	November 1, May 1	May 1, 2024
2019 Refunding	2,425,000	2,995,000	2.0% - 3.5%	May 1, 2020/2035	November 1, May 1	May 1, 2027
	<u>\$ 18,765,000</u>					

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

At June 30, 2024, the District had authorized but unissued bonds as follows:

	Water, Sanitary Sewer, and Storm Water	Parks and Recreation	Road Improvements
2002 Bond Election - New and Refunding	<u>\$ 18,065,000</u>	<u>\$ -</u>	<u>\$ -</u>
2023 Bond Election - New Bonds	<u>\$ 611,900,000</u>	<u>\$ 99,500,000</u>	<u>\$ 364,000,000</u>
2023 Bond Election - Refunding Bonds	<u>\$ 611,900,000</u>	<u>\$ 99,500,000</u>	<u>\$ 364,000,000</u>

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

Bonds payable, beginning of year	\$ 20,450,000
Bonds retired	(1,685,000)
Bonds payable, end of year	<u>\$ 18,765,000</u>

***Baybrook Municipal Utility District No. 1***  
***Notes to Financial Statements***  
***June 30, 2024***

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

As of June 30, 2024, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2025	\$ 1,680,000	\$ 624,144	\$ 2,304,144
2026	1,670,000	610,460	2,280,460
2027	1,685,000	558,304	2,243,304
2028	1,705,000	504,180	2,209,180
2029	1,715,000	448,813	2,163,813
2030	1,725,000	392,450	2,117,450
2031	825,000	335,038	1,160,038
2032	865,000	307,288	1,172,288
2033	905,000	276,025	1,181,025
2034	945,000	241,700	1,186,700
2035	985,000	205,525	1,190,525
2036	745,000	167,475	912,475
2037	775,000	136,744	911,744
2038	810,000	104,775	914,775
2039	845,000	71,362	916,362
2040	885,000	36,506	921,506
	<u>\$ 18,765,000</u>	<u>\$ 5,020,789</u>	<u>\$ 23,785,789</u>

**Note 8 – Property Taxes**

On February 5, 2005, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to \$1.00 per \$100 of assessed value. Additionally, on May 6, 2023, the voters in the District authorized the District's Board of Directors to levy a road maintenance tax limited to \$0.25 per \$100 of assessed value. The District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

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

Property taxes are collected based on rates adopted in the year of the levy. The District's 2024 fiscal year was financed through the 2023 tax levy, pursuant to which the District levied property taxes of \$1.11 per \$100 of assessed value, of which \$0.76 was allocated to maintenance and operations and \$0.35 was allocated to debt service. The resulting tax levy was \$5,740,845 on the adjusted taxable value of \$517,193,251.

***Baybrook Municipal Utility District No. 1***  
***Notes to Financial Statements***  
***June 30, 2024***

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

Net property taxes receivable, at June 30, 2024, consisted of the following:

Current year taxes receivable	\$ 9,081
Prior years taxes receivable	47,220
Less allowance for uncollectible accounts	(14,542)
	<u>41,759</u>
Penalty and interest receivable	34,860
Net property taxes receivable	<u><u>\$ 76,619</u></u>

**Note 9 – Strategic Partnership Agreement**

Effective November 2, 2000, the District and the City of Houston (the “City”) entered into a Strategic Partnership Agreement (the “Agreement”), which was amended and restated on December 12, 2019, under which the City annexed the District for the limited purposes of applying the City's Planning, Zoning, Health and Safety Ordinance with the District. The City provides fire protection, fire suppression and emergency services to the District. The District continues to exercise all powers and functions of a municipal utility district as provided by law. As consideration for the District providing services described in the Agreement, the City agreed to remit one-half of all retail sales tax collected from retailers located in the District's boundaries. The City agreed that it will not annex the District for full purposes until the District's water, wastewater, drainage and road facilities have been 90 percent developed or 30 years, whichever comes first. Under the Agreement with the City, these revenues may be used for any lawful purpose.

During the current year, the District recorded revenues of \$2,407,398 related to the Agreement; \$500,000 of this amount is to be used annually by the Board of Directors for payments of debt service on certain debt containing a sales tax revenue pledge. The District also recorded \$602,841 in related receivables and \$216,982 in deferred inflows of financial resources for receivables that do not meet the revenue recognition criteria because they were not collected within sixty days of fiscal year end.

Due to the Agreement with the City, the District has become part of the Metropolitan Transit Authority of Harris County, Texas (Metro). Effective January 9, 2001, the District and Metro entered into a Congestion Mitigation/Traffic Management Agreement (the “Metro Agreement”) under which the District will be responsible for the construction, acquisition, improvement and financing of transportation projects within the boundaries of the District. The term of the Metro Agreement is for 30 years from the effective date or until annexation or termination.

As consideration for the services provided by the District under the Metro Agreement, Metro has agreed to remit one-half of all retail sales tax collected from retailers located in the District's boundaries for use on transportation projects or to pay the debt service on debt issued by the District for transportation projects. The Metro Agreement will remain in force until the City executes full-purpose annexation of the District.

**Note 9 – Strategic Partnership Agreement (continued)**

During the current year, the District recorded revenues of \$2,407,398 in its Special Revenue Fund. The District also recorded \$410,804 in related receivables and \$216,982 in deferred inflows of financial resources for receivables that do not meet the revenue recognition criteria because they were not collected within sixty days of fiscal year end.

**Note 10 – Water Supply Cost Sharing Agreements**

The District has entered into a cost-sharing agreement with the City and other governmental entities dated July 24, 1989, which was amended and restated in 2001 and 2006 to address the construction, operation and maintenance of the Southeast Water Purification Plant (SEWPP). The contract is perpetual unless limited by law. The City has agreed to supply up to 1,800,000 gallons of surface water per day to the District. Operating costs of the SEWPP are shared based on gallons of water delivered to the District and are recorded as “purchased services.” Capital recovery costs and capital improvement costs for the SEWPP are shared on a pro-rata basis of capacity. These costs are reported as “facility costs.” During the current fiscal year, the District recorded \$106,053 for purchased services and \$64,581 for facility costs.

*Cost Sharing Agreement for Southeast Transmission Line*

The District, City and other participants have entered into an amended and restated cost sharing agreement, effective January 15, 2020, to establish the terms and conditions under which costs associated with the construction of the southeast transmission line should be shared among the participants. The City will hold legal title to the transmission line, with each participant having beneficial interest. Pursuant to that agreement, the District is responsible for \$12.7 million of the total estimated costs of \$257.9 million. The City will issue cash calls to the participants as needed to fund the costs for the project. During the current fiscal year, the District paid the City’s cash call in the amount of \$2,631,814. As of June 30, 2024, the District has paid the City \$5,707,240 for costs related to the southeast transmission line.

**Note 11 – Wastewater Treatment Contract**

Effective November 1, 1986, Coventry Development Corporation entered into a 40-year contract with Gulf Coast Authority (formerly known as Gulf Coast Waste Disposal Authority) for 1,025,000 gallons per day (gpd) of sewage treatment capacity at the Blackhawk Regional Wastewater Treatment Plant (the “Plant”), which was partially assigned to the District on September 7, 1989, and the remainder assigned on July 17, 1990. The District purchased 11.08 percent of the Plant's capacity. The District recorded \$290,726 for purchased sewer services during the current year in accordance with this contract.

***Baybrook Municipal Utility District No. 1***  
***Notes to Financial Statements***  
***June 30, 2024***

**Note 11 – Wastewater Treatment Contract (continued)**

The following table represents condensed audited financial information of the Plant as of and for the year ended December 31, 2023:

Total current assets	\$ 2,714,201
Total noncurrent assets	12,811,064
Total assets	<u>15,525,265</u>
Total current liabilities	772,439
Total noncurrent liabilities	1,068,550
Total liabilities	<u>1,840,989</u>
Net position	
Net investment in capital assets	12,811,064
Unrestricted	873,212
Total net position	<u>\$ 13,684,276</u>
Operating revenues	\$ 7,964,217
Operating expenses	(4,348,492)
Operating income	3,615,725
Net non-operating revenues/(expenses)	97,750
Changes in net position	<u>\$ 3,713,475</u>

**Note 12 – Note Receivable**

On February 15, 2024, the District entered into a real estate contract (the “Real Estate Contract”) with Gulf Coast GP, Inc (“Gulf Coast”) for the sale and conveyance of a 1.4168-acre tract of land to the Gulf Coast for \$370,000. Under the terms of the Real Estate Contract, Gulf Coast is required to make a payment of \$50,000 to the District at the closing of the Real Estate Contract. The remaining balance will be repaid through a 10-year promissory note (the “Note”), beginning on January 1, 2025. Annual payments under the Note will be \$32,000, plus an interest rate of 5.0% per annum. During the current year, the District received \$50,000 in relation to the closing of the Real Estate Contract.

***Baybrook Municipal Utility District No. 1***  
***Notes to Financial Statements***  
***June 30, 2024***

**Note 12 – Note Receivable (continued)**

As of June 30, 2024, annual receipts outstanding from the Note are as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 32,000	\$ 11,333	\$ 43,333
2026	32,000	14,400	46,400
2027	32,000	12,800	44,800
2028	32,000	11,200	43,200
2029	32,000	9,600	41,600
2030 - 2035	160,000	24,000	184,000
	<u>\$ 320,000</u>	<u>\$ 83,333</u>	<u>\$ 403,333</u>

**Note 13 – Risk Management**

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

**Note 14 – Subsequent Event**

On October 24, 2024, the District issued its \$16,940,000 Series 2024 Unlimited Tax Road Bonds at a net effective rate of 4.036200%. Proceeds from the bonds were used to pay capitalized interest into the Debt Service Fund and will finance future road improvements in the District.

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## **Required Supplementary Information**

**Baybrook Municipal Utility District No. 1****Required Supplementary Information - Budgetary Comparison Schedule - General Fund****For the Year Ended June 30, 2024**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Water service	\$ 365,000	\$ 480,183	\$ 115,183
Sewer service	350,000	459,556	109,556
Property taxes	3,050,000	3,831,180	781,180
Penalties and interest	8,000	16,948	8,948
Tap connection and inspection	375,000	289,180	(85,820)
Sales tax rebates	2,250,000	2,407,398	157,398
Miscellaneous	42,000	80,848	38,848
Investment earnings	500,000	964,798	464,798
Total Revenues	6,940,000	8,530,091	1,590,091
<b>Expenditures</b>			
Current service operations			
Purchased services	405,000	396,779	8,221
Professional fees	611,000	563,949	47,051
Contracted services	162,000	236,160	(74,160)
Repairs and maintenance	599,000	623,597	(24,597)
Utilities	44,000	41,152	2,848
Administrative	79,500	71,899	7,601
Other	60,500	46,347	14,153
Capital outlay	7,081,254	8,243,205	(1,161,951)
Intergovernmental			
Facility costs	25,000	64,581	(39,581)
Total Expenditures	9,067,254	10,287,669	(1,220,415)
<b>Revenues Under Expenditures</b>	(2,127,254)	(1,757,578)	369,676
<b>Other Financing Uses</b>			
Internal transfers	(500,000)	(565,181)	(65,181)
<b>Other Items</b>			
Proceeds from the sale of land		50,000	50,000
<b>Net Change in Fund Balance</b>	(2,627,254)	(2,272,759)	354,495
<b>Fund Balance</b>			
Beginning of the year	18,331,925	18,331,925	
End of the year	\$ 15,704,671	\$ 16,059,166	\$ 354,495

***Baybrook Municipal Utility District No. 1***

***Required Supplementary Information - Budgetary Comparison Schedule - Special Revenue Fund***

***For the Year Ended June 30, 2024***

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Sales tax rebates	\$ 2,200,000	\$ 2,407,398	\$ 207,398
Investment earnings	250,150	667,283	417,133
Total Revenues	2,450,150	3,074,681	624,531
<b>Expenditures</b>			
Current service operations			
Professional fees	16,000		16,000
Contracted services	7,500	5,381	2,119
Administrative	120	30	90
Other	2,000	5,325	(3,325)
Total Expenditures	25,620	10,736	14,884
<b>Revenues Over Expenditures</b>	2,424,530	3,063,945	639,415
<b>Other Financing Sources</b>			
Internal transfers		65,181	65,181
<b>Net Change in Fund Balance</b>	2,424,530	3,129,126	704,596
<b>Fund Balance</b>			
Beginning of the year	10,967,528	10,967,528	
End of the year	\$ 13,392,058	\$ 14,096,654	\$ 704,596

***Baybrook Municipal Utility District No. 1***  
***Notes to Required Supplementary Information***  
***June 30, 2024***

**Budgets and Budgetary Accounting**

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

## **Texas Supplementary Information**

**Baybrook Municipal Utility District No. 1**  
**TSI-1. Services and Rates**  
**June 30, 2024**

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

- ☒ Retail Water      ☐ Wholesale Water      ☐ Solid Waste/Garbage      ☒ Drainage  
☒ Retail Wastewater      ☐ Wholesale Wastewater      ☐ Flood Control      ☐ Irrigation  
☐ Parks/Recreation      ☐ Fire Protection      ☒ Roads      ☐ Security  
☒ Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)  
☐ Other (Specify): \_\_\_\_\_

2. Retail Service Providers

a. Retail Rates for a 2" meter (or equivalent):

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels
Water:	\$ 26.36	-0-	N	\$ 4.77	1 to No limit
Wastewater:	\$ 26.35	-0-	N	\$ 6.76	1 to No limit

District employs winter averaging for wastewater usage? ☐ Yes ☒ No

Total charges per 10,000 gallons usage: Water \$ 74.06 Wastewater \$ 93.95

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	1	1	x 1.0	1
1"	28	28	x 2.5	70
1.5"	12	11	x 5.0	55
2"	46	43	x 8.0	344
3"	1	1	x 15.0	15
4"			x 25.0	
6"	4	4	x 50.0	200
8"	10	10	x 80.0	800
10"	1	1	x 115.0	115
Total Water	103	99		1,600
Total Wastewater	56	53	x 1.0	53

See accompanying auditor's report.

***Baybrook Municipal Utility District No. 1***  
***TSI-1. Services and Rates***  
***June 30, 2024***

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

\*Gallons purchased from the City: 86,263,000

Gallons billed to customers: 95,335,000

\*\*Water Accountability Ratio:  
(Gallons billed / Gallons pumped)  
110.52%

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

Does the District have Debt Service standby fees? Yes ☐ No ☒

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

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

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

5. Location of District

Is the District located entirely within one county? Yes ☒ No ☐

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

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

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

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

Entirely ☒ Partly ☐ Not at all ☐

ETJs in which the District is located: City of Houston

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

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

\* Purchased from the City of Houston

\*\* Gallons pumped exceeded gallons billed due to incorrect readings from the City of Houston

See accompanying auditors' report.

***Baybrook Municipal Utility District No. 1***  
***TSI-2 General Fund Expenditures***  
***For the Year Ended June 30, 2024***

Purchased services	<u>\$ 396,779</u>
Professional fees	
Legal	251,416
Audit	23,000
Engineering	289,533
	<u>563,949</u>
Contracted services	
Bookkeeping	61,375
Operator	75,085
Inspection	38,144
Landscape Architect	61,556
	<u>236,160</u>
Repairs and maintenance	<u>623,597</u>
Utilities	<u>41,152</u>
Administrative	
Directors fees	17,640
Printing and office supplies	2,450
Insurance	29,697
Other	22,112
	<u>71,899</u>
Other	<u>46,347</u>
Capital outlay	<u>8,243,205</u>
Intergovernmental	
Facility costs	<u>64,581</u>
Total expenditures	<u><u>\$ 10,287,669</u></u>

See accompanying auditors' report.



***Baybrook Municipal Utility District No. 1***  
***TSI-3. Investments***  
***June 30, 2024***

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Interest Receivable</u>
General				
Certificate of deposit	5.25%	3/29/2025	\$ 235,000	\$ 3,008
Certificate of deposit	5.00%	9/13/2024	235,000	9,336
Certificate of deposit	5.00%	6/30/2024	235,000	11,782
Certificate of deposit	5.50%	11/12/2024	235,000	8,145
Certificate of deposit	5.25%	4/20/2025	235,000	2,400
Texas CLASS	Variable	N/A	13,451,193	
Texas CLASS	Variable	N/A	296,006	
Texas CLASS	Variable	N/A	1,251,621	
			<u>16,173,820</u>	<u>34,671</u>
Debt Service				
Texas CLASS	Variable	N/A	<u>514,841</u>	
Special Revenue				
Certificate of deposit	5.50%	10/13/2024	235,000	2,656
Certificate of deposit	5.34%	7/1/2024	235,000	12,514
Texas CLASS	Variable	N/A	13,105,860	
			<u>13,575,860</u>	<u>15,170</u>
Total - All Funds			<u>\$ 30,264,521</u>	<u>\$ 49,841</u>

See accompanying auditors' report.

***Baybrook Municipal Utility District No. 1***  
***TSI-4. Taxes Levied and Receivable***  
***June 30, 2024***

	Maintenance	Debt Service		
	Taxes	Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ 34,995	\$ 35,760	\$ 70,755	
Adjustments to Prior Year Tax Levy	(113,692)	(68,307)	(181,999)	
Adjusted Taxes Receivable	(78,697)	(32,547)	(111,244)	
2023 Original Tax Levy	3,818,264	1,758,411	5,576,675	
Adjustments	112,405	51,765	164,170	
Adjusted Tax Levy	3,930,669	1,810,176	5,740,845	
Total to be accounted for	3,851,972	1,777,629	5,629,601	
Tax collections, net of refunds:				
Current year	3,924,451	1,807,313	5,731,764	
Prior years	(93,271)	(50,651)	(143,922)	
Total Collections	3,831,180	1,756,662	5,587,842	
Taxes Receivable, End of Year	\$ 20,792	\$ 20,967	\$ 41,759	
Taxes Receivable, By Years				
2023	\$ 6,218	\$ 2,863	\$ 9,081	
2022	4,266	2,596	6,862	
2021	722	292	1,014	
2020 and prior	9,586	15,216	24,802	
Taxes Receivable, End of Year	\$ 20,792	\$ 20,967	\$ 41,759	
	2023	2022	2021	2020
Property Valuations:				
Land	\$ 145,938,318	\$ 145,532,447	\$ 129,686,873	\$ 129,508,282
Improvements	313,773,011	236,463,435	209,598,137	208,964,079
Personal Property	75,098,732	59,784,514	52,133,615	52,232,437
Exemptions	(17,616,810)	(17,165,108)	(14,860,324)	(13,848,718)
Total Property Valuations	\$ 517,193,251	\$ 424,615,288	\$ 376,558,301	\$ 376,856,080
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.76	\$ 0.69	\$ 0.79	\$ 0.50
Debt service tax rates	0.35	0.42	0.32	0.61
Total Tax Rates per \$100 Valuation	\$ 1.11	\$ 1.11	\$ 1.11	\$ 1.11
Adjusted Tax Levy:	\$ 5,740,845	\$ 4,713,230	\$ 4,179,797	\$ 4,183,102
Percentage of Taxes Collected to Taxes Levied **	99.84%	99.85%	99.98%	99.93%

\* Maximum Maintenance Tax Rate Approved by Voters: \$1.00 on February 5, 2005

\* Maximum Road Maintenance Tax Rate Approved by Voters: \$0.25 on May 6, 2023

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

See accompanying auditors' report.

***Baybrook Municipal Utility District No. 1***  
***TSI-5. Long-Term Debt Service Requirements***  
***Series 2015--by Years***  
***June 30, 2024***

Due During Fiscal Years Ending	Principal Due May 1	Interest Due November 1, May 1	Total
2025	\$ 465,000	\$ 393,656	\$ 858,656
2026	485,000	380,869	865,869
2027	510,000	366,319	876,319
2028	530,000	350,381	880,381
2029	555,000	333,156	888,156
2030	575,000	314,425	889,425
2031	600,000	294,300	894,300
2032	630,000	273,300	903,300
2033	655,000	249,675	904,675
2034	685,000	223,475	908,475
2035	715,000	196,075	911,075
2036	745,000	167,475	912,475
2037	775,000	136,744	911,744
2038	810,000	104,775	914,775
2039	845,000	71,362	916,362
2040	885,000	36,506	921,506
	<u>\$ 10,465,000</u>	<u>\$ 3,892,493</u>	<u>\$ 14,357,493</u>

See accompanying auditors' report.

***Baybrook Municipal Utility District No. 1***  
***TSI-5. Long-Term Debt Service Requirements***  
***Series 2016 Refunding--by Years***  
***June 30, 2024***

Due During Fiscal Years Ending	Principal Due May 1	Interest Due November 1, May 1	Total
2025	\$ 1,035,000	\$ 156,475	\$ 1,191,475
2026	1,000,000	159,628	1,159,628
2027	985,000	126,647	1,111,647
2028	970,000	94,161	1,064,161
2029	950,000	62,169	1,012,169
2030	935,000	30,837	965,837
	<u>\$ 5,875,000</u>	<u>\$ 629,917</u>	<u>\$ 6,504,917</u>

See accompanying auditors' report.

***Baybrook Municipal Utility District No. 1***  
***TSI-5. Long-Term Debt Service Requirements***  
***Series 2019 Refunding--by Years***  
***June 30, 2024***

Due During Fiscal Years Ending	Principal Due May 1	Interest Due November 1, May 1	Total
2025	\$ 180,000	\$ 74,013	\$ 254,013
2026	185,000	69,963	254,963
2027	190,000	65,338	255,338
2028	205,000	59,638	264,638
2029	210,000	53,488	263,488
2030	215,000	47,188	262,188
2031	225,000	40,738	265,738
2032	235,000	33,988	268,988
2033	250,000	26,350	276,350
2034	260,000	18,225	278,225
2035	270,000	9,450	279,450
	<u>\$ 2,425,000</u>	<u>\$ 498,379</u>	<u>\$ 2,923,379</u>

See accompanying auditors' report.

***Baybrook Municipal Utility District No. 1***  
***TSI-5. Long-Term Debt Service Requirements***  
***All Bonded Debt Series--by Years***  
***June 30, 2024***

Due During Fiscal Years Ending	Principal Due May 1	Interest Due November 1, May 1	Total
2025	\$ 1,680,000	\$ 624,144	\$ 2,304,144
2026	1,670,000	610,460	2,280,460
2027	1,685,000	558,304	2,243,304
2028	1,705,000	504,180	2,209,180
2029	1,715,000	448,813	2,163,813
2030	1,725,000	392,450	2,117,450
2031	825,000	335,038	1,160,038
2032	865,000	307,288	1,172,288
2033	905,000	276,025	1,181,025
2034	945,000	241,700	1,186,700
2035	985,000	205,525	1,190,525
2036	745,000	167,475	912,475
2037	775,000	136,744	911,744
2038	810,000	104,775	914,775
2039	845,000	71,362	916,362
2040	885,000	36,506	921,506
	<u>\$ 18,765,000</u>	<u>\$ 5,020,789</u>	<u>\$ 23,785,789</u>

See accompanying auditors' report.

***Baybrook Municipal Utility District No. 1***  
***TSI-6. Change in Long-Term Bonded Debt***  
***June 30, 2024***

	Bond Issue			
	Series 2015	Series 2016 Refunding	Series 2019 Refunding	Totals
Interest rate	2.0% - 4.125%	2.663% - 3.298%	2.0% - 3.5%	
Dates interest payable	11/1; 5/1	11/1; 5/1	11/1; 5/1	
Maturity dates	5/1/17 - 5/1/40	5/1/16 - 5/1/30	5/1/20 - 5/1/35	
Beginning bonds outstanding	\$ 10,910,000	\$ 6,945,000	\$ 2,595,000	\$ 20,450,000
Bonds retired	<u>(445,000)</u>	<u>(1,070,000)</u>	<u>(170,000)</u>	<u>(1,685,000)</u>
Ending bonds outstanding	<u>\$ 10,465,000</u>	<u>\$ 5,875,000</u>	<u>\$ 2,425,000</u>	<u>\$ 18,765,000</u>
Interest paid during fiscal year	<u>\$ 405,894</u>	<u>\$ 184,973</u>	<u>\$ 77,838</u>	<u>\$ 668,705</u>
Paying agent's name and city				
Series 2015	Amegy Bank, N.A., Houston, Texas			
Series 2016 Refunding	Regions Bank, Birmingham, Alabama			
Series 2019 Refunding	Zions Bancorporation, National Association, Houston, Texas			
Bond Authority:	Water, Sewer and Drainage & Refunding Bonds	Water, Sewer and Drainage Bonds	Parks and Recreation Bonds	Road Bonds
Amount Authorized by Voters	\$ 64,850,000	\$ 611,900,000	\$ 99,500,000	\$ 364,000,000
Amount Issued	<u>(46,785,000)</u>			
Remaining To Be Issued	<u>\$ 18,065,000</u>	<u>\$ 611,900,000</u>	<u>\$ 99,500,000</u>	<u>\$ 364,000,000</u>
Bond Authority:	Water, Sewer and Drainage Refunding Bonds	Parks and Recreation Refunding Bonds	Road Refunding Bonds	
Amount Authorized by Voters	\$ 611,900,000	\$ 99,500,000	\$ 364,000,000	
Amount Issued				
Remaining To Be Issued	<u>\$ 611,900,000</u>	<u>\$ 99,500,000</u>	<u>\$ 364,000,000</u>	

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

Debt Service Fund cash and investment balances as of June 30, 2024: \$ 601,476

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 1,486,612

See accompanying auditors' report.

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

	Amounts				
	2024	2023	2022	2021	2020
Revenues					
Water service	\$ 480,183	\$ 372,855	\$ 338,716	\$ 316,817	\$ 280,181
Sewer service	459,556	353,799	293,929	257,530	231,558
Property taxes	3,831,180	3,012,918	2,795,667	1,794,790	2,260,032
Penalties and interest	16,948	10,403	10,336	9,281	2,548
Tap connection and inspection	289,180	444,230	230,667	190,014	49,057
Sales tax rebates	2,407,398	2,303,293	2,227,234	1,989,967	1,669,766
Miscellaneous	80,848	55,825	77,833	36,711	4,804
Investment earnings	964,798	645,785	47,601	40,070	272,318
Total Revenues	<u>8,530,091</u>	<u>7,199,108</u>	<u>6,021,983</u>	<u>4,635,180</u>	<u>4,770,264</u>
Expenditures					
Current service operations					
Purchased services	396,779	413,406	305,858	315,863	242,110
Professional fees	563,949	606,116	329,728	443,408	237,142
Contracted services	236,160	267,111	252,930	176,925	144,284
Repairs and maintenance	623,597	563,741	457,873	417,792	457,544
Utilities	41,152	35,578	36,056	36,827	42,628
Administrative	71,899	71,520	59,574	54,942	50,039
Other	46,347	9,757	7,016	20,180	17,280
Capital outlay	8,243,205	2,764,730	4,379,776	1,931,650	3,226,518
Intergovernmental					
Facility costs	<u>64,581</u>	<u>32,617</u>	<u>47,919</u>	<u>118,862</u>	<u>282,589</u>
Total Expenditures	<u>10,287,669</u>	<u>4,764,576</u>	<u>5,876,730</u>	<u>3,516,449</u>	<u>4,700,134</u>
Revenues Over/(Under)					
Expenditures	<u>\$ (1,757,578)</u>	<u>\$ 2,434,532</u>	<u>\$ 145,253</u>	<u>\$ 1,118,731</u>	<u>\$ 70,130</u>

\*Percentage is negligible

See accompanying auditors' report.



Percent of Fund Total Revenues				
2024	2023	2022	2021	2020
6%	5%	6%	7%	6%
5%	5%	5%	6%	5%
46%	42%	46%	39%	47%
*	*	*	*	*
3%	6%	4%	4%	1%
28%	32%	37%	42%	35%
1%	1%	1%	1%	*
11%	9%	1%	1%	6%
100%	100%	100%	100%	100%
5%	6%	5%	7%	5%
7%	8%	5%	10%	5%
3%	4%	4%	4%	3%
7%	8%	8%	9%	10%
*	*	1%	1%	1%
1%	1%	1%	1%	1%
1%	*	*	*	*
97%	38%	73%	42%	68%
1%	*	1%	3%	6%
122%	65%	98%	77%	99%
(22%)	35%	2%	23%	1%

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

	Amounts				
	2024	2023	2022	2021	2020
Revenues					
Property taxes	\$ 1,756,662	\$ 1,829,328	\$ 1,191,381	\$ 2,382,563	\$ 1,919,818
Penalties and interest	9,964	2,524	6,478	5,576	3,458
Miscellaneous	2,636	1,441	2,890	8,328	5,926
Investment earnings	55,285	35,903	3,766	8,222	30,836
Total Revenues	1,824,547	1,869,196	1,204,515	2,404,689	1,960,038
Expenditures					
Tax collection services	67,771	54,447	56,496	53,120	51,485
Debt service					
Principal	1,685,000	1,715,000	1,670,000	1,970,000	1,875,000
Interest and fees	669,504	709,610	747,623	795,412	856,446
Total Expenditures	2,422,275	2,479,057	2,474,119	2,818,532	2,782,931
Revenues Under Expenditures	\$ (597,728)	\$ (609,861)	\$ (1,269,604)	\$ (413,843)	\$ (822,893)
Total Active Retail Water Connections	99	100	91	80	74
Total Active Retail Wastewater Connections	53	50	49	46	42

\*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues				
2024	2023	2022	2021	2020
96%	98%	99%	100%	98%
1%	*	1%	*	*
*	*	*	*	*
3%	2%	*	*	2%
100%	100%	100%	100%	100%
4%	3%	5%	2%	3%
92%	92%	139%	82%	96%
37%	38%	62%	33%	44%
133%	133%	206%	117%	143%
(33%)	(33%)	(106%)	(17%)	(43%)

***Baybrook Municipal Utility District No. 1***  
***TSI-8. Board Members, Key Personnel and Consultants***  
***For the Year Ended June 30, 2024***

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027  
District Business Telephone Number: 713-860-6400  
Submission Date of the most recent District Registration Form  
(TWC Sections 36.054 and 49.054): June 13, 2024  
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200  
(Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
<b>Board Members</b>				
Mark Hardy	5/24 to 5/28	\$ 2,502	\$ 478	President
Burdette Keeland	5/24 to 5/28	3,449	13	Vice President
David Martin	5/22 to 5/26	1,326		Secretary
Ursalla Kelly	5/24 to 5/28	3,891	613	Assistant Secretary
Debra Greenwood-Sharp	5/22 to 5/26	6,472	494	Assistant Vice President
<b>Consultants</b>				
		Amounts Paid		
Allen Boone Humphries Robinson LLP <i>General legal fees</i>	7/2003	\$ 249,309		Attorney
Si Environmental LLC	3/2018	432,106		Operator
Municipal Accounts & Consulting, L.P.	12/2013	71,660		Bookkeeper
Assessments of the Southwest	5/2007	16,800		Tax Collector
Harris Central Appraisal District	Legislation	45,359		Property Valuation
Perdue Brandon, Fielder, Collins & Mott LLP	3/1996	3,118		Delinquent Tax Attorney
LJA Engineering, Inc	6/2017	548,077		Engineer
McGrath & Co., PLLC	6/2012	23,000		Auditor
Robert W. Baird & Co.	2/2015			Financial Advisor

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

# McGRATH & CO., PLLC

*Certified Public Accountants*  
2900 North Loop West, Suite 880  
Houston, Texas 77092

October 22, 2024

Board of Directors  
Baybrook Municipal Utility District No. 1  
Harris County, Texas

In planning and performing our audit of the financial statements of governmental activities and each major fund of Baybrook Municipal Utility District No. 1 (the "District"), as of and for the year ended June 30, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal controls exists when the design or operation of a control does not allow management, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis.

The District's management consists of an elected Board of Directors (the "Directors"). Day-to-day operations are performed by private companies ("Consultants") under contract with the District. The Directors of the District supervise the performance of the Consultants; however, although the Consultants can be part of the District's system of internal control, the Consultants are not members of management. Ultimately, the Directors of the District are responsible for the design and implementation of the system of internal control.

## **Material Weaknesses**

We observed the following matters that we consider to be material weaknesses:

- As is common within the system of internal control of most small organizations, the accounting function of the District does not prepare the financial statements complete with footnotes in accordance with accounting principles generally accepted in the United States of America. This could result in the District's financial statements and related note disclosures not fully or accurately presenting the District's financial position and changes in financial position during the fiscal year in conformity with accounting principles generally accepted in the United States of America.

- During the course of performing an audit, it is not unusual for the auditor to prepare various journal entries to present the financial statements on both the fund basis and the government-wide basis of accounting. Management's reliance upon the auditor to detect and make these necessary adjustments could result in misstatements in the District's financial statements.
- The District's Management relies on the District's auditor to prepare the capital asset schedules and post adjustments related to the presentation of the capital assets in the government-wide financial statements. This reliance on the auditor to perform this function could result in the understatement or overstatement of capital assets on the District's *Statement of Net Position* or an error in the amount reported as depreciation/amortization expense in the *Statement of Activities*.

### **Management's Response**

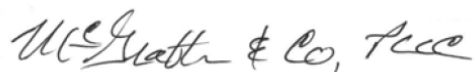
The District's financial statements have been prepared in a manner that is consistent with prior years. The Board engages a bonded bookkeeper who possesses industry knowledge and expertise, including a concentration in special districts accounting. The Board also engages a financial advisor and tax assessor/collector who possess industry knowledge and expertise, as well as legal and professional engineering services. The Board has consulted with its independent auditor concerning this "management letter" and the auditor does not recommend any change in the Board's bookkeeping or audit procedures at this time. To the best of its knowledge, the Board conducts the District's business affairs in the same manner as other similarly situated special districts, and, based on the recommendations of its auditor, does not believe that the addition of an employee to oversee the monthly and annual financial reporting process or to prepare financial statements or that undertaking an additional annual audit is necessary or cost effective.

### **Conclusion**

Management's written response to the material weaknesses identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

This communication is intended solely for the information and use of management, Board of Directors and the Texas Commission on Environmental Quality and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



McGrath & Co., PLLC-CPAs  
Houston, Texas

## **APPENDIX B**

### **Specimen Municipal Bond Insurance Policy**



## MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

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

MEMBER: [NAME OF MEMBER]

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

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

Risk Premium: \$ \_\_\_\_\_

Member Surplus Contribution: \$ \_\_\_\_\_

Total Insurance Payment: \$ \_\_\_\_\_

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

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

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



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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

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

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

Email:

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

Address:

200 Liberty Street, 27th floor

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN