

IN THE OPINION OF BOND COUNSEL, HEREINAFTER DEFINED, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW AND INTEREST ON THE BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAXABLE INCOME OF INDIVIDUALS. HOWEVER, SUCH INTEREST IS TAKEN INTO ACCOUNT IN DETERMINING THE ANNUAL ADJUSTMENT FINANCIAL STATEMENT INCOME OF APPLICABLE CORPORATIONS FOR THE PURPOSE OF DETERMINING THE ALTERNATIVE MINIMUM TAX IMPOSED ON CORPORATIONS. SEE “LEGAL MATTERS” FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

The Bonds have NOT been designated as “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS – Qualified Tax-Exempt Obligations.”

NEW ISSUE – Book Entry Only

**Moody’s Investors Service, Inc. (Underlying) “Baa3”
S&P Global Ratings (BAM Insured): “AA”**

BRAZORIA-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3
(A political subdivision of the State of Texas, located within Brazoria and Fort Bend Counties, Texas)

\$8,000,000
Unlimited Tax Utility Bonds,
Series 2025

\$6,500,000
Unlimited Tax Road Bonds,
Series 2025

Dated: August 1, 2025

Due: September 1, as shown on inside cover page

Interest Accrues from Delivery Date

The \$8,000,000 Unlimited Tax Utility Bonds, Series 2025 (the “Utility Bonds”) and the \$6,500,000 Unlimited Tax Road Bonds, Series 2025 (the “Road Bonds”, and together with the Utility Bonds, the “Bonds”) are solely obligations of the Brazoria-Fort Bend Counties Municipal Utility District No. 3 (the “District”) and are not obligations of the State of Texas, Brazoria County, Texas, Fort Bend County, Texas, the City of Alvin, Texas; the City of Iowa Colony, Texas, or any political subdivision or entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; Brazoria County, Texas, Fort Bend County, Texas, the City of Alvin, Texas, the City of Iowa Colony, Texas, nor any entity other than the District is pledged to the payment of the principal of or the interest on the Bonds.

Principal of the Bonds is payable upon presentation at the principal payment office of the paying agent/registrars, initially, Zions Bancorporation, National Association, Houston, Texas (the “Paying Agent/Registrar”). The Bonds are dated August 1, 2025, and interest on the Bonds accrues from the date of their initial delivery, currently scheduled for August 19, 2025 (the “Delivery Date”). Interest is payable March 1, 2026, and on each September 1 and March 1 thereafter (each an “Interest Payment Date”) until the earlier of maturity or redemption. Interest on the Bonds will be payable by check dated as of the Interest Payment Date and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each Interest Payment Date. The Bonds are fully registered bonds in principal denominations of \$5,000 or any integral multiple thereof.

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

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

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



The Utility Bonds constitute the fourth series of unlimited tax bonds issued by the District for the purpose of acquiring and constructing a waterworks, sanitary sewer and storm drainage system (the “Utility System”). The Road Bonds constitute the fourth series of unlimited tax bonds issued by the District for the purpose of constructing the “Road System.” THE BONDS ARE SUBJECT TO RISK FACTORS DESCRIBED HEREIN. SEE “RISK FACTORS.” Voters in the District have authorized a total of \$150,800,000 principal amount of unlimited tax bonds for the purpose of acquiring and constructing the Utility System; \$75,400,000 principal amount of unlimited tax refunding bonds for the Utility System; \$70,200,000 principal amount of unlimited tax bonds for roads in the District; \$35,100,000 principal amount of unlimited tax refunding bonds for the roads in the District; \$22,100,000 principal amount of unlimited tax bonds for recreational or park facilities in the District; and \$11,050,000 principal amount of unlimited tax refunding bonds for recreational or park facilities in the District. Following the issuance of the Bonds, the following amounts will remain authorized but unissued: \$109,735,000 principal amount of unlimited tax bonds for the purpose of acquiring and constructing the Utility System; \$75,400,000 principal amount of unlimited tax refunding bonds for the Utility System; \$50,390,000 principal amount of unlimited tax bonds for roads in the District; \$35,100,000 principal amount of unlimited tax refunding bonds for roads in the District; \$22,100,000 principal amount of unlimited tax bonds for recreational or park facilities in the District; and \$11,050,000 principal amount of unlimited tax refunding bonds for recreational or park facilities in the District. See “THE BONDS – Authority for Issuance.”

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

The Utility Bonds are offered, when, as and if issued by the District to the winning bidder of the Utility Bonds (the “Utility Bonds Initial Purchaser”) and the Road Bonds are offered, when, as and if issued by the District to the winning bidder of the Road Bonds (the “Road Bonds Initial Purchaser”, and together with the Utility Bonds Initial Purchaser, the “Initial Purchaser”), subject, among other things, to the approval of the Attorney General of Texas and of Coats Rose, P.C., Houston, Texas, Bond Counsel. Certain legal matters will be passed on for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, as Disclosure Counsel. This Official Statement and the information contained herein are subject to completion and amendment. Under no circumstances shall this Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful under the securities laws of such jurisdictions. Delivery of the Bonds through the facilities of DTC is expected on or about August 19, 2025.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

\$8,000,000 Unlimited Tax Utility Bonds, Series 2025

Maturity September 1 ^(d)	Principal Amount	Interest Rate	Initial Reoffering Yield ^(a)	CUSIP No. 106146 ^(b)	Maturity September 1 ^(d)	Principal Amount	Interest Rate	Initial Reoffering Yield ^(a)	CUSIP No. 106146 ^(b)
2027	\$ 180,000	6.625%	3.100%	GA5	2039 ^(c)	\$ 325,000	4.375%	4.500%	GN7
2028	190,000	6.625%	3.150%	GB3	2040 ^(c)	340,000	4.500%	4.600%	GP2
2029	200,000	6.625%	3.200%	GC1	2041 ^(c)	355,000	4.500%	4.700%	GQ0
2030	210,000	6.625%	3.300%	GD9	2042 ^(c)	375,000	4.500%	4.800%	GR8
2031	220,000	6.625%	3.400%	GE7	2043 ^(c)	390,000	4.625%	4.850%	GS6
2032 ^(c)	230,000	6.625%	3.500%	GF4	2044 ^(c)	410,000	4.750%	4.900%	GT4
2033 ^(c)	240,000	6.250%	3.550%	GG2	2045 ^(c)	430,000	4.750%	4.930%	GU1
2034 ^(c)	255,000	4.125%	3.850%	GH0	2046 ^(c)	455,000	4.750%	4.960%	GV9
2035 ^(c)	265,000	4.125%	4.000%	GJ6	2047 ^(c)	475,000	4.750%	4.980%	GW7
2036 ^(c)	280,000	4.125%	4.150%	GK3	2048 ^(c)	500,000	4.750%	5.000%	GX5
2037 ^(c)	295,000	4.250%	4.300%	GL1	2049 ^(c)	525,000	4.750%	5.020%	GY3
2038 ^(c)	305,000	4.250%	4.400%	GM9	2050 ^(c)	550,000	4.750%	5.030%	GZ0

\$6,500,000 Unlimited Tax Road Bonds, Series 2025

Maturity September 1 ^(d)	Principal Amount	Interest Rate	Initial Reoffering Yield ^(a)	CUSIP No. 106146 ^(b)	Maturity September 1 ^(d)	Principal Amount	Interest Rate	Initial Reoffering Yield ^(a)	CUSIP No. 106146 ^(b)
2027	\$ 145,000	6.625%	3.100%	HA4	2039 ^(c)	\$ 260,000	4.375%	4.500%	HN6
2028	155,000	6.625%	3.150%	HB2	2040 ^(c)	275,000	4.500%	4.600%	HP1
2029	160,000	6.625%	3.200%	HC0	2041 ^(c)	290,000	4.500%	4.700%	HQ9
2030	170,000	6.625%	3.300%	HD8	2042 ^(c)	305,000	4.500%	4.800%	HR7
2031	180,000	6.625%	3.400%	HE6	2043 ^(c)	320,000	4.625%	4.850%	HS5
2032 ^(c)	185,000	6.625%	3.500%	HF3	2044 ^(c)	335,000	4.750%	4.900%	HT3
2033 ^(c)	195,000	6.250%	3.550%	HG1	2045 ^(c)	350,000	4.750%	4.930%	HU0
2034 ^(c)	205,000	4.125%	3.850%	HH9	2046 ^(c)	370,000	4.750%	4.960%	HV8
2035 ^(c)	215,000	4.125%	4.000%	HJ5	2047 ^(c)	390,000	4.750%	4.980%	HW6
2036 ^(c)	225,000	4.125%	4.150%	HK2	2048 ^(c)	405,000	4.750%	5.000%	HX4
2037 ^(c)	240,000	4.250%	4.300%	HL0	2049 ^(c)	425,000	4.750%	5.020%	HY2
2038 ^(c)	250,000	4.250%	4.400%	HM8	2050 ^(c)	450,000	4.750%	5.030%	HZ9

^(a) The initial reoffering yield has been provided by the Initial Purchaser and represents the initial offering price to the public of a substantial amount of the Bonds for each maturity. Such initial reoffering yield may be changed for subsequent purchasers. The initial reoffering yields indicated above represent 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 on behalf of the American Bankers Association by FactSet Research Systems Inc. and are included solely for the convenience of the owners of the Bonds. None of the District, Financial Advisor (herein defined) or Initial Purchaser shall be responsible for the selection or the correctness of the CUSIP numbers.

^(c) Bonds maturing on September 1, 2032, and thereafter, are subject to redemption prior to maturity at the option of the District, as a whole or from time to time in part, on September 1, 2031, or any date thereafter at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption of the Bonds."

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 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 Coats Rose, P.C. ("Bond Counsel") 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 that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. However, the District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District, and to the extent that information actually comes to its attention, other matters described in the Official Statement until delivery of the Bonds to the Initial Purchaser and thereafter only as specified in "CONTINUING DISCLOSURE OF INFORMATION" and "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 the heading "MUNICIPAL BOND INSURANCE" and "APPENDIX B – Specimen Municipal Bond Insurance Policy."

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

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

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 final official statement for any purposes.

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SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Utility Bonds, the District has accepted the bid resulting in the lowest net interest cost, which was tendered by SAMCO Capital Markets, Inc. (the “Utility Bonds Initial Purchaser”). The Utility Bonds Initial Purchaser has agreed to purchase the Utility Bonds, bearing the interest rates shown under “MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS” on the inside cover page of this Official Statement, at a price of 98.001498% of the principal amount thereof which resulted in a net effective interest rate of 4.860614%, calculated pursuant to Chapter 1204, Texas Government Code, as amended.

After requesting competitive bids for the Road Bonds, the District has accepted the bid resulting in the lowest net interest cost, which was tendered by SAMCO Capital Markets, Inc. (the “Road Bonds Initial Purchaser”). The Road Bonds Initial Purchaser has agreed to purchase the Road Bonds, bearing the interest rates shown under “MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS” on the inside cover page of this Official Statement, at a price of 98.004338% of the principal amount thereof which resulted in a net effective interest rate of 4.860201%, calculated pursuant to Chapter 1204, Texas Government Code, as amended.

The Utility Bonds Initial Purchaser and the Road Bonds Initial Purchaser are collectively referred to as the “Initial Purchaser” through this Official Statement.

Prices and Marketability

The District has no control over the reoffering yields or prices of the Bonds or 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 prices of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

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 reoffering 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.

Securities Laws

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

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

Build America Mutual Assurance Company

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

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.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 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, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

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

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at <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.

RATING

The Bonds are expected to receive an insured rating of "AA" from S&P solely in reliance upon the issuance of the 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).

Moody's Investors Service, Inc. ("Moody's") has assigned an underlying credit rating of "Baa3" to the Bonds. An explanation of the ratings may be obtained from Moody's, 7 World Trade Center, 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 judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

The District is not aware of any rating assigned to the Bonds other than the rating of Moody's.

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OFFICIAL STATEMENT SUMMARY

The following material is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE BONDS

The District.....	Brazoria-Fort Bend Counties Municipal Utility District No. 3 (the “District”), a political subdivision of the State of Texas located within Brazoria and Fort Bend Counties, Texas. See “THE DISTRICT-General.”
The Bonds.....	The District is issuing \$8,000,000 Unlimited Tax Utility Bonds, Series 2025 (the “Utility Bonds”) and \$6,500,000 Unlimited Tax Road Bonds, Series 2025 (the “Road Bonds” and, together with the Utility Bonds, the “Bonds”). The Bonds are dated August 1, 2025 and mature on September 1 in the years and amounts set forth on the inside cover page hereof. Interest accrues from the date of the initial delivery of the Bonds at the rates per annum set forth on the inside cover page hereof and is payable on March 1, 2026, and on each September 1 and March 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity. See “THE BONDS.”
Redemption	Bonds maturing on and after September 1, 2032, are subject to redemption, in whole or from time to time in part, at the option of the District on September 1, 2031, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See “THE BONDS – Redemption of the Bonds.”
Book-Entry-Only System	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC (as defined herein), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (as defined herein) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “THE BONDS - Book-Entry-Only System”).
Source of Payment.....	Principal of and interest on the Bonds are payable from the proceeds of two continuing direct annual ad valorem taxes, each levied upon all taxable property within the District without legal limitation as to rate or amount. See “THE BONDS - Source of Payment,” and “TAX DATA - Tax Rate Calculations.”
Not Qualified Tax Exempt Obligations	The Bonds have <u>NOT</u> been designated as “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS – Not Qualified Tax Exempt Obligations.”
Outstanding Bonds	The District previously issued its \$15,000,000 Unlimited Tax Utility Bonds, Series 2024 of which \$15,000,000 principal amount remains outstanding as of May 1, 2025 (the “Outstanding 2024 Utility Bonds”), its \$9,205,000 Unlimited Tax Utility Bonds, Series 2023 of

which \$9,025,000 principal amount remains outstanding as of May 1, 2025 (the “Outstanding 2023 Utility Bonds”), and its \$8,860,000 Unlimited Tax Utility Bonds, Series 2022 of which \$8,425,000 principal amount remains outstanding as of May 1, 2025 (the “Outstanding 2022 Utility Bonds” and, together with the Outstanding 2023 Utility Bonds and the Outstanding 2024 Utility Bonds, the “Outstanding Utility Bonds”).

In addition, the District has previously issued its \$3,000,000 Unlimited Tax Road Bonds, Series 2024 of which \$3,000,000 principal amount remains outstanding as of May 1, 2025 (the “Outstanding 2024 Road Bonds”), its \$6,310,000 Unlimited Tax Road Bonds, Series 2023 of which \$6,180,000 principal amount remains outstanding as of May 1, 2025 (the “Outstanding 2023 Road Bonds”), and its \$4,000,000 Unlimited Tax Road Bonds, Series 2022 of which \$3,805,000 principal amount remains outstanding as of May 1, 2025 (the “Outstanding 2022 Road Bonds” and, together with the Outstanding 2023 Road Bonds and the Outstanding 2024 Road Bonds, the “Outstanding Road Bonds”).

The Outstanding Road Bonds and the Outstanding Utility Bonds are collectively referred to herein as the “Outstanding Bonds.”

Payment Record.....

The Utility Bonds constitute the fourth series of unlimited tax bonds issued by the District for the purpose of acquiring and constructing a waterworks, sanitary sewer and storm drainage system (the “Utility System”). The District will capitalize an amount equal to the initial six (6) months of interest payments from the proceeds of the sale of the Utility Bonds and will deposit such sum in the Utility Bond Debt Service Fund.

The Road Bonds constitute the fourth series of unlimited tax bonds issued by the District for the purpose of constructing “Road System”. The District will capitalize an amount equal to the initial six (6) months of interest payments from the proceeds of the sale of the Road Bonds and will deposit such sum in the Road System Debt Service. See “THE BONDS – Use and Description of Bond Proceeds.”

Authorized but Unissued Bonds

Following the issuance of the Bonds, the following amounts will remain authorized but unissued: \$109,735,000 principal amount of unlimited tax bonds for the purpose of acquiring and constructing the Utility System; \$75,400,000 principal amount of unlimited tax refunding bonds for the Utility System; \$50,390,000 principal amount of unlimited tax bonds for roads in the District; \$35,100,000 principal amount of unlimited tax refunding bonds for roads in the District; \$22,100,000 principal amount of unlimited tax bonds for recreational or park facilities in the District; and \$11,050,000 principal amount of unlimited tax refunding bonds for recreational or park facilities in the District.

Authority for Issuance

To date, voters in the District have authorized a total of \$150,800,000 principal amount of unlimited tax bonds for the purpose of acquiring and constructing the Utility System; \$75,400,000 principal amount of unlimited tax refunding bonds for the Utility System; \$70,200,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing a road system to serve the District (the “Road System”); \$35,100,000 principal amount of unlimited tax refunding bonds for the roads in the District; \$22,100,000 principal amount of

unlimited tax bonds for recreational or park facilities in the District; and \$11,050,000 principal amount of unlimited tax refunding bonds for recreational or park facilities in the District.

The Utility Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution, (ii) Chapter 8075 of the Texas Special District Local Laws Code, and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, (iii) an order (the “Utility Bond Order”) adopted by the Board of Directors of the District on the date of the sale of the Bonds, (iv) an election held within the District on May 2, 2020, and (v) an approving order of the Texas Commission on Environmental Quality (“TCEQ”). See “THE BONDS – Authority for Issuance, and – Issuance of Additional Debt” and “RISK FACTORS – Future Debt.”

The Road Bonds are issued pursuant to (i) Article III, Section 52 of the Texas Constitution, (ii) Chapter 8075 of the Texas Special District Local Laws Code, and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, (iii) an order (the “Road Bond Order”) adopted by the Board of Directors of the District on the date of the sale of the Road Bonds, and (iv) an election held within the District on May 2, 2020.

The Utility Bond Order and the Road Bond Order are herein referred to collectively as the “Bond Orders.”

Use of Utility Bond Proceeds	A portion of the proceeds from the sale of the Utility Bonds will be used for construction costs set out under “THE BONDS – Use and Distribution of Utility Bond Proceeds.” In addition, a portion of the proceeds from the Utility Bonds will be used to pay developer interest, six (6) months of capitalized interest on the Utility Bonds and certain other costs associated with the issuance of the Utility Bonds. See “THE BONDS - Use and Distribution of Utility Bond Proceeds.”
Use of Road Bond Proceeds	A portion of the proceeds from the sale of the Road Bonds will be used for the construction costs set out under “THE BONDS – Use and Distribution of Road Bond Proceeds.” In addition, a portion of the proceeds from the Road Bonds will be used to pay developer interest, six (6) months of capitalized interest on the Road Bonds, and certain other costs associated with the issuance of the Road Bonds. See “THE BONDS - Use and Distribution of Road Bond Proceeds.”
Municipal Bond Insurance.....	Build America Mutual Assurance Company (“BAM”). See “MUNICIPAL BOND INSURANCE.”
Ratings.....	Moody’s Investors Service, Inc. (Underlying) – “Baa3” and S&P Global Ratings (BAM Insured) – “AA.” See “RATINGS.”
Bond Counsel	Coats Rose, P.C., Houston, Texas.
Disclosure Counsel	Orrick, Herrington & Sutcliffe LLP, Houston, Texas.
Financial Advisor	Tierra Financial Advisors, LLC, Arlington, Texas (“Tierra”). Tierra is a wholly-owned subsidiary of D.R. Horton Inc., the primary developer of land in the District. See “RELATIONSHIP AMONG THE PARTIES” herein.

THE DISTRICT

Description	The District is a political subdivision of the State of Texas created by acts of the 86 th Texas Legislature, codified as Chapter 8075, Special District Local Laws Code (the “Act”) as a municipal utility district created under and essential to accomplish the purposes of Section 59, Article XVI, and Section 52, Article III of the Texas Constitution, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. See “THE DISTRICT.”
Location.....	The District is 652.626 acres located in the southeast Houston metropolitan area, approximately 21 miles southwest of downtown Houston, Texas and approximately 3 miles south of the intersection of Texas State Highway 6 and FM 521. The District is in the William Hall Survey, Abstract 31, in Fort Bend County, Texas, the William Hall Survey, Abstract 713 in Brazoria County, Texas, as well as the H.T.&B. R.R. Co. Lot 68, Abstract 561 in Brazoria County, Texas. The property lies partially within the extra-territorial jurisdiction (“ETJ”) of the City of Alvin, Texas, partially within the ETJ of the City of Iowa Colony, Texas and partially within no City’s ETJ or corporate limits.
Developer and Principal Landowner	The developer and a principal land-owner of the land within the District, as of January 1, 2024, is D.R. Horton-Texas, Ltd. (the “Developer”), a Texas limited partnership. The Developer is wholly owned by D.R. Horton, Inc. (“D.R. Horton”), a Delaware corporation and publicly held company, the stock of which is listed on the New York Stock Exchange under the ticker symbol “DHI.” See “PRINCIPAL LANDOWNER/DEVELOPER.”
Development within the District.....	<p>The District has been developed as Caldwell Ranch, a single family residential community. Development in the District includes 1,787 single-family residential lots on approximately 371.9 acres. As of May 1, 2025, the District consisted of 1,787 completed homes as well as 4 model homes. Development is at full build-out. Homes in the District sold for prices ranging from approximately \$200,000 to \$373,000.</p> <p>In addition to the development described above, the Developer (herein defined) constructed a recreation center, which has a pool, restrooms and open spaces on approximately 11 acres in the District. The remainder of the District is comprised of approximately 327 acres of street right-of-way, easements, drainage, floodway, open spaces and utility sites, including the 4.3 acres devoted to the recreation center. See “DEVELOPMENT OF THE DISTRICT – Status of Development within the District.”</p>
Homebuilder	D.R. Horton has completed building single-family homes in the District. Homes in the District sold for prices ranging from approximately \$200,000 to \$373,000 and have sizes from approximately 1,300 to over 2,700 square feet. See “DEVELOPMENT OF THE DISTRICT – Homebuilders within the District.”

RISK FACTORS

THE BONDS ARE SUBJECT TO CERTAIN RISK FACTORS. PROSPECTIVE PURCHASERS SHOULD REVIEW THIS ENTIRE OFFICIAL STATEMENT, INCLUDING PARTICULARLY THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED “RISK FACTORS” AND “RELATIONSHIP AMONG THE PARTIES” BEFORE MAKING AN INVESTMENT DECISION.

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SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2024 Certified Assessed Valuation	\$ 405,823,668 ^(a)
2025 Preliminary Assessed Valuation	\$ 453,079,700 ^(b)
Estimated Assessed Valuation as of March 1, 2025	\$ 478,013,843 ^(c)
Direct Debt:	
The Outstanding Utility Bonds (as of May 1, 2025)	\$ 32,450,000
The Outstanding Road Bonds (as of May 1, 2025)	\$ 12,985,000
The Utility Bonds	\$ 8,000,000
The Road Bonds	<u>\$ 6,500,000</u>
Total	\$ 59,935,000
Estimated Overlapping Debt	<u>\$ 16,549,076^(d)</u>
Total Direct and Estimated Overlapping Debt	\$ 76,484,076 ^(d)
Direct Debt Ratio:	
As a percentage of 2024 Certified Assessed Valuation	14.77%
As a percentage of 2025 Preliminary Assessed Valuation	13.23%
As a percentage of Estimated Assessed Valuation as of March 1, 2025	12.54%
Direct and Estimated Overlapping Debt Ratio:	
As a percentage of 2024 Certified Assessed Valuation	18.85%
As a percentage of 2025 Preliminary Assessed Valuation	16.88%
As a percentage of Estimated Assessed Valuation as of March 1, 2025	16.00%
Operating Fund (as of as of May 13, 2025)	\$ 4,010,914
Utility Bond Debt Service Fund	\$ 2,966,020 ^(e)
Road Bond Debt Service Fund	\$ 1,324,854 ^(f)
2024 Tax Rate:	
Utility System Debt Service	\$ 0.600
Road System Debt Service	\$ 0.250
Maintenance & Operations	<u>\$ 0.500</u>
Total	\$ 1.350
Average Annual Debt Service Requirements on Outstanding Bonds and the Bonds (2025 – 2050)	\$ 3,827,804
Maximum Annual Debt Service Requirements on Outstanding Bonds and the Bonds (2047)	\$ 4,392,013
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirement on Outstanding Bonds and the Bonds (2025 - 2050):	
Based on 2024 Certified Assessed Valuation at 95% Collections	\$ 1.00
Based on 2025 Preliminary Assessed Valuation at 95% Collections	\$ 0.89
Based on Estimated Assessed Valuation as of March 1, 2025 at 95% Collections	\$ 0.85
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement on Outstanding Bonds and the Bonds (2047):	
Based on 2024 Certified Assessed Valuation at 95% Collections	\$ 1.14
Based on 2025 Preliminary Assessed Valuation at 95% Collections	\$ 1.03
Based on Estimated Assessed Valuation as of March 1, 2025 at 95% Collections	\$ 0.97

^(a) Represents the assessed valuation of all taxable property in the District as of January 1, 2024, provided by the Brazoria County Appraisal District and the Fort Bend Central Appraisal District (collectively, the “Appraisal Districts”). See “TAX DATA” and “TAXING PROCEDURES.”

^(b) Represents the preliminary assessed valuation of all taxable property in the District as of January 1, 2025, provided by the Appraisal Districts. Values are uncertified until Appraisal Districts certify rolls in July. See “TAX DATA” and “TAXING PROCEDURES.”

^(c) Provided by the Appraisal Districts for informational purposes only. This amount is an estimate of the taxable value of all taxable property located within the District as of May 1, 2025 and includes an estimate of additional taxable value resulting from the construction of taxable improvements from January 1, 2025 to May 1, 2025. No taxes will be levied on this estimated value. See “TAX DATA” and “TAXING PROCEDURES.”

^(d) See “DISTRICT DEBT – Direct and Estimated Overlapping Debt Statement.”

- (e) Neither Texas law nor the Utility Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund (defined herein). The funds in the Utility System Debt Service Fund are pledged only to pay the debt service on the Utility Bonds, and any other bonds issued for the purpose of acquiring or constructing the Utility System. The Utility Bonds include six (6) months of capitalized interest which will be deposited into the Utility System Debt Service Fund.
- (f) Neither Texas law nor the Road Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund (defined herein). The funds in the Road System Debt Service Fund are pledged only to pay the debt service on the Road Bonds, and any other bonds issued for the purpose of acquiring or constructing the Road System. The Road Bonds include six (6) months of capitalized interest which will be deposited into the Road System Debt Service Fund.

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OFFICIAL STATEMENT

relating to

BRAZORIA-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3

(A Political Subdivision of the State of Texas, located within Brazoria and Fort Bend Counties, Texas)

\$8,000,000

**Unlimited Tax Utility Bonds,
Series 2025**

\$6,500,000

**Unlimited Tax Road Bonds,
Series 2025**

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Brazoria-Fort Bend Counties Municipal Utility District No. 3 (the “District”) of its \$8,000,000 Unlimited Tax Utility Bonds, Series 2025 (the “Utility Bonds”) and its \$6,500,000 Unlimited Tax Road Bonds, Series 2025 (the “Road Bonds”). The Utility Bonds and Road Bonds are herein referred to collectively as the “Bonds.”

The Utility Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution, (ii) Chapter 8075 of the Texas Special District Local Laws Code, and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, (iii) an order (the “Utility Bond Order”) adopted by the Board of Directors of the District on the date of the sale of the Bonds, (iv) an election held within the District on May 2, 2020, and (v) an approving order of the Texas Commission on Environmental Quality (“TCEQ”).

The Road Bonds are issued pursuant to the (i) Article III, Section 52 of the Texas Constitution, (ii) Chapter 8075 of the Texas Special District Local Laws Code, and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, (iii) an order (the “Road Bond Order”) adopted by the Board of Directors of the District on the date of the sale of the Road Bonds, and (iv) an election held within the District on May 2, 2020.

The Utility Bond Order and the Road Bond Order are herein referred to collectively as the “Bond Orders.”

Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Orders, 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.

RELATIONSHIP AMONG THE PARTIES

Tierra Financial Advisors, LLC, serves as financial advisor to the District (the “Financial Advisor”) and is a wholly owned subsidiary of D.R. Horton Inc. (“D.R. Horton”), the primary developer of land in the District (the “Developer”). The District was created in 2019 at the request of D.R. Horton to facilitate development in the District, and D.R. Horton currently owns approximately 0.79% of the of the total taxable assessed value of property in the District. See “DEVELOPMENT OF THE DISTRICT,” “PRINCIPAL LANDOWNER/DEVELOPER” and “TAX DATA – Principal Taxpayers.” A portion of the proceeds of the Bonds will be used to reimburse D.R. Horton for expenditures incurred in connection with the development of infrastructure in the District. See “THE BONDS – Use and Distribution of Utility Bond Proceeds”, and “– Use and Distribution of Road Bond Proceeds.” No employees of D.R. Horton are members of the Board of the District and the Financial Advisor is subject to federal laws and regulations that require it to disclose, manage and mitigate conflicts of interest consistent with its fiduciary duties to the District.

RISK FACTORS

General

The Bonds, which are obligations solely of the District and not of the State of Texas, Brazoria County, Texas, Fort Bend County, Texas, the City of Alvin, Texas, the City of Iowa Colony, Texas; or any political subdivision other than the District, will be secured by two continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property located within the District. Therefore, the ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect

to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners or that there will be a market for any property if the District forecloses on property to enforce its tax lien. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below. See “DEVELOPMENT OF THE DISTRICT,” “TAX DATA,” and “TAXING PROCEDURES.”

Factors Affecting Taxable Values and Tax Payment

Economic Factors: The rate of development of the District is directly related to the vitality of the residential housing industry. New residential housing construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of home construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development or home construction in the District other than that of which has occurred to date.

Principal Landowner/Developer: There is no commitment by, or legal requirement of, the principal landowners, the Developer, to proceed at any particular rate or according to any specified plan with the development of land in the District, or of any homebuilder to proceed at any particular pace with the construction of homes in the District. Moreover, there is no restriction on any landowner’s right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of future home construction activity in the District. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable values in the District and result in higher tax rates. See “DEVELOPMENT OF THE DISTRICT,” “PRINCIPAL LANDOWNER/DEVELOPER,” and “TAX DATA – Principal Taxpayers.”

Dependence on Principal Taxpayers and the Developer: The top ten principal taxpayers represent \$10,110,911 or 2.48% of the 2024 Certified Assessed Valuation, which represents ownership as of January 1, 2024. The Developer owns approximately \$3,197,681 or 0.79% of the 2024 Certified Assessed Valuation of property located within the District. If these or other principal taxpayers were to default in the payment of taxes in an amount which exceeds the District’s debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds would be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or to sell tax anticipation notes. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its debt service fund. See, “TAX DATA – Principal Taxpayers” and “TAXING PROCEDURES – Levy and Collection of Taxes.”

Maximum Impact on District Tax Rates: The value of the land and improvements currently within the District will be the major determinant of the ability of the District to collect and the willingness of District property owners to pay, ad valorem taxes levied by the District. The District’s 2024 Certified Assessed Valuation is \$405,823,668 (see “TAX DATA”), reflecting the District’s certified 2024 tax roll supplied to the District by the Appraisal Districts. Moreover, the 2025 Preliminary Assessed Valuation on January 1, 2025 of property located within the District, supplied by the Appraisal Districts is \$453,079,700. The Estimated Assessed Valuation as of March 1, 2025, supplied by the Appraisal Districts is \$478,013,843.

After issuance of the Bonds, the maximum annual debt service requirement on the Outstanding Bonds and the Bonds will be \$4,392,013 (2047) and the average annual debt service requirement on the Outstanding Bonds and the Bonds will be \$3,851,635 (2025-2050). Assuming no decrease to the 2024 Assessed Valuation, tax rates of \$1.14 and \$1.00 per \$100 of assessed valuation at 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. Assuming no decrease from the 2025 Preliminary Assessed Valuation as of January 1, 2025, tax rates of \$1.03 and \$0.89 per \$100 of assessed valuation at 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. Assuming no decrease from the Estimated Valuation as of March 1, 2025, tax rates of \$0.97 and \$0.85 per \$100 of assessed valuation at 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. In 2024, the District levied a maintenance tax of \$0.50 per \$100 of assessed valuation.

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.

As is enumerated in this Official Statement under the caption “TAX DATA - Estimated Overlapping Taxes,” the aggregate of the tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District’s rate, is \$1.35 per \$100 of Assessed Valuation, as to that portion of the District that lies within Brazoria County, and \$1.35 per \$100 of Assessed Valuation that portion of the District that lies within Fort Bend County. Such

aggregate rates are higher than the aggregate tax levies of many municipal utility districts in the Houston, Texas (“Houston”) metropolitan area, including the area of the District, but are within the range of the aggregate levies of many municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District.

Dependence on the Oil and Gas Industry

The recent declines 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 two separate unlimited ad valorem taxes, and a reduction in property values may require an increase in an 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.

Competitive Nature of Residential Housing Market

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

Tax Collection 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 two years of foreclosure for residential homestead and agricultural use property and within six (6) months of foreclosure for other property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding.

Moreover, the value of property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayers’ right to redeem residential or agricultural use property within two (2) years of foreclosure and all other property within six (6) months of foreclosure. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. See “TAXING PROCEDURES.”

Bondholders’ Remedies

In the event of default in the payment of principal of or interest on the Bonds, the registered holders of the Bonds (“Bondholders”) 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 Orders do not provide for remedies to protect and enforce the interests of the Bondholders. 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. Based on recent Texas court decisions, it is unclear whether, §49.066, Texas Water Code, effectively waives governmental immunity of a municipal utility district for suits for money damages. Even if the Bondholders 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 Bondholders cannot themselves foreclose on property within the District or sell property of the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Bondholders would have to initiate and finance the legal process to enforce their remedies. SEE “THE BONDS-Bondholders’ Remedies and Bankruptcy Limitation to Bondholders’ Rights.”

Bankruptcy Limitation to Bondholders' Rights

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District: (1) is authorized to file for federal bankruptcy protection by Texas law; (2) is insolvent or unable to meet its debts as they mature; (3) desired to effect a plan to adjust such debts; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, the District must also obtain the approval of the TCEQ prior to filing bankruptcy. Such law requires that the TCEQ investigate the financial conditions of the District and authorize the District to proceed only if the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

If the District decides in the future to proceed voluntarily under the federal Bankruptcy Code, the District could develop and file a plan for the adjustment of its debts. If such a plan was confirmed by the bankruptcy court, it could, among other things, affect the Beneficial Owners by reducing or eliminating the interest rate or the principal amount, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Beneficial Owners' claims against the District.

The District may not be placed into bankruptcy involuntarily. SEE "THE BONDS-Bondholders' Remedies and Bankruptcy Limitation to Bondholders' Rights."

Marketability

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

Future Debt

At an election held within the District on May 2, 2020, voters of the District authorized the District's issuance of: \$150,800,000 principal amount of unlimited tax bonds for the purpose of acquiring and constructing the Utility System; \$75,400,000 principal amount of unlimited tax refunding bonds for the Utility System; \$70,200,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; \$35,100,000 principal amount of unlimited tax refunding bonds for the Road System; \$22,100,000 principal amount of unlimited tax bonds for recreational or park facilities in the District; and \$11,050,000 principal amount of unlimited tax refunding bonds for recreational or park facilities in the District.

The Bonds represent the fourth series of bonds issued by the District for the purpose of acquiring or constructing the Utility System and the Road System. After issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: \$109,735,000 principal amount of unlimited tax bonds for the purpose of acquiring and constructing the Utility System; \$75,400,000 principal amount of unlimited tax refunding bonds for the Utility System; \$50,390,000 principal amount of unlimited tax bonds for roads in the District; \$35,100,000 principal amount of unlimited tax refunding bonds for roads in the District; \$22,100,000 principal amount of unlimited tax bonds for recreational or park facilities in the District; and \$11,050,000 principal amount of unlimited tax refunding bonds for recreational or park facilities in the District. The District may issue any additional bonds as may hereafter be approved by both the Board of Directors and voters of the District as well as certain additional bonds, revenue bonds, special project bonds, and other obligations as described in the Bond Orders. See "THE BONDS – Issuance of Additional Debt."

The District's issuance of the remaining \$109,735,000 unlimited tax bonds authorized for the Utility System and the \$22,100,000 unlimited tax bonds authorized for parks and recreational or park facilities shall be subject to approval by the TCEQ.

Following the issuance of the Bonds, the District will owe the Developer approximately \$29.4 million for the existing Utility System, the Road System and recreational or park facilities. If additional bonds are issued in the future and

property values have not increased proportionately, such issuance may increase gross debt-to-property-valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

The District does not intend to issue any additional unlimited tax bonds in the current calendar year. SEE “THE BONDS-Issuance of Additional Debt.”

Continuing Compliance with Certain Covenants

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

Approval of the Bonds

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas, 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.

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

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

On May 25, 2023, the Supreme Court of the United States issued its decision in *Sackett v. EPA*, which clarified the definition of "waters of the United States" and significantly restricted the reach of federal jurisdiction under the CWA. Under the *Sackett* decision, "waters of the United States" includes only geographical features that are described in ordinary parlance as "streams, oceans, rivers, and lakes" and to adjacent wetlands that are indistinguishable from such

bodies of water due to a continuous surface connection. Subsequently, the EPA and USACE issued a final rule amending the definition of “waters of the United States” under the CWA to conform with the Supreme Court’s decision.

While the *Sackett* decision and subsequent regulatory actions 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.

Severe Weather Events

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

The greater Houston area, including the District, has experienced multiple storms exceeding a 0.2% probability (i.e. “500 year flood” events) since 2015. The most recent event was Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017 and brought historic levels of rainfall during the successive four days.

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

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

Potential Impact of Natural Disaster

The District could be impacted by wide-spread fires, earthquakes, or weather events such as hurricanes, tornadoes, tropical storms, or other severe weather events that could produce high winds, heavy rains, hail, and flooding. 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.

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 such natural disasters.

Bond Insurance Risk Factors

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

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any

remedies and the Bond Insurer's consent may be required in connection with amendments to any applicable bond documents.

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

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

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 of and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE" and "RATING" herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

Future and Proposed 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.

2025 Legislative Session

The 89th Regular Legislative Session convened on January 14, 2025, and concluded on June 2, 2025. The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor of Texas (the "Governor") may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. During this time, the Legislature may enact laws that materially change current laws affecting ad valorem tax matters, including rollback elections for maintenance tax increases, and other matters which could adversely affect the marketability or market value of the Bonds. The District can make no representations or predictions regarding any actions the Texas Legislature may take or the effect of any such actions.

THE BONDS

General

The following is a description of certain terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Orders of the Board of Directors of the District (the “Board”) authorizing the issuance of the Bonds. Copies of the Bond Orders may be obtained from the District upon written request made to the District’s Financial Advisor, Tierra Financial Advisors, LLC, 1341 Horton Circle, Arlington, Texas, 76011. The Bond Orders authorize the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds are dated August 1, 2025, and will mature on September 1 in the years and in the principal amounts indicated on the inside cover page hereof. The Bonds will accrue interest from the date of their initial delivery (the “Delivery Date”), at the stated interest rates indicated on the inside cover page hereof. Interest on the Bonds is payable on March 1, 2026, and on each September 1 and March 1 thereafter (each an “Interest Payment Date”) until maturity or prior redemption. The Bonds will be issued as fully registered bonds in principal denominations of \$5,000 or any integral multiple thereof. Principal of the Bonds will be payable to a Bondholder thereof at maturity or earlier redemption upon presentation of Bonds at the principal payment office of 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 Bondholders as shown on the records of the Paying Agent/Registrar at the close of business on the 15th day of the calendar month next preceding each Interest Payment Date (the “Record Date”), or by other such customary banking arrangements as may be acceptable to the Paying Agent/Registrar and the Bondholder at the expense and risk of the Bondholder.

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

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 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 and the Financial Advisor believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

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

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

DTC, the world’s largest Bonds 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 Bonds transactions in deposited Bonds, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of Bonds. Direct Participants

include both U.S. and non-U.S. Bonds 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 Bonds 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. Bonds 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 rating from S&P Global Ratings of AA+. The DTC Rules applicable to its Participants are on file with the Bonds and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, who will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Certificate (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds 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 affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners.

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

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

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

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

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

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

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 DTC Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry system, and (ii) except as described above, notices that are to be given to registered owners under the Bond Orders will be given only to DTC.

Successor Paying Agent/Registrar

Provisions are made in the Bond Orders 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 principal payment 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 payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Redemption of the Bonds

The Bonds maturing on September 1, 2032, and thereafter are subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2031, 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 Bondholder 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 Bondholder 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.

Replacement of 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, receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and the Paying Agent/Registrar of security or indemnity to hold them harmless. The District or the Paying Agent/Registrar may require payment of taxes, governmental charges and other expenses and other expenses in connection with any such replacement.

Authority for Issuance

At an election held within the District on May 2, 2020, voters in the District authorized a total of \$150,800,000 principal amount of unlimited tax bonds for the purpose of acquiring and constructing the Utility System; \$75,400,000 principal amount of unlimited tax refunding bonds for the Utility System; \$70,200,000 principal amount of unlimited tax bonds for roads in the District; \$35,100,000 principal amount of unlimited tax refunding bonds for the purpose of acquiring and constructing the Road System; \$22,100,000 principal amount of unlimited tax bonds for recreational or park facilities in the District; and \$11,050,000 principal amount of unlimited tax refunding bonds for recreational or park facilities in the District.

The Utility Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution, (ii) Chapter 8075 of the Texas Special District Local Laws Code, and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, (iii) the Utility Bond Order, (iv) an election held within the District on May 2, 2020, and (v) an approving order of the TCEQ.

The Road Bonds are issued pursuant to (i) Article III, Section 52 of the Texas Constitution, (ii) Chapter 8075 of the Texas Special District Local Laws Code, and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, (iii) the Road Bond Order, and (iv) an election held within the District on May 2, 2020.

Source of Payment

The Bonds are payable from the proceeds of two continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Orders, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, and certain fees. Tax proceeds, after deduction for collection costs, will be placed in the Debt Service Fund and used solely to pay principal of and interest on the Bonds, and additional bonds payable from taxes which may be issued.

The Bonds are obligations solely of the District and are not the obligations of the State of Texas, Brazoria County, Texas, Fort Bend County, Texas, the City of Alvin, Texas, the City of Iowa Colony, Texas; or any entity other than the District.

Issuance of Additional Debt

The District may issue additional bonds with the approval of the TCEQ (with respect to the bonds for the Utility System or for parks and recreation) necessary to provide improvements and facilities consistent with the purposes for which the District was created. The District's voters have authorized the District's issuance of \$150,800,000 principal amount of unlimited tax bonds for the purpose of acquiring and constructing the Utility System; \$75,400,000 principal amount of unlimited tax refunding bonds for the Utility System; \$70,200,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; \$35,100,000 principal amount of unlimited tax refunding bonds for the Road System; \$22,100,000 principal amount of unlimited tax bonds for recreational or park facilities in the District; and \$11,050,000 principal amount of unlimited tax refunding bonds for recreational or park facilities in the District.

The Bonds represent the fourth series of bonds issued by the District for the purpose of acquiring or constructing the Utility System and the fourth series of bonds issued by the District for the purpose of constructing the Road System. After issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: \$109,735,000 principal amount of unlimited tax bonds for the purpose of acquiring and constructing the Utility System; \$75,400,000 principal amount of unlimited tax refunding bonds for the Utility System; \$50,390,000 principal amount of unlimited tax bonds for roads in the District; \$35,100,000 principal amount of unlimited tax

refunding bonds for roads in the District; \$22,100,000 principal amount of unlimited tax bonds for recreational or park facilities in the District; and \$11,050,000 principal amount of unlimited tax refunding bonds for recreational or park facilities in the District. The District may also issue any additional bonds as may hereafter be approved by both the Board of Directors and voters of the District as well as certain additional bonds, revenue bonds, special project bonds, and other obligations as described in the Bond Orders. The Bond Orders impose no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and, in the case of bonds for the Utility System or for parks and recreation, approved by the TCEQ).

Following the issuance of the Bonds, the District will owe the Developer approximately \$29.4 million for the existing Utility System, the Road System and recreational or park facilities.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the park bond application for the issuance of bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. The District has not considered the preparation of a parks bond application at this time. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent (1%) of the value of the taxable property in the District; however, the outstanding principal amount of such bonds may exceed one percent (1%) but not three percent (3%) of the value of the taxable property in the District if the District has (i) a ratio of debt to certified assessed valuation of ten percent (10%) or less; (ii) a credit rating that conforms to the TCEQ rules; (iii) a credit enhanced rating on the District's bond issue that conforms to the TCEQ rules; or (iv) a contract with a political subdivision or an entity acting on behalf of a political subdivision under which the subdivision or the entity agrees to provide to the District taxes or other revenues, as consideration for the District's development or acquisition of the facility, including a contract under Section 49.108 of the Texas Water Code, as amended.

The District does not intend to issue any additional unlimited tax bonds in the current calendar year.

Consolidation

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets, such as cash and the utility system, with the water and wastewater systems of districts with which it is consolidating as well as its liabilities (which would include the Bonds). No representation is made concerning the likelihood of consolidation, but the District is not contemplating consolidation.

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 Orders provide that the District may discharge its obligations to the Bondholders 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 of (ii) by depositing with any place of payment (paying agent) for obligations of the District payable from revenues or from ad valorem taxes or both or with a commercial bank or trust company designated in the proceedings authorizing such discharge, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by 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. The foregoing obligations may be in book entry form, and shall 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. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Orders.

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 a manner which would permit other investments to be made with amounts deposited to defease the Bonds. Because the Bond Orders do not contractually limit such investments, Bondholders may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as currently permitted under Texas law. There is also no assurance that any investment held for such discharge will maintain its rating.

Legal Investment and Eligibility to Secure Public Funds in Texas

Section 49.186 of the Texas Water Code is applicable to the District and provides:

- (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.

Bondholders' Remedies

The Bond Orders contains a covenant that while any part of the Bonds is outstanding, there shall be assessed, levied, and collected a direct, continuing, annual ad valorem tax, without legal limit as to rate or amount, on all taxable property within the District, sufficient to pay principal of and interest on the Bonds issued for the Utility System, and any additional tax bonds when due and to pay the expenses necessary in collecting taxes. Texas law and the Bond Orders provide that in the event that the District defaults in the payment of the principal of or interest on any of the Bonds when due, fails to make debt service payments, or defaults in the observance or performance of any of the covenants, conditions, or obligations set forth in the Bond Orders, any Bondholder shall be entitled at any time to a writ of mandamus from a court of competent jurisdiction compelling and requiring the Board to observe and perform any covenant, obligation, or condition prescribed by the Bond Orders. Such right is in addition to all other rights the Bondholders may be provided by the laws of the State of Texas.

Except for mandamus, the Bond Orders do not specifically provide for remedies to a Bondholder 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

Bondholders. There is no acceleration of maturity of the Bonds in the event of default. Consequently, the remedy of mandamus is a remedy which may have to be relied upon from year to year by the Bondholders. Even if the Bondholders could obtain a judgment against the District, such judgment could not be enforced by direct levy and execution against the District's property. Further, the Bondholders 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. Certain traditional legal remedies also may be unavailable. The enforceability of the rights and remedies of the Bondholders may be further limited by federal bankruptcy laws, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. See "Bankruptcy Limitation to Bondholders' Rights" below.

Bankruptcy Limitation to Bondholders' Rights

Other than a writ of mandamus and other relief authorized by law, the Bond Orders do not expressly provide a specific remedy for a default. Even if a Bondholder could obtain a judgment against the District for a default in the payment of principal or interest, such judgment could not be satisfied by execution against any property of the District. If the District defaults, a Bondholder could petition for a writ of mandamus issued by a court of competent jurisdiction requiring the District and the District's officials to observe and perform the covenants, obligations or conditions prescribed in the Bond Order. Such remedy might need to be enforced on a periodic basis. The enforcement of a claim for payment on the Bonds would be subject to the applicable provisions of the federal bankruptcy laws, any other similar laws affecting the rights of creditors of political subdivisions, and general principals of equity. See "RISK FACTORS – Bondholders' Remedies," and "RISK FACTORS – Bankruptcy Limitation to Bondholders' Rights."

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Use and Distribution of Utility Bond Proceeds

A portion of the proceeds from the sale of the Utility Bonds will be used for the construction costs set out below. In addition, a portion of the proceeds from the Utility Bonds will be used to pay developer interest, six (6) months of capitalized interest on the Utility Bonds and certain other costs associated with the issuance of the Utility Bonds.

Construction Costs

A. Developer Contribution Items

1.	Southern Colony 2 Section 1A	\$ 1,045,326
2.	Southern Colony 2 Section 1B	1,038,940
3.	Caldwell Ranch Section 2	750,669
4.	Caldwell Ranch Section 3A	533,342
5.	Caldwell Ranch Section 3B	716,712
6.	Caldwell Ranch Section 4	1,780,839
7.	Engineering & Testing	810,831
8.	SWPPP Fees	91,526
Total Developer Contribution Items		\$ 6,768,185
Less Surplus Funds		\$ (405,000)
Total Construction Costs		\$ 6,363,185

Non-Construction Costs

1.	Legal Fees	\$ 140,000
2.	Fiscal Agent Fees	80,000
3.	Interest Costs	
a.	Capitalized Interest (6 months @ 5.00%)	197,141
b.	Developer Interest (up to 5 years @ 5.00%)	953,663
4.	Bond Discount	160,000
5.	Bond Issuance Expenses	40,152
6.	Bond Application Costs	35,000
7.	Attorney General's Fee	8,000
8.	TCEQ Bond Issue Fee	20,000
9.	Contingency	2,859
Total Non-Construction Costs		\$ 1,636,815
Total Bond Issue Requirement		\$ 8,000,000

Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer and the Financial Advisor. 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.

In the instance that approved estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for approved uses in accordance with the rules of the TCEQ. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

Use and Distribution of Road Bond Proceeds

A portion of the proceeds from the sale of the Road Bonds will be used to reimburse the Developer (hereinafter defined) for the construction costs set out below. In addition, a portion of the proceeds from the Road Bonds will be used to pay developer interest, six (6) months of capitalized interest on the Road Bonds, and certain other costs associated with the issuance of the Road Bonds.

Construction Costs

A. Developer Contribution Items

1.	Paving & Appurtenances to Serve Caldwell Ranch Section 6 & Boulevard Phase II	\$ 1,659,362
2.	Paving & Appurtenances to Serve Caldwell Ranch Section 1	527,268
3.	Paving & Appurtenances to Serve Caldwell Ranch Section 5	1,301,334
4.	Engineering Fees	515,320
5.	Testing Fees	135,853
6.	Land Acquisition	924,039
7.	Land Carrying Costs	209,177
	Total Developer Contribution Items	5,272,353
	Less Surplus Funds	(33,080)
	Total Construction Costs	\$ 5,239,273

Non-Construction Costs

1.	Legal Fees	\$ 125,000
2.	Fiscal Agent Fees	65,000
3.	Interest Costs	
	a. Developer Interest (up to 5 years @ 5.00%)	721,760
	b. Capitalized Interest (6 months @ 5.00%)	160,150
4.	Bond Discount	130,000
5.	Bond Issuance Expenses	34,967
6.	Bond Application Costs	15,000
7.	Attorney General's Fee	6,500
8.	Contingency	2,350
	Total Non-Construction Costs	\$ 1,260,727
	Total Bond Issue Requirement	\$ 6,500,000

Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer and the Financial Advisor. 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.

In the instance that approved estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for approved uses in accordance with the rules of the TCEQ. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

THE DISTRICT

Authority

The District is a municipal utility district created by acts of the 86th Texas Legislature, codified as Chapter 8076, Special District Local Laws Code, under Article XVI, Section 59 of the Texas Constitution, and operates under the provisions of Chapter 49 and Chapter 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District, which lies partially within the extra-territorial jurisdiction (“ETJ”) of the City of Alvin, Texas, partially within the ETJ of the City of Iowa Colony, Texas, and partially within no city’s ETJ or corporate limits, is subject to the continuing supervisory jurisdiction of the TCEQ.

The District is empowered, among other things, to finance, purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water and public roads. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities, public roads or recreational or park facilities. The District may also provide solid waste disposal and collection services. The District is also empowered to establish, operate and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the TCEQ and the voters of the District.

Description

The District is 652.626 acres located in the southeast Houston metropolitan area, approximately 21 miles southwest of downtown Houston and approximately 3 miles south of the intersection of Texas State Highway 6 and FM 521. The District is in the William Hall Survey, Abstract 31, in Fort Bend County, Texas, the William Hall Survey, Abstract 713 in Brazoria County, Texas, as well as the H.T.&B. R.R. Co. Lot 68, Abstract 561 in Brazoria County, Texas. The property lies partially within the ETJ of the City of Alvin, Texas, partially within the ETJ of the City of Iowa Colony, Texas, and partially within no city’s ETJ or corporate limits.

Management of the District

The District is governed by the Board consisting of five directors, who have control over and management supervision of all affairs of the District. All of the Directors own property in the District. The directors serve four-year staggered terms. Elections are held in May of even-numbered years. The current members and officers of the Board are listed below:

Name	Position	Term Expires May
Corinne Haworth	President	2028
Julie Winkle	Vice President	2026
Afolake Cannon	Secretary	2028
Bret Fugate	Asst. Secretary	2026
Qiunan Chang	Asst. Secretary	2028

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 “PFI 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 and secured by collateral authorized by the PFI Act, and in TexPool and TexStar, 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.

Consultants

Although the District does not have a general manager or any other full-time employees, it has contracted for bookkeeping, tax assessing and collecting, auditing, engineering, and legal services as follows:

Bond Counsel and General Counsel: The District has engaged Coats Rose, P.C., Houston, Texas, as general counsel to the District and as bond counsel (“Bond Counsel”) in connection with the issuance of the Bonds. The fees to be paid Bond Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds. See “LEGAL MATTERS.”

Disclosure Counsel: Orrick, Herrington & Sutcliffe LLP, Houston, Texas, serves as Disclosure Counsel to the District. The fee to be paid Disclosure Counsel for services rendered in connection with the issuance of the Bonds is contingent on the issuance, sale and delivery of the Bonds.

Financial Advisor: Tierra Financial Advisors, LLC is engaged as financial advisor to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement. Tierra Financial Advisors, LLC is a wholly owned subsidiary of D.R. Horton. See "RELATIONSHIP AMONG THE PARTIES" herein.

Tax Assessor/Collector: The tax assessor/collector for the District is Utility Tax Service, LLC (the "Tax Assessor/Collector").

Bookkeeper: The District's bookkeeper is Myrtle Cruz, Inc. (the "Bookkeeper").

Auditor: The District engaged McGrath & Co., PLLC to audit its financial statements for the fiscal year ended March 31, 2024. McGrath & Co., PLLC was not requested to perform any updating procedures subsequent to the date of its audit opinion on the March 31, 2024 financial statements. See "APPENDIX A – Financial Statements of the District."

Engineer: The District's engineer is LJA Engineering. (the "Engineer").

DEVELOPMENT OF THE DISTRICT

Status of Development within the District

The District has been developed as Caldwell Ranch, a single family residential community. Development in the District includes 1,787 single-family residential lots on approximately 371.9 acres. As of May 1, 2025, the District consisted of 1,787 completed homes as well as 4 model homes. Development is at full build-out. Homes in the District sold for prices ranging from approximately \$200,000 to \$373,000.

In addition to the development described above, the Developer constructed a recreation center, which has a pool, restrooms and open spaces on approximately 11 acres in the District. The remainder of the District is comprised of approximately 327 acres of street right-of-way, easements, drainage, floodway, open spaces and utility sites, including the 4.3 acres devoted to the recreation center.

Homebuilder within the District

D.R. Horton has completed building single-family homes in the District. Homes in the District sold for prices ranging from approximately \$200,000 to \$373,000 and have sizes from approximately 1,300 to over 2,700 square feet.

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**PHOTOGRAPHS OF THE DISTRICT
MAY 2025**



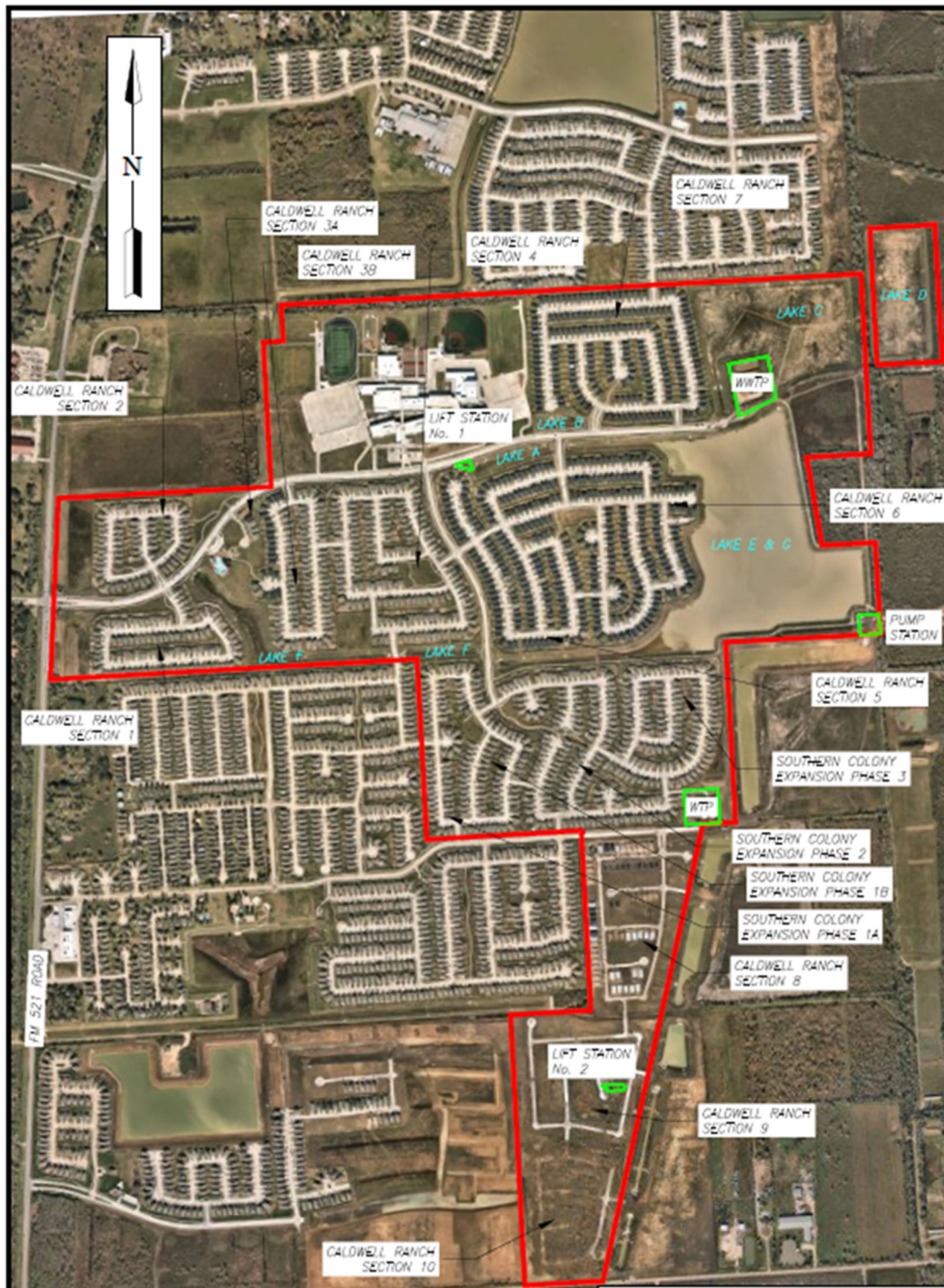
**PHOTOGRAPHS TAKEN IN THE DISTRICT
MAY 2025**



**PHOTOGRAPHS TAKEN IN THE DISTRICT
MAY 2025**



AERIAL MAP OF CALDWELL RANCH



PRINCIPAL LANDOWNER/DEVELOPER

Role of the 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 most instances, the developer will be required to pay up to thirty percent (30%) 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.

Prospective purchasers of the Bonds should note that the prior real estate experience of a developer should not be construed as an indication that further development within the District will occur, or 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. Circumstances surrounding development within the District may differ from circumstances surrounding development of other land in several respects, including the existence of different economic conditions, financial arrangements, homebuilders, geographic location, market conditions, and regulatory climate.

Neither the Developer (herein defined), nor any affiliate entities, are obligated to pay principal of or interest on the Bonds. Furthermore, neither the Developer, nor any affiliate entities, have a binding commitment to the District to carry out any plan of development, and the furnishing of information relating to the proposed development by the Developer or affiliate entities should not be interpreted as such a commitment. Prospective purchasers are encouraged to inspect the District in order to acquaint themselves with the nature of development that has occurred or is occurring within the District's boundaries.

The Developer and Principal Landowner

The Developer is a subsidiary of and controlled by D.R. Horton, Inc., which is a publicly traded corporation whose stock is listed on the New York Stock Exchange. Audited financial statements for D.R. Horton, Inc. can be found online at <https://investor.drhorton.com>. D.R. Horton, Inc. is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the United States Securities and Exchange Commission ("SEC"). Reports, proxy statements and other information filed by D.R. Horton, Inc. can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website at <http://www.sec.gov> that contains reports, proxy information statements and other information regarding registrants that file electronically with the SEC.

Certain financial information concerning the Developer is included as part of the consolidated financial statements of D.R. Horton, Inc. However, D.R. Horton, Inc. is not legally obligated to provide funds for the development of the District, to provide funds to pay taxes on property in the District owned by the Developer, or to pay any other obligations of the District. Further, neither the Developer nor D.R. Horton, Inc. is responsible for, is liable for or has made any commitment for payment of the Bonds or other obligations of the District, and the inclusion of such financial statements and description of financial arrangements herein should not be construed as an implication to that effect. Neither the Developer nor D.R. Horton, Inc. has any legal commitment to the District or owners of the Bonds to continue development of the land within the District and the Developer may sell or otherwise dispose of its property within the District, or any other assets, at any time. Further, the financial condition of the Developer and D.R. Horton, Inc. is subject to change at any time. Because of the foregoing, financial information concerning the Developer and D.R. Horton, Inc. will neither be updated nor provided following issuance of the Bonds.

The Developer has obtained financing of upfront proceeds for the eligible reimbursements in the development from proceeds of \$48.36 million of bonds issued by the National Finance Authority (the "NFA Bonds"), which are secured in part by the sale and assignment of Developer's right to receive proceeds from the future sale of unlimited tax bonds

issued by the District. The District delivered a Letter of Representations and Certifications for Tax Purposes to the NFA with respect to the issuance of the NFA Bonds. According to the Developer, Developer is currently in compliance with all material representations and certifications made with respect to the NFA Bonds and has made the necessary certifications required by the Texas Attorney General ensuring the proceeds of the Bonds are being used for lawful purposes authorized under Texas law.

THE UTILITY SYSTEM

Regulation

According to the District's Engineer, the Utility System has been designed in conformance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities, including, among others, the TCEQ, the City of Alvin, the City of Iowa Colony, Brazoria County, Fort Bend County, the Fort Bend Drainage District, and Brazoria Drainage District No. 4.

The District, which lies within the ETJ of the City of Alvin and partially in the ETJ of the City of Iowa Colony, is subject to the continuing supervisory jurisdiction of the TCEQ.

Operation of the Utility System is subject to regulation by, among others, the United States Environmental Protection Agency and the TCEQ. The total number of equivalent single-family connections ("ESFCs") estimated at this time for the District upon the full development of its approximately 652.626 acres is approximately 1,973 with a total estimated population of 4,100. The following descriptions are based upon information supplied by the District's Engineer.

Water Supply

Groundwater: The District currently obtains its water from capacity purchased in Fort Bend County Municipal Utility District No. 131's ("MUD 131") water plant, which obtains its water supply from groundwater. The District entered into a Joint Water Supply Agreement dated October 22, 2019 with MUD 131 to purchase 408 ESFCs of water capacity in their MUD 131 plant. The Fort Bend County Subsidence District issues permits for the water plant in MUD 131 and has permitted groundwater withdrawal sufficient in the volume to serve MUD 131 and the capacity purchased by the District. The District has also constructed its own water supply plant to serve the remainder of the connections in the District. The remaining connections in the District will be served by the District's Water Supply Plant No. 1 located in the District. The ultimate phase of the plant was completed in February 2023 and serves 1,475 ESFCs. The District has the ability to swap out a booster pump which would increase plant capacity from 1,475 ESFCs to 1,600 ESFCs. Including the 408 ESFCs from MUD 131, total capacity for the District will be 2,008 ESFCs with the addition of the booster pump which will be sufficient to serve the entire District. Additionally, the remote was brought online in February 2025.

Surface Water: This District lies within the boundaries of the Fort Bend Subsidence District ("FBSD"). The FBSD regulates groundwater withdrawal via annual permit to authorize the District to pump groundwater. The FBSD intends to reduce the use of groundwater through conversion to alternative water sources, such as surface water, through its District Regulatory Plan. According to the District Regulatory Plan, the District is subject to disincentive fees for non-compliance. The District joined the North Fort Bend Water Authority ("NFBWA") Groundwater Reduction Plan ("GRP") for continued compliance with the District Regulatory Plan on May 26, 2021.

Wastewater Treatment

The District has entered into the "First Amended and Restated Wastewater Treatment Facilities Agreement," dated November 15, 2019, with MUD 131 and Fort Bend County Municipal Utility District No. 189 ("FBMUD 189"), whereby the Joint Wastewater Treatment Plant operated by MUD 131 was expanded to 640,000 gpd ("Phase III Expansion"), of which 240,000 gpd is allotted to the District. The Phase III Expansion serves 1,206 connections, of which 408 connections are allotted to the District.

The remaining connections in the District are served by a package wastewater treatment plant located within the District leased from AUC Group, L.P. The ultimate phase of the plant was completed in September 2023, has a capacity of 500,000 gpd and serves 1,587 ESFCs which will be sufficient to serve the rest of the District.

Storm Water Drainage

Natural Drainage: In undeveloped state, the land in the District sheet flows in an east-southeast direction to the West Fork of Chocolate Bayou. Detention ponds were constructed within the District to provide a point of outfall for internal storm sewers. The detention ponds ultimately outfall into the West Fork of Chocolate Bayou. Chocolate Bayou outfalls into the Galveston Bay.

Drainage System Improvements: Detention ponds were constructed to collect storm water runoff from the residential sections. The detention ponds outfall to the West Fork of Chocolate Bayou and ultimately into Galveston Bay.

100-Year Flood Plain

The District land is outside the 100-year flood plain according to FEMA Floodplain Maps panel 48039C0105K dated December 30, 2020 for Brazoria County and 48157C0455L dated April 2, 2014 for Fort Bend County.

THE ROAD SYSTEM

The road system currently includes two collector streets named Caldwell Ranch Boulevard and Waller Crossing Drive. Caldwell Ranch Boulevard currently connects west to FM 521 and will connect east to CR 383 in the future to provide access to and from the District.

Internal circulation within the different subdivisions is provided by the local streets connecting to Waller Crossing Drive.

All streets throughout the District have been designed and constructed according to the design criteria and specifications established by the City of Alvin, the City of Iowa Colony, Brazoria County, and Fort Bend County. Streets have been constructed with reinforced concrete pavement with curbs on lime stabilized subgrade. Fort Bend County is responsible for ongoing maintenance of public roads in the District except for a portion of Caldwell Ranch Boulevard which will be under Brazoria County maintenance once accepted.

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GENERAL FUND OPERATING STATEMENT

The following is a summary of the District's general fund activity for the fiscal years ended March 31, 2022 through March 31, 2024 and for the period April 1, 2025 to ended May 31, 2025. The summary has been prepared by the Bookkeeper based upon information obtained from the District's audited financial statements. Reference is made to such statements for further and more complete information. See "APPENDIX A – Financial Statements of the District."

General Fund Revenues, Expenditures and Changes in Fund Balance

	April 1, 2024 to May 31, 2025 ^(a)	March 31, 2024	March 31, 2023	March 31, 2022
Revenues:				
Water service	\$ 777,856	\$ 476,207	\$ 372,235	\$ 149,631
Sewer service	900,019	630,678	518,086	194,096
Property taxes	2,021,557	1,756,240	1,033,322	279,560
Penalties and interest	66,112	96,725	67,786	33,035
Groundwater reduction plan fees	1,016,159	867,187	573,186	175,420
Tap connection and inspection	532,652	657,551	988,325	920,838
Miscellaneous	-	62,179	38,282	42,746
Investment earnings	160,030	69,583	19,414	295
TOTAL REVENUES	\$ 5,474,385	\$ 4,616,350	\$ 3,610,636	\$ 1,795,621
Expenditures:				
Current Service Operations				
Purchased services	\$ 379,472	\$ 544,055	\$ 551,177	\$ 225,902
Professional fees	103,502	89,458	101,780	74,687
Contracted services	1,175,680	861,705	1,206,103	538,051
Repairs and maintenance	884,341	561,092	447,307	207,636
Utilities	129,372	99,823	41,105	9,402
Regional Water Authority Fees	1,004,988	651,128	351,616	85,038
Administrative	237,327	108,564	86,240	61,395
Lease Expense	378,000	270,200	112,649	-
Other	5,560	17,828	95,274	26,236
TOTAL EXPENDITURES	\$ 4,298,242	\$ 3,203,853	\$ 2,993,251	\$ 1,228,347
Revenues Over (Under) Expenditures	\$ 1,176,143	\$ 1,412,497	\$ 617,385	\$ 567,274
Developer Advances	\$ -	\$ -	\$ 45,000	\$ 23,500
Fund Balance, Beginning of Year	\$ 2,828,851	\$ 1,416,354	\$ 753,969	\$ 163,195
Fund Balance, End of Year	\$ 4,004,994	\$ 2,828,851	\$ 1,416,354	\$ 753,969

^(a) Unaudited. Provided by the District's bookkeeper.

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DISTRICT DEBT

2024 Certified Assessed Valuation	\$ 405,823,668 ^(a)
2025 Preliminary Assessed Valuation	\$ 453,079,700 ^(b)
Estimated Assessed Valuation as of March 1, 2025	\$ 478,013,843 ^(c)
Direct Debt:	
The Outstanding Utility Bonds (as of May 1, 2025)	\$ 32,450,000
The Outstanding Road Bonds (as of May 1, 2025)	\$ 12,985,000
The Utility Bonds	\$ 8,000,000
The Road Bonds	<u>\$ 6,500,000</u>
Total	\$ 59,935,000
Estimated Overlapping Debt	<u>\$ 16,549,076^(d)</u>
Total Direct and Estimated Overlapping Debt	\$ 76,484,076 ^(d)
Direct Debt Ratio:	
As a percentage of 2024 Certified Assessed Valuation	14.77%
As a percentage of 2025 Preliminary Assessed Valuation	13.23%
As a percentage of Estimated Assessed Valuation as of March 1, 2025	12.54%
Direct and Estimated Overlapping Debt Ratio:	
As a percentage of 2024 Certified Assessed Valuation	18.85%
As a percentage of 2025 Preliminary Assessed Valuation	16.88%
As a percentage of Estimated Assessed Valuation as of March 1, 2025	16.00%
Operating Fund (as of as of May 13, 2025)	\$ 4,010,914
Utility Bond Debt Service Fund	\$ 2,966,020 ^(e)
Road Bond Debt Service Fund	\$ 1,324,854 ^(f)
2024 Tax Rate:	
Utility System Debt Service	\$ 0.600
Road System Debt Service	\$ 0.250
Maintenance & Operations	<u>\$ 0.500</u>
Total	\$ 1.350
Average Annual Debt Service Requirements on Outstanding Bonds and the Bonds (2025 – 2050)	\$ 3,827,804
Maximum Annual Debt Service Requirements on Outstanding Bonds and the Bonds (2047)	\$ 4,392,013
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirement on Outstanding Bonds and the Bonds (2025 - 2050):	
Based on 2024 Certified Assessed Valuation at 95% Collections	\$ 1.00
Based on 2025 Preliminary Assessed Valuation at 95% Collections	\$ 0.89
Based on Estimated Assessed Valuation as of March 1, 2025 at 95% Collections	\$ 0.85
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement on Outstanding Bonds and the Bonds (2047):	
Based on 2024 Certified Assessed Valuation at 95% Collections	\$ 1.14
Based on 2025 Preliminary Assessed Valuation at 95% Collections	\$ 1.03
Based on Estimated Assessed Valuation as of March 1, 2025 at 95% Collections	\$ 0.97

^(a) Represents the assessed valuation of all taxable property in the District as of January 1, 2024, provided by the Brazoria County Appraisal District and the Fort Bend Central Appraisal District (collectively, the “Appraisal Districts”). See “TAX DATA” and “TAXING PROCEDURES.”

^(b) Represents the preliminary assessed valuation of all taxable property in the District as of January 1, 2025, provided by the Appraisal Districts. Values are uncertified until Appraisal Districts certify rolls in July. See “TAX DATA” and “TAXING PROCEDURES.”

^(c) Provided by the Appraisal Districts for informational purposes only. This amount is an estimate of the taxable value of all taxable property located within the District as of May 1, 2025 and includes an estimate of additional taxable value resulting from the construction of taxable improvements from January 1, 2025 to May 1, 2025. No taxes will be levied on this estimated value. See “TAX DATA” and “TAXING PROCEDURES.”

^(d) See “DISTRICT DEBT – Direct and Estimated Overlapping Debt Statement.”

- (e) Neither Texas law nor the Utility Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund (defined herein). The funds in the Utility System Debt Service Fund are pledged only to pay the debt service on the Utility Bonds, and any other bonds issued for the purpose of acquiring or constructing the Utility System. The Utility Bonds include six (6) months of capitalized interest which will be deposited into the Utility System Debt Service Fund.
- (f) Neither Texas law nor the Road Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund (defined herein). The funds in the Road System Debt Service Fund are pledged only to pay the debt service on the Road Bonds, and any other bonds issued for the purpose of acquiring or constructing the Road System. The Road Bonds include six (6) months of capitalized interest which will be deposited into the Road System Debt Service Fund.

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Combined Debt Service Requirement Schedule

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

Year Ending 12/31	Outstanding Debt Service ^(a)	The Utility and Road Bonds			Total Debt Service
		Principal	Interest	Debt Service	
2025	\$ 1,055,822	\$ -	\$ -	\$ -	\$ 1,055,822
2026	3,140,031	-	738,401	738,401	3,878,432
2027	3,130,481	325,000	714,581	1,039,581	4,170,063
2028	3,112,194	345,000	693,050	1,038,050	4,150,244
2029	3,100,169	360,000	670,194	1,030,194	4,130,363
2030	3,074,081	380,000	646,344	1,026,344	4,100,425
2031	3,054,981	400,000	621,169	1,021,169	4,076,150
2032	3,037,406	415,000	594,669	1,009,669	4,047,075
2033	3,031,656	435,000	567,175	1,002,175	4,033,831
2034	3,042,131	460,000	539,988	999,988	4,042,119
2035	3,057,731	480,000	521,013	1,001,013	4,058,744
2036	3,084,566	505,000	501,213	1,006,213	4,090,778
2037	3,097,416	535,000	480,381	1,015,381	4,112,797
2038	3,121,119	555,000	457,644	1,012,644	4,133,763
2039	3,140,444	585,000	434,056	1,019,056	4,159,500
2040	3,170,469	615,000	408,463	1,023,463	4,193,931
2041	3,195,688	645,000	380,788	1,025,788	4,221,475
2042	3,215,269	680,000	351,763	1,031,763	4,247,031
2043	3,238,025	710,000	321,163	1,031,163	4,269,188
2044	3,264,716	745,000	288,325	1,033,325	4,298,041
2045	3,285,409	780,000	252,938	1,032,938	4,318,347
2046	3,323,994	825,000	215,888	1,040,888	4,364,881
2047	3,350,313	865,000	176,700	1,041,700	4,392,013
2048	2,507,550	905,000	135,613	1,040,613	3,548,163
2049	1,339,613	950,000	92,625	1,042,625	2,382,238
2050	-	1,000,000	47,500	1,047,500	1,047,500
Total	\$74,171,272	\$14,500,000	\$10,851,638	\$25,351,638	\$ 99,522,910

^(a) Outstanding Debt Service as of May 1, 2025.

Average Annual Debt Service Requirements on Outstanding Bonds and the Bonds (2025 - 2050)	\$ 3,827,804
Maximum Annual Debt Service Requirements on Outstanding Bonds and the Bonds (2047)	\$ 4,392,013

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Utility System Debt Service Requirement Schedule

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

Year Ending 12/31	Outstanding Utility System Debt Service ^(a)	The Utility Bonds			Total Debt Service
		Principal	Interest	Debt Service	
2025	\$ 749,072	\$ -	\$ -	\$ -	\$ 749,072
2026	2,219,494	-	407,424	407,424	2,626,918
2027	2,220,744	180,000	394,281	574,281	2,795,025
2028	2,204,069	190,000	382,356	572,356	2,776,425
2029	2,194,956	200,000	369,769	569,769	2,764,725
2030	2,182,919	210,000	356,519	566,519	2,749,438
2031	2,168,681	220,000	342,606	562,606	2,731,288
2032	2,157,269	230,000	328,031	558,031	2,715,300
2033	2,158,756	240,000	312,794	552,794	2,711,550
2034	2,162,331	255,000	297,794	552,794	2,715,125
2035	2,176,831	265,000	287,275	552,275	2,729,106
2036	2,193,716	280,000	276,344	556,344	2,750,059
2037	2,207,772	295,000	264,794	559,794	2,767,566
2038	2,223,863	305,000	252,256	557,256	2,781,119
2039	2,241,869	325,000	239,294	564,294	2,806,163
2040	2,261,713	340,000	225,075	565,075	2,826,788
2041	2,278,294	355,000	209,775	564,775	2,843,069
2042	2,300,894	375,000	193,800	568,800	2,869,694
2043	2,313,350	390,000	176,925	566,925	2,880,275
2044	2,336,584	410,000	158,888	568,888	2,905,472
2045	2,350,472	430,000	139,413	569,413	2,919,884
2046	2,374,763	455,000	118,988	573,988	2,948,750
2047	2,398,906	475,000	97,375	572,375	2,971,281
2048	1,819,988	500,000	74,813	574,813	2,394,800
2049	1,125,900	525,000	51,063	576,063	1,701,963
2050	-	550,000	26,125	576,125	576,125
Total	\$ 53,023,203	\$ 8,000,000	\$ 5,983,774	\$ 13,983,774	\$ 67,006,977

^(a) Outstanding Debt Service as of May 1, 2025.

Average Annual Debt Service Requirements on Utility Bonds (2025 - 2050)	\$ 2,577,191
Maximum Annual Debt Service Requirements on the Utility Bonds (2047)	\$ 2,971,281

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Road System Debt Service Requirement Schedule

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

Year Ending 12/31	Outstanding Road System Debt Service	The Road Bonds			Total Debt Service
		Principal	Interest	Debt Service	
2025	\$ 306,750	\$ -	\$ -	\$ -	\$ 306,750
2026	920,538	-	330,977	330,977	1,251,514
2027	909,738	145,000	320,300	465,300	1,375,038
2028	908,125	155,000	310,694	465,694	1,373,819
2029	905,213	160,000	300,425	460,425	1,365,638
2030	891,163	170,000	289,825	459,825	1,350,988
2031	886,300	180,000	278,563	458,563	1,344,863
2032	880,138	185,000	266,638	451,638	1,331,775
2033	872,900	195,000	254,381	449,381	1,322,281
2034	879,800	205,000	242,194	447,194	1,326,994
2035	880,900	215,000	233,738	448,738	1,329,638
2036	890,850	225,000	224,869	449,869	1,340,719
2037	889,644	240,000	215,588	455,588	1,345,231
2038	897,256	250,000	205,388	455,388	1,352,644
2039	898,575	260,000	194,763	454,763	1,353,338
2040	908,756	275,000	183,388	458,388	1,367,144
2041	917,394	290,000	171,013	461,013	1,378,406
2042	914,375	305,000	157,963	462,963	1,377,338
2043	924,675	320,000	144,238	464,238	1,388,913
2044	928,131	335,000	129,438	464,438	1,392,569
2045	934,938	350,000	113,525	463,525	1,398,463
2046	949,231	370,000	96,900	466,900	1,416,131
2047	951,406	390,000	79,325	469,325	1,420,731
2048	687,563	405,000	60,800	465,800	1,153,363
2049	213,713	425,000	41,563	466,563	680,275
2050	-	450,000	21,375	471,375	471,375
Total	\$ 21,148,069	\$ 6,500,000	\$ 4,867,864	\$ 11,367,864	\$ 32,515,933

^(a) Outstanding Debt Service as of May 1, 2025.

Average Annual Debt Service Requirements on the Road Bonds (2025 - 2050)	\$ 1,250,613
Maximum Annual Debt Service Requirements on the Road Bonds (2047)	\$ 1,420,731

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Direct and Estimated Overlapping Debt Statement

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in *Texas Municipal Reports*, published by the Financial 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.

Brazoria County

Taxing Jurisdiction	Outstanding Debt May 1, 2025(b)	Overlapping	
		Percent	Amount
Alvin Independent School District	\$ 951,950,000	0.00%	\$ 26,185
Brazoria County	116,970,000	0.00%	908
Total Estimated Overlapping Debt			\$ 27,092

Fort Bend County

Taxing Jurisdiction	Outstanding Debt May 1, 2025(b)	Overlapping	
		Percent	Amount
Fort Bend Independent School District	\$ 2,000,510,000	0.68%	\$ 13,614,148
Fort Bend County	883,933,859	0.33%	2,906,835
Total Estimated Overlapping Debt			\$ 16,521,983
District Debt ^(a)			\$ 59,935,000
Total Direct & Estimated Overlapping Debt ^(a)			\$ 76,484,076

^(a) Includes the Bonds.

^(b) Source: Texas MAC.

Debt Ratios

Ratio of Combined Direct Debt:

As a Percentage of 2024 Certified Assessed Valuation.....	14.77%
As a percentage of 2025 Preliminary Assessed Valuation	13.23%
As a percentage of Estimated Assessed Valuation as of March 1, 2025	12.54%

Ratio of Direct and Estimated Overlapping Debt:

As a Percentage of 2024 Certified Assessed Valuation.....	18.85%
As a percentage of 2025 Preliminary Assessed Valuation	16.88%
As a percentage of Estimated Assessed Valuation as of March 1, 2025	16.00%

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 Utility Bonds issued for the Utility System and any additional bonds payable from taxes that the District may hereafter issue for the purpose of acquiring or constructing the Utility System and to pay the expenses of assessing and collecting such taxes. In the Bond Orders, the District agrees to levy such a tax from year to year as described more fully above under “THE BONDS – Source of Payment.” The Board is also authorized to levy an annual ad valorem tax, without legal limit as to rate or amount, on all taxable property in the District in sufficient amount to pay the principal of and interest on the Road Bonds issued for the Road System and any additional bonds payable from taxes that the District may hereafter issue for the purpose of acquiring or constructing the Road System and to pay the expenses of assessing and collecting such taxes. Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District for the payment of certain contractual obligations. See “TAX DATA – Tax Rate Limitation.”

Property Tax Code and County-Wide Appraisal District

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

The Property 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 Brazoria County Appraisal District and the Fort Bend Central Appraisal District (together, the “Appraisal Districts”) have the responsibility of appraising property for all taxing units within Brazoria and Fort Bend Counties, including the District. Such appraisal values will be subject to review and change by the Brazoria County Appraisal Review Board and the Fort Bend County Appraisal Review Board (together, the “Appraisal Review Boards”). The appraisal rolls, as approved by the Appraisal Review Boards, will be used by the District in establishing its tax rolls and tax rate.

Property Subject to Taxation by the District

General: Except for certain exemptions provided by Texas law, all real property, 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 the District. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District’s obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. 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 one hundred percent (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 at no cost to the veteran. This exemption applies to a residence homestead that was donated by a charitable organization at some cost to such veterans. The surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised

value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

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

Residential Homestead Exemptions: The Property 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 District has never adopted a general homestead exemption but adopted a \$5,000 homestead exemption for over 65 and disabled residents for 2025.

Freeport Goods and Goods-in-Transit Exemption: Freeport goods are goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas and other petroleum products, which have been acquired or brought into the state for assembling, storing, manufacturing, repair, maintenance, processing or fabricating purposes, or used to repair or maintain aircraft of a certified air carrier, and shipped out of the state within one hundred seventy-five (175) days. Freeport goods are exempt from taxation by the District. Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." "Goods-in-transit" is defined by a provision of the Tax Code, which is effective for tax year 2016 and prior applicable years, as personal property acquired or imported into Texas and transported to another location in the State or outside the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory. For tax year 2016 and subsequent years, such Goods-in-Transit Exemption is limited to tangible personal property acquired in or imported into Texas for storage purposes and which is stored under a contract of bailment by a public warehouse operator at one or more 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. The Tax Code provision permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. The District has taken action to tax Goods-in-Transit. A taxpayer may receive only one of the Freeport exemptions or the goods-in-transit exemptions for items of personal property.

Tax Abatement

The City of Alvin, Texas, City of Iowa Colony, Texas and Brazoria County, Texas or Fort Bend County, Texas, as appropriate, under Chapter 312, Texas Tax Code may designate all or part of the area within the District as a reinvestment zone. Thereafter, the City of Alvin, Texas, City of Iowa Colony, Texas, and Brazoria County, Texas or Fort Bend County, Texas may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

At this time, the City of Alvin, Texas, City of Iowa Colony, Texas, and Brazoria County, Texas or Fort Bend County, Texas have not designated any of the area within the District as a reinvestment zone.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal Districts 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 Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Code. Nevertheless, certain land may be appraised at less

than market value, as such is defined in the Property Code. The Texas Constitution limits increases in the appraised value of residence homesteads to ten percent (10%) annually regardless of the market value of the property.

The Property 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 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 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 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 and taxes for the previous five years for open space land and timberland.

The Property Tax Code requires the Appraisal Districts to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal Districts at least once every three years. It is not known what frequency of reappraisal will be utilized by the Appraisal Districts 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 Districts 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 Districts choose formally to include such values on its appraisal rolls.

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% damaged by a disaster and located within an area declared to be a disaster area by the governor of 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 Districts are required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

During the 2nd Special Session, convened on June 27, 2023, the Texas Legislature passed Senate Bill 2 ("SB 2"), which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5,000,000 (the "Maximum Property Value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected. After the 2024 tax year, through December 31, 2026, the Maximum Property Value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in consumer price index, as applicable, to the Maximum Property Value. SB 2 was signed into law by the Governor on July 22, 2023. The provisions described hereinabove took effect January 1, 2024, after the constitutional amendment proposed by H.J.R. 2, 88th Legislature, 2nd Called Session, 2023, was approved by voters at an election held on November 7, 2023.

District and Taxpayer Remedies

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

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda, which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

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, 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 twenty percent (20%) penalty for collection costs. A delinquent tax on personal property incurs an additional twenty percent (20%) penalty, 60 days after the date the taxes become delinquent (April 1). 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.

Rollback of Operation and Maintenance Tax Rate

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

Special Taxing Units

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

Developed Districts

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

Developing Districts

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

The District

A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made on an annual basis. For the 2024 tax year, the Board designated the District 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 rollback election calculation.

District's Rights in the Event of Tax Delinquencies

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. 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 proceeding which restrict the collection of taxpayer debts. See "RISK FACTORS – Tax Collection and Foreclosure Proceedings" and "– Bondholders' Remedies."

The ability of the District to collect delinquent taxes by foreclosure may be adversely affected by the amount of taxes owed to other taxing units, the foreclosure sale price attributable to market conditions, the taxpayer's right to redeem the property within six (6) months of foreclosure (two (2) years in the case of residential or agricultural property), or by bankruptcy proceedings which restrain the collection of a taxpayer's debts or modify such debts. The Financial Institutions Reform, Recovery and Enforcement Act of 1989 contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

TAX DATA

General

Taxable property within the District is subject to the assessment, levy and collection by the District of two annual ad valorem taxes, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (and any future tax-supported bonds which may be issued from time to time as authorized). Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Orders to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, in an unlimited amount, for operation and maintenance purposes. In 2024, the District levied a maintenance tax of \$0.50.

Tax Rate Limitation

Utility Debt Service:..... Unlimited (no legal limit as to rate or amount).
 Road Debt Service:..... Unlimited (no legal limit as to rate or amount).
 Maintenance and Operation General: \$1.50 per \$100 assessed taxable valuation.
 Maintenance and Operation Road: \$1.50 per \$100 assessed taxable valuation.
 Maintenance and Operation Recreation: \$0.10 per \$100 assessed taxable valuation.

Debt Service Taxes

The Board covenants in the Bond Orders to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. In 2024, the District levied a Utility System debt service tax of \$0.60 and a Road System debt service tax of \$0.25.

Maintenance Taxes

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance tax is authorized by vote of the District's electors. The Board is authorized by the District's voters to levy such maintenance tax in an amount not to exceed \$1.50 per \$100 of assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future. In 2024, the District levied a maintenance tax of \$0.50 per \$100 of assessed valuation.

Tax Exemption

The District has adopted a \$5,000 resident homestead exemption from ad valorem taxation to those who are disabled or are sixty-five (65) years of age or older, as authorized by Section 11.13 of the Property Tax Code, for the 2024 tax year.

Additional Penalties

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

Historical Tax Collections

The following table illustrates the collection history of the District for the 2020 through 2024 tax years.

Tax Year	Assessed Valuation	Tax Rate/ \$100	Adjusted Levy	Collections	% Collected Current Year	Tax Year Ending 9/30	% Collected
2020	\$ 3,431,304	1.50	\$ 51,470	\$ 51,470	100.00	2021	100.00
2021	\$ 19,234,695	1.50	\$ 288,520	\$ 287,056	99.55	2022	99.55
2022	\$141,459,575	1.50	\$2,121,893	\$2,117,248	100.00	2022	100.00
2023	\$293,731,530	1.40	\$4,112,242	\$4,030,830	99.90	2024	99.90
2024	\$405,823,668	1.35	\$5,483,386	\$5,320,398	98.24	2025	99.25

Tax Rate Distribution

The following table sets out the components of the District's tax levy for the 2020 through 2024 tax years.

	2024	2023	2022	2021	2020
Utility System Debt Service	\$ 0.600	\$ 0.500	\$ 0.500	\$ -	\$ -
Road System Debt Service	0.250	0.300	0.250	-	-
Maintenance & Operations	0.500	0.600	0.750	1.500	1.500
Total	\$ 1.350	\$ 1.400	\$ 1.500	\$ 1.500	\$ 1.500

Analysis of Tax Base

The following represents the types of property comprising the District assessed taxable value for the 2020 through 2024 tax years.

BRAZORIA COUNTY

Type of Property	2024 Assessed Valuation	2023 Assessed Valuation	2022 Assessed Valuation	2021 Assessed Valuation	2020 Assessed Valuation
Land	\$ 809,340	\$ 618,740	\$ 470,180	\$ 610,370	\$ 120,360
Improvements	-	-	-	-	-
Personal Property	-	-	-	-	-
Ag Productivity	-	3,370	3,580	3,670	701
Exemptions	<u>(378,770)</u>	<u>(191,840)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ 430,570	\$ 430,270	\$ 473,760	\$ 614,040	\$ 121,060

FORT BEND COUNTY

Type of Property	2024 Assessed Valuation	2023 Assessed Valuation	2022 Assessed Valuation	2021 Assessed Valuation	2020 Assessed Valuation
Land	\$ 131,703,204	\$ 81,191,887	\$ 35,378,590	\$ 11,439,060	\$ 4,055,870
Improvements	434,783,000	278,463,325	156,460,500	27,219,812	-
Personal Property	328,749	159,544	-	-	-
Ag Productivity	-	4,339	4,220	4,580	-
Exemptions	<u>161,421,855)</u>	<u>(67,934,984)</u>	<u>(50,857,495)</u>	<u>(20,042,797)</u>	<u>(745,627)</u>
Total	\$ 405,547,795	\$ 291,884,111	\$ 140,985,815	\$ 18,620,655	\$ 3,310,243

Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values as of January 1, 2024:

BRAZORIA COUNTY

Taxpayer	Type of Property	Assessed Valuation 2024 Tax Roll	Percent of District 2024 Value
D.R. Horton -Texas LTD ^(a)	Land & Improvements	\$ 236,240	54.87%
D.R. Horton	Land & Improvements	100,300	23.29%
258 Colony Investments LLC	Land & Improvements	90,360	20.99%
Individual	Land & Improvements	2,734	0.63%
Individual	Land & Improvements	936	0.22%
Total		\$ 430,570	100.00%

^(a) See "PRINCIPAL LANDOWNER/DEVELOPER."

FORT BEND COUNTY

Taxpayer	Type of Property	Assessed Valuation 2024 Tax Roll	Percent of District 2024 Value
D.R. Horton -Texas LTD ^(a)	Land & Improvements	\$ 2,861,141	0.71%
Individual	Land & Improvements	1,203,560	0.30%
Texas Uprise Properties LP	Land & Improvements	1,174,151	0.29%
Individual	Land & Improvements	869,994	0.21%
Individual	Land & Improvements	633,317	0.16%
VR Realty Group LLC	Land & Improvements	612,089	0.15%
Individual	Land & Improvements	602,446	0.15%
Individual	Land & Improvements	587,368	0.14%
Individual	Land & Improvements	574,650	0.14%
Multifamily Units LLC	Land & Improvements	561,625	0.14%
Total		\$ 9,680,341	2.39%

^(a) See "PRINCIPAL LANDOWNER/DEVELOPER."

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Assessed Valuation which would be required to meet certain debt service requirements on the Bonds if no growth in the District's tax base occurs beyond the 2024 Certified Assessed Valuation (\$405,823,668) or the 2025 Preliminary Assessed Valuation as of January 1, 2025 (\$453,079,700) or the Estimated Assessed Valuation as of March 1, 2025 (\$478,013,843). The calculations assume collection of 95% of taxes levied, the sale of the Bonds but not the sale of any additional bonds.

Combined Average Annual Debt Service Requirements (2025 - 2050).....	\$3,827,804
Tax Rate of \$1.00 on the 2024 Certified Assessed Valuation produces.....	\$3,855,325
Tax Rate of \$0.89 on the 2025 Preliminary Assessed Valuation produces	\$3,830,789
Tax Rate of \$0.85 on the Estimated Assessed Valuation as of March 1, 2025 produces ...	\$3,859,962
 Combined Maximum Annual Debt Service Requirements (2047)	 \$4,392,013
Tax Rate of \$1.14 on the 2024 Certified Assessed Valuation produces.....	\$4,395,070
Tax Rate of \$1.03 on the 2025 Preliminary Assessed Valuation produces	\$4,433,385
Tax Rate of \$0.97 on the Estimated Assessed Valuation as of March 1, 2025 produces ...	\$4,404,898

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Estimated Overlapping Taxes

Property located within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, ad valorem taxes levied by each 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 –Direct and Estimated Overlapping Debt Statement”), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below is a compilation of all 2024 taxes levied by such jurisdictions per \$100 of assessed valuation. Such levies do not include local assessments for community associations, fire department contributions, charges for solid waste disposal, or any other dues or charges made by entities other than political subdivisions.

Brazoria County

Taxing Jurisdiction	2024 Tax Rate Per \$100 of Assessed Value
The District	\$ 1.350000
Brazoria County Drainage District # 4	0.114786
Road and Bridge Fund	0.043284
Alvin CCD	0.151264
Alvin ISD	1.192300
Brazoria County	0.270664
Total Tax Rate for the District	\$ 3.122298

Fort Bend County

Taxing Jurisdiction	2024 Tax Rate Per \$100 of Assessed Value
The District	\$ 1.350000
Fort Bend County	0.412000
Fort Bend Drainage	0.010000
Fort Bend ESD 7	0.100000
Fort Bend ISD	0.986900
Total Tax Rate for the District	\$ 2.858900

LEGAL MATTERS

Legal Opinions

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District payable from an annual ad valorem tax levied without limit as to rate or amount upon all taxable property within the District. Issuance of the Bonds is also subject to the legal opinion of Bond Counsel that, based upon examination of the transcript of the proceedings incident to authorization and issuance of the Bonds, the Bonds are valid and legally binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity, and are payable from annual ad valorem taxes, which are not limited by applicable law in rate or amount, levied against all property within the District which is not exempt from taxation by or under applicable law. The legal opinion will further state that the interest on the Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations, published rulings and court decisions as described below under “TAX MATTERS.” The legal opinion of Bond Counsel will be printed on the Bonds, if certificated Bonds are issued. Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Disclosure Counsel.

No-Litigation Certificate

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

No Material Adverse Change

The obligations of the Initial Purchaser to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of 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 Official Statement, as it may have been supplemented or amended through the date of sale.

TAX MATTERS

Tax Exemption

On the date of initial delivery of the Bonds, Coats Rose, P.C., Houston, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”), (1) interest on the Bonds for federal income tax purposes will be excludable from the “gross income” of the holders thereof, except that such interest is taken into account in determining the annual adjusted financial statement of income of applicable corporations (as defined in Section 59(k) of the Internal Revenue Code of 1986 (the “Code”)) for the purpose of determining the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022, and (2) the Bonds will not be treated as “specified private activity bonds” the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the “Code”). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the District, including information and representations contained in the District’s federal tax certificate and (b) covenants of the District contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the District with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel’s opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel’s opinion is not a guarantee of a result. Existing Law is subject to change by Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership, or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Bonds is less than the principal amount thereof or one or more periods for the payment of interest on the Bonds is not equal to the accrual period or be in excess of one year (the “Original Issue Discount Bonds”). In such event, the difference between (i) the “stated redemption price at maturity” of each Original Issue Discount Bond, and (ii) the initial offering price to the public

of such Original Issue Discount Bond would constitute original issue discount. The “stated redemption price at maturity” means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering 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 accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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 Original Issue Discount Bond was held by such initial owner) is includable in gross income.

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 date 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 Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the 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 and 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 Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, 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 the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP, AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation. Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a “market discount” and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to “market discount bonds” to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A “market discount bond” is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the “revised issue price” (i.e., the issue price plus accrued original issue discount). The “accrued market discount” is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

Not Qualified Tax-Exempt Obligations

The Bonds have not been designated as “qualified tax-exempt obligations” for financial institutions.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Orders, 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, audited financial statements and timely notice of specified material events, in an electronic format as prescribed by the Municipal Securities Rulemaking Board (“MSRB”). The MSRB has established the Electronic Municipal Market Access (“EMMA”) system for such purpose.

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings “DISTRICT DEBT” (excluding the information contained under the subheading “Direct and Estimated 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 and after March 31, 2025.

Any information so provided shall be prepared in accordance with generally accepted accounting principles 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 and if the audit report becomes available. The District’s current fiscal year end is March 31. Accordingly, it must provide updated information by the last day in September 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.

The Developer, which is a subsidiary of and controlled by D.R. Horton, Inc. D.R. Horton, Inc. is a publicly traded corporation whose stock is listed on the New York Stock Exchange. Audited financial statements for D.R. Horton, Inc. can be found online at <https://investor.drhorton.com>. D.R. Horton, Inc. is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the SEC. Reports, proxy statements and other information filed by D.R. Horton, Inc. can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website at <http://www.sec.gov> that contains reports, proxy information statements and other information regarding registrants that file electronically with the SEC. Certain financial information concerning the Developer is included as part of the consolidated financial statements of D.R. Horton, Inc. No additional disclosure will be provided by the District related to Developer since the information is publicly available through the SEC.

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 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-exempt status of the Bonds, or other events affecting the tax-exempt 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 SEC Rule 15c212; (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 terms “material” and “financial obligation” when used in this paragraph shall have the meanings ascribed to them under federal securities laws. Neither the Bonds nor the Bond Orders make any provision for debt service reserves or liquidity enhancement. The term “financial obligation” when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term “financial obligation” does not include municipal securities for which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule. In addition, the District will provide timely notice of any failure by the District to provide information, 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.

Limitations and Amendments

The District has agreed to update information and to provide notices of certain 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 of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District, but only if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the SEC Rule 15c2-12, taking into account any amendments or interpretations of SEC Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any qualified professional 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. 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. The District may also amend or repeal its continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the SEC Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of such SEC Rule 15c2-12 are invalid, and the District also may amend its continuing disclosure agreement in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

Compliance with Prior Undertaking

The District entered into a continuing disclosure agreement in accordance with SEC Rule 15c2-12 with the issuance of its Unlimited Tax Utility Bonds, Series 2022 and its Unlimited Tax Road Bonds, Series 2022. The District has complied in all material respects with this continuing disclosure agreement made by it in accordance with SEC Rule 15c2-12.

OFFICIAL STATEMENT

General

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

Experts

The information contained in this Official Statement relating to engineering and to the description of the Utility System, and, in particular, that engineering information included in the sections entitled "THE BONDS – Use and Distribution of Utility Bond Proceeds and – Use and Distribution of Road Bond Proceeds," "THE DISTRICT – Description," "DEVELOPMENT OF THE DISTRICT – Status of Development within the District," and "THE UTILITY SYSTEM" has been provided by the Engineer and has been included herein in reliance upon the authority of said firm as an expert in the field of civil engineering.

The information contained in this Official Statement relating to development of the District and, in particular, that development information included in the sections captioned "DEVELOPMENT OF THE DISTRICT – Status of Development within the District" and "PRINCIPAL LANDOWNER/DEVELOPER" has been provided by the Developer.

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" was provided by the Tax Assessor/Collector and the Appraisal Districts. Such information has been included herein in reliance upon the Tax Assessor/Collector's authority as an expert in the field of tax collection and the Appraisal Districts' authority as an expert in the field of property appraisal.

Financial Advisor

Tierra Financial Advisors, LLC, is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement, the Official Notice of Sale and the Official Bid Form for the sale of the Bonds. In its capacity as Financial Advisor, Tierra Financial Advisors, LLC has compiled and edited this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information. Tierra Financial Advisors, LLC, is a wholly owned subsidiary of D.R. Horton, the primary developer of land in the District and the principal taxpayer. See "RELATIONSHIP AMONG THE PARTIES" herein.

Certification as to Official Statement

The District, acting by and through its Board 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 adverse event which causes the Official Statement to be materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Initial Purchaser; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser, unless the Initial Purchaser notifies the District 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.

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CONCLUDING STATEMENT

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

This Official Statement was approved by the Board of Directors of Brazoria-Fort Bend Counties Municipal Utility District No. 3 as of the date shown on the cover page hereof.

/s/ Corinne Haworth
President, Board of Directors
Brazoria-Fort Bend Counties Municipal Utility District No. 3

ATTEST:
/s/ Afolake Cannon
Secretary, Board of Directors
Brazoria-Fort Bend Counties Municipal Utility District No. 3

APPENDIX A
FINANCIAL STATEMENTS OF THE DISTRICT

**BRAZORIA – FORT BEND COUNTIES
MUNICIPAL UTILITY DISTRICT NO. 3**

BRAZORIA AND FORT BEND COUNTIES, TEXAS

FINANCIAL REPORT

March 31, 2024

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McGRATH & CO., PLLC

Certified Public Accountants

2900 North Loop West, Suite 880

Houston, Texas 77092

Independent Auditor's Report

Board of Directors

Brazoria-Fort Bend Counties Municipal Utility District No. 3

Brazoria and Fort Bend Counties, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Brazoria-Fort Bend Counties Municipal Utility District No. 3 (the "District"), as of and for the year ended March 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Brazoria-Fort Bend Counties Municipal Utility District No. 3, as of March 31, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

***Board of Directors
Brazoria-Fort Bend Counties Municipal Utility District No. 3
Brazoria and Fort Bend Counties, Texas***

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

***Board of Directors
Brazoria-Fort Bend Counties Municipal Utility District No. 3
Brazoria and Fort Bend Counties, Texas***

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

Supplementary Information

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

McGuire & Co, LLC

Houston, Texas
June 11, 2024

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Management's Discussion and Analysis

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Brazoria-Fort Bend Counties Municipal Utility District No. 3
Management's Discussion and Analysis
March 31, 2024

Using this Annual Report

Within this section of the financial report of Brazoria-Fort Bend Counties Municipal Utility District No. 3 (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 March 31, 2024. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District's net position at March 31, 2024, was negative \$23,420,162. The District's net position is negative primarily because the District incurs debt to construct public road facilities which it conveys to Fort Bend County. A comparative summary of the District's overall financial position, as of March 31, 2024 and 2023, is as follows:

	2024	2023
Current and other assets	\$ 7,227,330	\$ 3,432,926
Capital assets, net	48,275,033	40,577,772
Total assets	<u>55,502,363</u>	<u>44,010,698</u>
Current liabilities	1,509,846	994,837
Long-term liabilities	77,412,679	61,136,912
Total liabilities	<u>78,922,525</u>	<u>62,131,749</u>
Net position		
Net investment in capital assets	(6,482,709)	(3,600,577)
Restricted	2,937,300	1,209,973
Unrestricted	(19,874,753)	(15,730,447)
Total net position	<u>\$ (23,420,162)</u>	<u>\$ (18,121,051)</u>

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The total net position of the District decreased during the current fiscal year by \$5,299,111. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2024	2023
Revenues		
Property taxes, penalties and interest	\$ 4,232,026	\$ 2,218,962
Water and sewer service	1,106,885	890,321
Other	1,764,617	1,647,035
Total revenues	<u>7,103,528</u>	<u>4,756,318</u>
Expenses		
Current service operations	3,060,436	2,892,556
Debt interest and fees	1,208,649	528,899
Developer interest	1,310,997	489,853
Debt issuance costs	598,918	751,282
Depreciation and amortization	1,348,222	952,954
Total expenses	<u>7,527,222</u>	<u>5,615,544</u>
Change in net position before other item	(423,694)	(859,226)
Other item		
Transfers to other governments	<u>(4,875,417)</u>	<u>(8,906,048)</u>
Change in net position	(5,299,111)	(9,765,274)
Net position, beginning of year	<u>(18,121,051)</u>	<u>(8,355,777)</u>
Net position, end of year	<u>\$ (23,420,162)</u>	<u>\$ (18,121,051)</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of March 31, 2024, were \$6,199,619, which consists of \$2,828,851 in the General Fund, \$2,971,685 in the Debt Service Fund, and \$399,083 in the Capital Projects Fund.

Brazoria-Fort Bend Counties Municipal Utility District No. 3
Management's Discussion and Analysis
March 31, 2024

General Fund

A comparative summary of the General Fund's financial position as of March 31, 2024 and 2023, is as follows:

	2024	2023
Total assets	<u>\$ 3,383,991</u>	<u>\$ 1,871,911</u>
Total liabilities	\$ 503,951	\$ 410,702
Total deferred inflows	51,189	44,855
Total fund balance	<u>2,828,851</u>	<u>1,416,354</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 3,383,991</u>	<u>\$ 1,871,911</u>

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

	2024	2023
Total revenues	\$ 4,616,350	\$ 3,610,636
Total expenditures	<u>(3,203,853)</u>	<u>(4,215,045)</u>
Revenues over/(under) expenditures	1,412,497	(604,409)
Other changes in fund balance		1,266,794
Net change in fund balance	<u>\$ 1,412,497</u>	<u>\$ 662,385</u>

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

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. While the District decreased its maintenance tax levy, property tax revenues increased because assessed values in the District increased from the prior year.
- Water, sewer and groundwater reduction plan fees are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.
- Tap connection fees fluctuate with homebuilding activity within the District.

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Debt Service Fund

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

	2024	2023
Total assets	<u>\$ 3,049,554</u>	<u>\$ 1,267,985</u>
Total liabilities	\$ 885	\$ 7,696
Total deferred inflows	76,984	52,679
Total fund balance	<u>2,971,685</u>	<u>1,207,610</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 3,049,554</u>	<u>\$ 1,267,985</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	\$ 2,442,891	\$ 1,050,451
Total expenditures	<u>(1,431,128)</u>	<u>(446,628)</u>
Revenues over expenditures	1,011,763	603,823
Other changes in fund balance	752,312	603,787
Net change in fund balance	<u>\$ 1,764,075</u>	<u>\$ 1,207,610</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 capitalized interest from the sale of bonds. The difference between these financial resources and debt service requirements resulted in an increase in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

Capital Projects Fund

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

	2024	2023
Total assets	<u>\$ 399,083</u>	<u>\$ 293,030</u>
Total fund balance	<u>\$ 399,083</u>	<u>\$ 293,030</u>

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

	2024	2023
Total revenues	\$ 13,648	\$ 8,606
Total expenditures	(14,706,257)	(7,683,752)
Revenues under expenditures	(14,692,609)	(7,675,146)
Other changes in fund balance	14,798,662	7,943,213
Net change in fund balance	\$ 106,053	\$ 268,067

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2023 Unlimited Tax Bonds and Series 2023 Unlimited Road Tax Bonds in the current year and proceeds from the sale of its Series 2022 Unlimited Tax Bonds and Series 2022 Unlimited Road Tax Bonds in the prior year.

General Fund Budgetary Highlights

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$711,753 greater than budgeted. The *Budgetary Comparison Schedule* on page 40 of this report provides variance information per financial statement line item.

Capital Assets

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

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

	2024	2023
Capital assets not being depreciated		
Land and improvements	\$ 6,204,803	\$ 4,639,604
Capital assets being depreciated/amortized		
Infrastructure	39,010,558	32,653,129
Joint water plant capacity	1,416,000	1,416,000
Landscaping improvements	2,383,997	1,386,142
Right-to-use leased asset - wastewater treatment plants	2,082,518	1,957,518
	<u>44,893,073</u>	<u>37,412,789</u>
Less accumulated depreciation/amortization		
Infrastructure	(2,039,249)	(1,172,344)
Joint water plant capacity	(122,844)	(87,444)
Landscaping improvements	(211,412)	(92,212)
Right-to-use leased asset - wastewater treatment plants	(449,338)	(122,621)
	<u>(2,822,843)</u>	<u>(1,474,621)</u>
Subtotal capital assets, net	<u>42,070,230</u>	<u>35,938,168</u>
Total capital assets, net	<u>\$ 48,275,033</u>	<u>\$ 40,577,772</u>

Capital asset additions during the current year include the following:

- Wastewater Treatment Plant Phase II (0.25 mgd) and Lift Station No. 1 Phase II
- Caldwell Ranch Section 8 and Southern Colony Avenue Extension Phase 1 and 2 – utilities
- Caldwell Ranch Section 9 – utilities
- Offsite utilities
- Caldwell Ranch Boulevard Extension – landscaping

Fort Bend County assumes responsibility (after a one-year maintenance period) for road facilities constructed within the boundaries of the County. Accordingly, these facilities are not considered assets of the District. The estimated value of these assets is recorded as transfers to other governments upon completion of construction. This estimated cost is trued-up when the developer is reimbursed. For the year ended March 31, 2024, capital assets in the amount of \$4,875,417 have been recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 10.

Lease Obligations

The District has entered into various equipment lease obligations for interim wastewater treatment plants. The District recognized right-to-use leased assets and lease obligations in the amount of \$2,082,518 for these leases. The balance due for the leases as of March 31, 2024, was \$1,628,746. Additional information is presented in Note 7.

Brazoria-Fort Bend Counties Municipal Utility District No. 3
Management's Discussion and Analysis
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Long-Term Debt and Related Liabilities

As of March 31, 2024, the District owes approximately \$48,512,279 to developer for completed projects. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 6, the District has an additional commitment in the amount of \$10,697,795 for projects under construction by the developer. As noted, the District will owe its developer for these projects upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

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

Series	2024	2023
2022	\$ 8,645,000	\$ 8,860,000
2022 Road	3,905,000	4,000,000
2023	9,205,000	
2023 Road	6,310,000	
	<u>\$ 28,065,000</u>	<u>\$ 12,860,000</u>

During the current year, the District issued \$9,205,000 in unlimited tax bonds and \$6,310,000 in unlimited tax road bonds. At March 31, 2024, the District had \$132,735,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and \$75,400,000 for refunding of such bonds; \$22,100,000 for parks and recreational facilities and \$11,050,000 for the refunding of such bonds and \$59,890,000 for road improvements and \$35,100,000 for refunding purposes.

Next Year's Budget

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

	2024 Actual	2025 Budget
Total revenues	\$ 4,616,350	\$ 4,300,000
Total expenditures	<u>(3,203,853)</u>	<u>(3,629,940)</u>
Revenues over expenditures	1,412,497	670,060
Beginning fund balance	1,416,354	2,828,851
Ending fund balance	<u>\$ 2,828,851</u>	<u>\$ 3,498,911</u>

***Brazoria-Fort Bend Counties Municipal Utility District No. 3
Management's Discussion and Analysis
March 31, 2024***

Property Taxes

The District's property tax base increased approximately \$121,257,000 for the 2024 tax year from \$294,764,067 to \$416,021,038, based on preliminary values.

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Basic Financial Statements

Brazoria-Fort Bend Counties Municipal Utility District No. 3
Statement of Net Position and Governmental Fund Balance Sheet
March 31, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 381,612	\$ 64,410	\$ 153,154	\$ 599,176	\$ -	\$ 599,176
Investments	2,645,158	2,937,115	245,929	5,828,202		5,828,202
Taxes receivable	51,189	76,984		128,173		128,173
Customer service receivables	186,933			186,933		186,933
Internal balances	28,955	(28,955)				
Other receivables	800			800		800
Prepaid items	89,344			89,344		89,344
Prepaid bond insurance, net					394,702	394,702
Capital assets not being depreciated					6,204,803	6,204,803
Capital assets, net					42,070,230	42,070,230
Total Assets	<u>\$ 3,383,991</u>	<u>\$ 3,049,554</u>	<u>\$ 399,083</u>	<u>\$ 6,832,628</u>	<u>48,669,735</u>	<u>55,502,363</u>
Liabilities						
Accounts payable	\$ 310,206	\$ -	\$ -	\$ 310,206		310,206
Other payables	1,169	885		2,054		2,054
Customer deposits	182,200			182,200		182,200
Unearned revenue	10,376			10,376		10,376
Accrued interest payable					111,369	111,369
Due to developer					48,512,279	48,512,279
Lease obligation						
Due within one year					263,641	263,641
Due after one year					1,365,105	1,365,105
Long-term debt						
Due within one year					630,000	630,000
Due after one year					27,535,295	27,535,295
Total Liabilities	<u>503,951</u>	<u>885</u>	<u></u>	<u>504,836</u>	<u>78,417,689</u>	<u>78,922,525</u>
Deferred Inflows of Resources						
Deferred property taxes	<u>51,189</u>	<u>76,984</u>	<u></u>	<u>128,173</u>	<u>(128,173)</u>	
Fund Balances/Net Position						
Fund Balances						
Nonspendable	89,344			89,344	(89,344)	
Restricted		2,971,685	399,083	3,370,768	(3,370,768)	
Unassigned	<u>2,739,507</u>	<u></u>	<u></u>	<u>2,739,507</u>	<u>(2,739,507)</u>	
Total Fund Balances	<u>2,828,851</u>	<u>2,971,685</u>	<u>399,083</u>	<u>6,199,619</u>	<u>(6,199,619)</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,383,991</u>	<u>\$ 3,049,554</u>	<u>\$ 399,083</u>	<u>\$ 6,832,628</u>		
Net Position						
Net investment in capital assets					(6,482,709)	(6,482,709)
Restricted for debt service					2,937,300	2,937,300
Unrestricted					<u>(19,874,753)</u>	<u>(19,874,753)</u>
Total Net Position					<u>\$ (23,420,162)</u>	<u>\$ (23,420,162)</u>

See notes to basic financial statements.

Brazoria-Fort Bend Counties Municipal Utility District No. 3**Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended March 31, 2024**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Water service	\$ 476,207	\$ -	\$ -	\$ 476,207	\$ -	\$ 476,207
Sewer service	630,678			630,678		630,678
Property taxes	1,756,240	2,329,943		4,086,183	27,052	4,113,235
Penalties and interest	96,725	18,479		115,204	3,587	118,791
Groundwater reduction plan fees	867,187			867,187		867,187
Tap connection and inspection	657,551			657,551		657,551
Miscellaneous	62,179			62,179		62,179
Investment earnings	69,583	94,469	13,648	177,700		177,700
Total Revenues	<u>4,616,350</u>	<u>2,442,891</u>	<u>13,648</u>	<u>7,072,889</u>	<u>30,639</u>	<u>7,103,528</u>
Expenditures/Expenses						
Current service operations						
Purchased services	544,055			544,055		544,055
Professional fees	89,458		86,497	175,955		175,955
Contracted services	861,705	33,429		895,134		895,134
Repairs and maintenance	561,092			561,092		561,092
Utilities	99,823			99,823		99,823
Regional water authority fees	651,128			651,128		651,128
Administrative	108,564	6,447		115,011		115,011
Other	17,828		410	18,238		18,238
Capital						
Capital outlay			12,298,287	12,298,287	(12,298,287)	
Debt service						
Principal		310,000		310,000	(310,000)	
Interest and fees		1,081,252		1,081,252	73,320	1,154,572
Developer interest			1,310,997	1,310,997		1,310,997
Debt issuance costs			1,010,066	1,010,066	(411,148)	598,918
Lease - principal	216,123			216,123	(216,123)	
Lease - interest	54,077			54,077		54,077
Depreciation/amortization					1,348,222	1,348,222
Total Expenditures/Expenses	<u>3,203,853</u>	<u>1,431,128</u>	<u>14,706,257</u>	<u>19,341,238</u>	<u>(11,814,016)</u>	<u>7,527,222</u>
Revenues Over/(Under)						
Expenditures/Expenses	1,412,497	1,011,763	(14,692,609)	(12,268,349)	11,844,655	(423,694)
Other Financing Sources/(Uses)						
Proceeds from sale of bonds		752,312	14,762,688	15,515,000	(15,515,000)	
Bond premium			104,474	104,474	(104,474)	
Repayment of operating advances			(68,500)	(68,500)	68,500	
Other Items						
Transfers to other governments					(4,875,417)	(4,875,417)
Net Change in Fund Balances	1,412,497	1,764,075	106,053	3,282,625	(3,282,625)	
Change in Net Position					(5,299,111)	(5,299,111)
Fund Balances/Net Position						
Beginning of the year	1,416,354	1,207,610	293,030	2,916,994	(21,038,045)	(18,121,051)
End of the year	<u>\$ 2,828,851</u>	<u>\$ 2,971,685</u>	<u>\$ 399,083</u>	<u>\$ 6,199,619</u>	<u>\$ (29,619,781)</u>	<u>\$ (23,420,162)</u>

See notes to basic financial statements.

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of Brazoria-Fort Bend Counties Municipal Utility District No. 3 (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 Legislature, 86th Session, Senate Bill No. 1038, effective September 1, 2019, under Section 59, Article XVI and Section 52, Article III of the Texas Constitution and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on February 13, 2020 and the first bonds were issued on June 15, 2022.

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

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

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

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

Measurement Focus and Basis of Accounting

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

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

Use of Restricted Resources

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

Prepaid Items

Certain payments made by the District reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Prepaid Bond Insurance

Prepaid bond insurance reduces the District's borrowing costs and is, therefore, recorded as asset in the government-wide *Statement of Net Position* and amortized to interest expense over the life of the bonds.

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 March 31, 2024, an allowance for uncollectible accounts was not considered necessary.

Interfund Activity

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

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$50,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Right-to-use leased assets are valued at the present value of lease payments. 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.

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

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

Assets	Useful Life
Infrastructure	45 years
Joint water plant capacity	40 years
Landscaping improvements	20 years
Right-to-use leased assets	5 years

Deferred Inflows and Outflows of Financial Resources

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

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

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 prepaid items.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

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

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

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

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

Brazoria-Fort Bend Counties Municipal Utility District No. 3
Notes to Financial Statements
March 31, 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	\$	6,199,619	
Prepaid bond insurance is recorded as an expenditure at the fund level, but is recorded as a prepaid asset and amortized to interest expense over the life of the bonds in the government wide statements.			394,702
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.			
Historical cost	\$	51,097,876	
Less accumulated depreciation		<u>(2,822,843)</u>	
Change due to capital assets			48,275,033
Obligations under leases are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.			(1,628,746)
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		(28,165,295)	
Interest payable on bonds		<u>(111,369)</u>	
Change due to long-term debt			(28,276,664)
Amounts due to the District's developer for prefunded construction and operating advances are recorded as a liability in the <i>Statement of Net Position</i> .			(48,512,279)
Receivables that are not collected within sixty days of fiscal year end are not considered available to pay current period expenditures and are deferred in the funds			128,173
Total net position - governmental activities	\$	<u><u>(23,420,162)</u></u>	

Brazoria-Fort Bend Counties Municipal Utility District No. 3
Notes to Financial Statements
March 31, 2024

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

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

Net change in fund balance - total governmental funds	\$ 3,282,625
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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 and penalties and interest.

30,639

Governmental funds report capital outlays for developer reimbursements and 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. Other assets are recorded as transfers to other governments.

Capital outlays	\$ 12,298,287	
Transfers to other governments	(4,875,417)	
Depreciation expense	<u>(1,348,222)</u>	
		6,074,648

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

Issuance of long-term debt	(15,515,000)	
Prepaid bond insurance	411,148	
Bond premium	(104,474)	
Principal payments	310,000	
Interest expense accrual	<u>(73,320)</u>	
		(14,971,646)

Amounts repaid to the District's developer for operating advances use financial resources at the fund level, but reduce the liability in the *Statement of Net Position*.

68,500

Governmental funds report the principal portion of lease payments as expenditures in the funds; however, in the *Statement of Net Position*, these principal payments are recorded as a reduction to the long-term lease liability.

216,123

Change in net position of governmental activities	<u><u>\$ (5,299,111)</u></u>
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Brazoria-Fort Bend Counties Municipal Utility District No. 3
Notes to Financial Statements
March 31, 2024

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Investments

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

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

As of March 31, 2024, the District's investments consist of the following:

<u>Type</u>	<u>Fund</u>	<u>Carrying Value</u>	<u>Rating</u>	<u>Weighted Average Maturity</u>
TexSTAR	General	\$ 2,645,158	AAAm	35 days
	Debt Service	2,937,115		
	Capital Projects	245,929		
		<u>\$ 5,828,202</u>		

Brazoria-Fort Bend Counties Municipal Utility District No. 3
Notes to Financial Statements
March 31, 2024

Note 3 – Deposits and Investments (continued)

TexSTAR

The Texas Short Term Asset Reserve fund (“TexSTAR”) is managed by Hilltop Securities, and J.P. Morgan Investment Management, Inc. Hilltop Securities provides participant and marketing services while J.P. Morgan provides investment management services. Custodial and depository services are provided by J.P. Morgan Chase Bank N.A. or its subsidiary.

TexSTAR uses amortized cost rather than fair value to report net assets to compute share price. Accordingly, investments in TexSTAR are stated at amortized cost which approximates fair value. Investments in TexSTAR 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 4 – Interfund Balances and Transactions

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 28,955	Maintenance tax collections not remitted as of year end

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

Brazoria-Fort Bend Counties Municipal Utility District No. 3
Notes to Financial Statements
March 31, 2024

Note 5 – Capital Assets

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

	Beginning Balances	Additions	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 4,639,604	\$ 1,565,199	\$ 6,204,803
Capital assets being depreciated/amortized			
Infrastructure	32,653,129	6,357,429	39,010,558
Joint water plant capacity	1,416,000		1,416,000
Landscaping improvements	1,386,142	997,855	2,383,997
Right-to-use leased asset - wastewater treatment plant	1,957,518	125,000	2,082,518
	<u>37,412,789</u>	<u>7,480,284</u>	<u>44,893,073</u>
Less accumulated depreciation/amortization			
Infrastructure	(1,172,344)	(866,905)	(2,039,249)
Joint water plant capacity	(87,444)	(35,400)	(122,844)
Landscaping improvements	(92,212)	(119,200)	(211,412)
Right-to-use leased asset - wastewater treatment plant	(122,621)	(326,717)	(449,338)
	<u>(1,474,621)</u>	<u>(1,348,222)</u>	<u>(2,822,843)</u>
Subtotal capital assets, net	<u>35,938,168</u>	<u>6,132,062</u>	<u>42,070,230</u>
Total capital assets, net	<u>\$ 40,577,772</u>	<u>\$ 7,697,261</u>	<u>\$ 48,275,033</u>

Depreciation/amortization expense for the current fiscal year was \$1,348,222.

Note 6 – Due to Developer

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

Changes in the estimated amounts due to developer during the year is as follows:

Due to developer, beginning of year	\$ 46,958,166
Developer reimbursements	(12,325,665)
Developer funded construction	13,948,278
Repayment of operating advances	(68,500)
Due to developer, end of year	<u>\$ 48,512,279</u>

Brazoria-Fort Bend Counties Municipal Utility District No. 3
Notes to Financial Statements
March 31, 2024

Note 6 – Due to Developers (continued)

In addition, the District will owe the developer approximately \$10,697,795, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District's auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	Contract Amount	Percentage Completed
Remote well	\$ 2,872,930	77%
Lift Station No. 2	907,912	39%
Caldwell Ranch Section 10 - utilities	2,665,360	89%
Caldwell Ranch Boulevard Phase 3A and 3B - utilities	846,681	0%
Detention Phase 1	2,920,763	98%
Caldwell Ranch Section 8 and 9 - landscaping	484,149	66%
	<u>\$ 10,697,795</u>	

Note 7 - Lease Obligations

On August 7, 2020, the District entered into an equipment lease agreement for a wastewater treatment plant phase 1. This lease is for a 60-month term with payments commencing June 1, 2022. The lease agreement shall automatically be extended on a month-to-month basis after the initial term, unless otherwise terminated. The District recognized a lease liability and an intangible right-to-use leased asset in the amount of \$623,075, which is measured at the present value of remaining lease payments using an estimated incremental borrowing rate of 4%. The remaining balance of the liability at March 31, 2024, is \$482,851. The District is responsible for all ordinary expenses related to repairing and maintaining the equipment. Monthly payments for the lease are \$13,550. Total current year payments are \$162,600, which includes principal of \$140,224 and interest of \$22,376.

On June 14, 2022, the District entered into an equipment lease agreement for a wastewater treatment plant phase 2. This lease is for a 60-month term with payments commencing August 1, 2023. The lease agreement shall automatically be extended on a month-to-month basis after the initial term, unless otherwise terminated. The District recognized a lease liability and an intangible right-to-use leased asset in the amount of \$1,221,794, which is measured at the present value of future lease payments using an estimated incremental borrowing rate of 4%. The remaining balance of the liability at March 31, 2024, is \$1,145,895. The District is responsible for all ordinary expenses related to repairing and maintaining the equipment. Monthly payments for the lease will be \$13,450. Total current year payments are \$107,600, which includes principal of \$75,899 and interest of \$31,701.

Brazoria-Fort Bend Counties Municipal Utility District No. 3
Notes to Financial Statements
March 31, 2024

Note 7 - Lease Obligations (continued)

Annual requirements to amortize long-term lease obligations and related interest are as follows:

Year	Principal	Interest	Total
2025	\$ 263,641	\$ 60,353	\$ 323,994
2026	274,383	49,611	323,994
2027	285,564	38,432	323,996
2028	159,650	28,848	188,498
2029	645,508	10,368	655,876
	<u>\$ 1,628,746</u>	<u>\$ 187,612</u>	<u>\$ 1,816,358</u>
Due within one year	<u>\$ 263,641</u>	<u>\$ 60,353</u>	<u>\$ 323,994</u>

Note 8 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 28,065,000
Unamortized premium	<u>100,295</u>
	<u>\$ 28,165,295</u>
Due within one year	<u>\$ 630,000</u>

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

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2022	\$ 8,645,000	\$ 8,860,000	4.00% - 6.50%	March 1, 2024 - 2047	September 1, March 1	March 1, 2027
2022 Road	3,905,000	4,000,000	4.00% - 6.50%	March 1, 2024 - 2047	September 1, March 1	March 1, 2027
2023	9,205,000	9,205,000	4.00% - 6.50%	March 1, 2025 - 2048	September 1, March 1	March 1, 2029
2023 Road	6,310,000	6,310,000	4.00% - 6.50%	March 1, 2025 - 2048	September 1, March 1	March 1, 2029
	<u>\$ 28,065,000</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.

Brazoria-Fort Bend Counties Municipal Utility District No. 3
Notes to Financial Statements
March 31, 2024

Note 8 – Long-Term Debt (continued)

At March 31, 2024, the District had authorized but unissued bonds in the amount of \$132,735,000 for water, sewer and drainage facilities and \$75,400,000 for refunding of such bonds; \$22,100,000 for park and recreational facilities and \$11,050,000 for refunding of such bonds; and \$59,890,000 for road bonds and \$35,100,000 for refunding of such bonds.

On July 13, 2023 the District issued its \$9,205,000 Series 2023 Unlimited Tax Bonds at a net effective interest rate of 4.703036%. Proceeds of the bonds were used to reimburse developers for the cost of capital assets constructed within the District, the acquisition of land for certain District facilities and operating advances, plus interest expense at the net effective interest rate of the bonds and to pay capitalized interest into the Debt Service Fund.

On July 13, 2023 the District issued its \$6,310,000 Series 2023 Unlimited Tax Road Bonds at a net effective interest rate of 4.705692%. Proceeds of the bonds were used to reimburse the District's developer for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds and to pay capitalized interest into the Debt Service Fund.

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

Bonds payable, beginning of year	\$ 12,860,000
Bonds issued	15,515,000
Bonds retired	<u>(310,000)</u>
Bonds payable, end of year	<u><u>\$ 28,065,000</u></u>

Brazoria-Fort Bend Counties Municipal Utility District No. 3
Notes to Financial Statements
March 31, 2024

Note 8 – Long-Term Debt (continued)

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

Year	Principal	Interest	Totals
2025	\$ 630,000	\$ 1,336,425	\$ 1,966,425
2026	665,000	1,295,475	1,960,475
2027	705,000	1,252,250	1,957,250
2028	740,000	1,206,424	1,946,424
2029	780,000	1,158,326	1,938,326
2030	815,000	1,107,624	1,922,624
2031	855,000	1,054,651	1,909,651
2032	895,000	1,000,525	1,895,525
2033	945,000	943,850	1,888,850
2034	1,000,000	890,300	1,890,300
2035	1,050,000	850,300	1,900,300
2036	1,110,000	808,300	1,918,300
2037	1,160,000	763,169	1,923,169
2038	1,225,000	716,000	1,941,000
2039	1,285,000	665,376	1,950,376
2040	1,355,000	612,249	1,967,249
2041	1,430,000	556,225	1,986,225
2042	1,500,000	497,087	1,997,087
2043	1,575,000	432,988	2,007,988
2044	1,665,000	365,662	2,030,662
2045	1,745,000	293,531	2,038,531
2046	1,845,000	217,913	2,062,913
2047	1,940,000	136,924	2,076,924
2048	1,150,000	51,750	1,201,750
	<u>\$ 28,065,000</u>	<u>\$ 18,213,324</u>	<u>\$ 46,278,324</u>

Note 9 – Property Taxes

On May 2, 2020, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value. In addition, the voters of the District authorized the District's Board of Directors to levy taxes annually for road maintenance limited to \$1.50 per \$100 of assessed value and for park maintenance limited to \$0.10 per \$100 of assessed value. The District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

Brazoria-Fort Bend Counties Municipal Utility District No. 3
Notes to Financial Statements
March 31, 2024

Note 9 – Property Taxes (continued)

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

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2024 fiscal year was financed through the 2023 tax levy, pursuant to which the District levied property taxes of \$1.40 per \$100 of assessed value, of which \$0.60 was allocated to maintenance and operations, \$0.50 was allocated to debt service, and \$0.30 was allocated to road debt service. The resulting tax levy was \$4,126,697 on the adjusted taxable value of \$294,764,067.

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

Current year taxes receivable	\$ 107,929
Prior years taxes receivable	8,575
	<hr/> 116,504
Penalty and interest receivable	11,669
Property taxes receivable	<hr/> <u>\$ 128,173</u>

Note 10 – Transfers to Other Governments

Fort Bend County assumes responsibility for the maintenance of public roads constructed within the county limits. Accordingly, road facilities are considered to be capital assets of Fort Bend County, not the District and are recorded as transfers to other governments on the Statement of Activities upon completion of construction. This cost is trued-up when the developer is subsequently reimbursed. For the year ended March 31, 2024, the District recorded transfers to other governments in the amount of \$4,875,417 for road facilities constructed by a developer within the District.

Note 11 – Wastewater Treatment Facilities Agreement

On November 15, 2019, the District, Fort Bend County Municipal Utility District No. 131 (“MUD 131”) and Fort Bend County Municipal Utility District No.189 (“MUD 189”) entered into a First Amended and Restated Wastewater Treatment Facilities Agreement (the “Agreement”) to accommodate the installation of an expansion to a joint wastewater treatment plant operated by MUD 131. The expansion will be sufficient to serve 240,000 gallons average daily flow, which will be allocated 52.5% (400 ESFC) to the District and 47.5% to MUD 131 (362 ESFC).

Each district will be responsible for their pro rata share of the costs to construct the expansion. The District’s projected share of costs is \$486,125, which was paid during the 2022 fiscal year. Each district will finance, own, and operate their respective internal sanitary sewer system.

Note 11 – Wastewater Treatment Facilities Agreement (continued)

MUD 131 will hold title to the wastewater treatment plant with each district owning an undivided, equitable interest based on their pro-rata share of capacity. MUD 131 will be responsible for the maintenance and operation of the wastewater treatment plant. Each district will pay MUD 131 for their pro rata share of operation and maintenance expenses. During the current year, the District incurred \$99,540 for its pro rata share of wastewater treatment plant lease expenses and \$69,045 for current and prior year operation and maintenance expenses.

Note 12 – Joint Water Supply Agreement

On November 15, 2019, the District and MUD 131 entered into an agreement (the “Agreement”) for the purchase of 400 ESFCs of water supply capacity in the water plant owned and operated by MUD 131. The total purchase price for the capacity is \$1,416,000, which is comprised of an initial payment of \$200,000 and a payment of \$3,040 for each single-family home lot platted within the service tract. The term of the agreement is 40 years.

MUD 131 shall hold legal title to the water plant, with the District having an undivided, equitable interest in the water plant based on its pro rata share of capacity. MUD 131 is solely responsible for all costs necessary to operate, maintain, repair, and replace the water plant.

The District is responsible for the design, construction, and operation of its internal water distribution system and interconnect to receive water from MUD 131. During the current year, the District paid \$4.323 per 1,000 gallons of water, plus any and all pass-through fees charged on a per gallon basis to MUD 131 by other regulatory agencies, including the Groundwater Reduction Permit Fee charged by the North Fort Bend Water Authority. The rate per thousand gallons may be adjusted annually to reflect the corresponding annual increase in the consumer price index. During the current year, the District recognized \$375,470 for water supply purchased from MUD 131.

Note 13 – Joint Detention Facilities Agreement

On September 13, 2022, the District and Brazoria County Municipal Utility District No. 87 (“MUD 87”) entered a Joint Detention Facilities Agreement (the “Agreement”), for the construction of joint detention facilities, which includes the construction of a new detention channel and outfall structure. Each district agrees to share the cost to construct the joint detention facilities and the cost of the land encompassing the facilities. Upon completion of construction, each district will be responsible for its share of operating and maintaining the joint detention facilities. The District is responsible for the maintenance and operation of the joint detention facilities and will bill MUD 87 for its pro rata share based on the total number of acres being provided by the joint detention pond and new detention route, respectively.

Brazoria-Fort Bend Counties Municipal Utility District No. 3
Notes to Financial Statements
March 31, 2024

Note 14 – 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.

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Required Supplementary Information

Brazoria-Fort Bend Counties Municipal Utility District No. 3
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended March 31, 2024

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Water service	\$ 540,000	\$ 635,000	\$ 476,207	\$ (158,793)
Sewer service	480,000	605,000	630,678	25,678
Property taxes	1,000,000	1,713,184	1,756,240	43,056
Penalties and interest			96,725	96,725
Groundwater reduction plan fees	550,000	900,000	867,187	(32,813)
Tap connection and inspection	200,000	275,000	657,551	382,551
Miscellaneous			62,179	62,179
Investment earnings	12,000	50,000	69,583	19,583
Total Revenues	<u>2,782,000</u>	<u>4,178,184</u>	<u>4,616,350</u>	<u>438,166</u>
Expenditures				
Current service operations				
Purchased services	740,000	680,000	544,055	135,945
Professional fees	130,000	130,000	89,458	40,542
Contracted services	480,000	687,000	861,705	(174,705)
Repairs and maintenance	486,324	730,000	561,092	168,908
Regional water authority fees	550,000	900,000	651,128	248,872
Administrative	116,750	133,400	108,564	24,836
Utilities	40,000	100,000	99,823	177
Other	17,500	17,500	17,828	(328)
Debt service				
Lease principal	99,540	99,540	216,123	(116,583)
Lease interest			54,077	(54,077)
Total Expenditures	<u>2,660,114</u>	<u>3,477,440</u>	<u>3,203,853</u>	<u>273,587</u>
Revenues Over Expenditures	121,886	700,744	1,412,497	711,753
Fund Balance				
Beginning of the year	<u>1,416,354</u>	<u>1,416,354</u>	<u>1,416,354</u>	
End of the year	<u>\$ 1,538,240</u>	<u>\$ 2,117,098</u>	<u>\$ 2,828,851</u>	<u>\$ 711,753</u>

Brazoria-Fort Bend Counties Municipal Utility District No. 3
Notes to Required Supplementary Information
March 31, 2024

Budgets and Budgetary Accounting

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

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Texas Supplementary Information

Brazoria-Fort Bend Counties Municipal Utility District No. 3
TSI-1. Services and Rates
March 31, 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 5/8" meter (or equivalent):

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels	
Water:	\$ 24.89	10,000	N	\$ 2.75	10,001	to no limit
Wastewater:	\$ 27.50	10,000	N	\$ 2.75	10,001	to no limit
Groundwater Reduction:	\$ 5.01	0	N	\$ 5.01	0	to no limit

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

Total charges per 10,000 gallons usage: Water \$ 74.99 Wastewater \$ 27.50

b. Water and Wastewater Retail Connections:

Meter Size	Total	Active	ESFC Factor	Active
Unmetered			x 1.0	
less than 3/4"	1,535	1,493	x 1.0	1,493
1"	7	7	x 2.5	18
1.5"	7	7	x 5.0	35
2"	12	12	x 8.0	96
3"	2	2	x 15.0	30
4"			x 25.0	
6"			x 50.0	
8"	1	1	x 80.0	80
10"			x 115.0	
Total Water	1,564	1,522		1,752
Total Wastewater	1,527	1,485	x 1.0	1,485

See accompanying auditor's report.

Brazoria-Fort Bend Counties Municipal Utility District No. 3
TSI-1. Services and Rates
March 31, 2024

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

Gallons purchased:	<u>42,611,000</u>	Water Accountability Ratio:
Gallons pumped	<u>148,021,000</u>	(Gallons billed / Gallons pumped)
Gallons billed to customers:	<u>187,039,000</u>	<u>98.12%</u>

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

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

If yes, Date of the most recent commission Order: _____

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

If yes, Date of the most recent commission Order: _____

5. Location of District

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

County(ies) in which the District is located: Brazoria County and Fort Bend 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 Alvin and City of Iowa Colony

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

If Yes, by whom? _____

See accompanying auditor's report.

Brazoria-Fort Bend Counties Municipal Utility District No. 3
TSI-2 General Fund Expenditures
For the Year Ended March 31, 2024

Purchased services	<u>\$ 544,055</u>
Professional fees	
Legal	62,879
Engineering	11,579
Audit	15,000
	<u>89,458</u>
Contracted services	
Bookkeeping	14,400
Operator	155,963
Garbage collection	276,346
Tap connection and inspection	414,996
	<u>861,705</u>
Repairs and maintenance	<u>561,092</u>
Utilities	<u>99,823</u>
Regional Water Authority	<u>651,128</u>
Administrative	
Directors fees	11,161
Printing and office supplies	73,262
Insurance	17,090
Other	7,051
	<u>108,564</u>
Other	<u>17,828</u>
Debt service	
Lease - principal	216,123
Lease - interest	54,077
	<u>270,200</u>
Total expenditures	<u><u>\$ 3,203,853</u></u>

See accompanying auditor's report.

Brazoria-Fort Bend Counties Municipal Utility District No. 3
TSI-3. Investments
March 31, 2024

Fund	Interest Rate	Maturity Date	Balance at End of Year
General			
TexStar	Variable	N/A	<u>\$ 2,645,158</u>
Debt Service			
TexStar	Variable	N/A	1,895,916
TexStar	Variable	N/A	<u>1,041,199</u>
			<u>2,937,115</u>
Capital Projects			
TexStar	Variable	N/A	244,894
TexStar	Variable	N/A	<u>1,035</u>
			<u>245,929</u>
Total - All Funds			<u><u>\$ 5,828,202</u></u>

See accompanying auditor's report.

Brazoria-Fort Bend Counties Municipal Utility District No. 3
TSI-4. Taxes Levied and Receivable
March 31, 2024

	Maintenance Taxes	Debt Service Taxes	Road Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	\$ 44,855	\$ 29,732	\$ 14,865	\$ 89,452
Adjustments to Prior Year Tax Levy	(6,128)	(4,889)	(2,445)	(13,462)
Adjusted Receivable	38,727	24,843	12,420	75,990
2023 Original Tax Levy	1,405,062	1,170,885	702,532	3,278,479
Adjustments	363,522	302,935	181,761	848,218
Adjusted Tax Levy	1,768,584	1,473,820	884,293	4,126,697
Total to be accounted for	1,807,311	1,498,663	896,713	4,202,687
Tax collections:				
Current year	1,722,329	1,435,274	861,165	4,018,768
Prior years	33,797	22,413	11,205	67,415
Total Collections	1,756,126	1,457,687	872,370	4,086,183
Taxes Receivable, End of Year	\$ 51,185	\$ 40,976	\$ 24,343	\$ 116,504
Taxes Receivable, By Years				
2023	\$ 46,255	\$ 38,546	\$ 23,128	\$ 107,929
2022	3,644	2,430	1,215	7,289
2021	1,286			1,286
Taxes Receivable, End of Year	\$ 51,185	\$ 40,976	\$ 24,343	\$ 116,504
	2023	2022	2021	2020
Property Valuations:				
Land	\$ 81,774,775	\$ 35,856,570	\$ 12,057,680	\$ 4,176,931
Improvements	278,735,743	156,460,500	27,219,812	
Personal Property	159,544			
Exemptions	(65,905,995)	(50,705,634)	(20,042,797)	(745,627)
Total Property Valuations	\$ 294,764,067	\$ 141,611,436	\$ 19,234,695	\$ 3,431,304
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.60	\$ 0.75	\$ 1.50	\$ 1.50
Debt service tax rates	0.50	0.50		
Road debt service tax rates	0.30	0.25		
Total Tax Rates per \$100 Valuation	\$ 1.40	\$ 1.50	\$ 1.50	\$ 1.50
Adjusted Tax Levy:	\$ 4,126,697	\$ 2,124,172	\$ 288,520	\$ 51,470
Percentage of Taxes Collected to Taxes Levied ****	97.38%	99.66%	99.55%	100.00%

* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on May 2, 2020

** Maximum Road Maintenance Tax Rate Approved by Voters: \$1.50 on May 2, 2020

*** Maximum Park Maintenance Tax Rate Approved by Voters: \$0.10 on May 2, 2020

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

See accompanying auditor's report.

Brazoria-Fort Bend Counties Municipal Utility District No. 3
TSI-5. Long-Term Debt Service Requirements
Series 2022--by Years
March 31, 2024

Due During Fiscal Years Ending	Principal Due March 1	Interest Due September 1, March 1	Total
2025	\$ 220,000	\$ 399,025	\$ 619,025
2026	230,000	384,725	614,725
2027	245,000	369,775	614,775
2028	255,000	353,850	608,850
2029	265,000	337,275	602,275
2030	275,000	320,050	595,050
2031	290,000	302,175	592,175
2032	300,000	284,775	584,775
2033	315,000	266,775	581,775
2034	330,000	254,175	584,175
2035	345,000	240,975	585,975
2036	360,000	227,175	587,175
2037	375,000	212,775	587,775
2038	395,000	197,775	592,775
2039	410,000	181,975	591,975
2040	430,000	165,575	595,575
2041	450,000	148,375	598,375
2042	470,000	130,375	600,375
2043	490,000	111,575	601,575
2044	515,000	91,975	606,975
2045	535,000	70,731	605,731
2046	560,000	48,663	608,663
2047	585,000	24,862	609,862
	<u>\$ 8,645,000</u>	<u>\$ 5,125,406</u>	<u>\$ 13,770,406</u>

See accompanying auditor's report.

Brazoria-Fort Bend Counties Municipal Utility District No. 3
TSI-5. Long-Term Debt Service Requirements
Series 2022 Road--by Years
March 31, 2024

Due During Fiscal Years Ending	Principal Due March 1	Interest Due September 1, March 1	Total
2025	\$ 100,000	\$ 185,087	\$ 285,087
2026	105,000	178,588	283,588
2027	110,000	171,762	281,762
2028	115,000	164,612	279,612
2029	120,000	157,138	277,138
2030	125,000	149,337	274,337
2031	130,000	141,213	271,213
2032	135,000	132,763	267,763
2033	140,000	123,987	263,987
2034	150,000	114,888	264,888
2035	155,000	108,887	263,887
2036	165,000	102,688	267,688
2037	170,000	96,088	266,088
2038	180,000	89,287	269,287
2039	185,000	82,088	267,088
2040	195,000	74,687	269,687
2041	205,000	66,888	271,888
2042	210,000	58,687	268,687
2043	220,000	50,288	270,288
2044	230,000	41,487	271,487
2045	240,000	32,000	272,000
2046	255,000	22,100	277,100
2047	265,000	11,262	276,262
	<u>\$ 3,905,000</u>	<u>\$ 2,355,812</u>	<u>\$ 6,260,812</u>

See accompanying auditor's report.

Brazoria-Fort Bend Counties Municipal Utility District No. 3
TSI-5. Long-Term Debt Service Requirements
Series 2023--by Years
March 31, 2024

Due During Fiscal Years Ending	Principal Due March 1	Interest Due September 1, March 1	Total
2025	\$ 180,000	\$ 445,788	\$ 625,788
2026	190,000	434,087	624,087
2027	205,000	421,738	626,738
2028	215,000	408,412	623,412
2029	230,000	394,438	624,438
2030	245,000	379,487	624,487
2031	255,000	363,563	618,563
2032	270,000	346,987	616,987
2033	290,000	329,438	619,438
2034	305,000	310,587	615,587
2035	325,000	298,388	623,388
2036	345,000	285,387	630,387
2037	365,000	271,156	636,156
2038	385,000	256,100	641,100
2039	410,000	239,738	649,738
2040	435,000	222,312	657,312
2041	460,000	203,825	663,825
2042	490,000	184,275	674,275
2043	515,000	162,225	677,225
2044	550,000	139,050	689,050
2045	580,000	114,300	694,300
2046	615,000	88,200	703,200
2047	655,000	60,525	715,525
2048	690,000	31,050	721,050
	<u>\$ 9,205,000</u>	<u>\$ 6,391,056</u>	<u>\$ 15,596,056</u>

See accompanying auditor's report.

Brazoria-Fort Bend Counties Municipal Utility District No. 3
TSI-5. Long-Term Debt Service Requirements
Series 2023 Road--by Years
March 31, 2024

Due During Fiscal Years Ending	Principal Due March 1	Interest Due September 1, March 1	Total
2025	\$ 130,000	\$ 306,525	\$ 436,525
2026	140,000	298,075	438,075
2027	145,000	288,975	433,975
2028	155,000	279,550	434,550
2029	165,000	269,475	434,475
2030	170,000	258,750	428,750
2031	180,000	247,700	427,700
2032	190,000	236,000	426,000
2033	200,000	223,650	423,650
2034	215,000	210,650	425,650
2035	225,000	202,050	427,050
2036	240,000	193,050	433,050
2037	250,000	183,150	433,150
2038	265,000	172,838	437,838
2039	280,000	161,575	441,575
2040	295,000	149,675	444,675
2041	315,000	137,137	452,137
2042	330,000	123,750	453,750
2043	350,000	108,900	458,900
2044	370,000	93,150	463,150
2045	390,000	76,500	466,500
2046	415,000	58,950	473,950
2047	435,000	40,275	475,275
2048	460,000	20,700	480,700
	<u>\$ 6,310,000</u>	<u>\$ 4,341,050</u>	<u>\$ 10,651,050</u>

See accompanying auditor's report.

Brazoria-Fort Bend Counties Municipal Utility District No. 3
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
March 31, 2024

Due During Fiscal Years Ending	Principal Due March 1	Interest Due September 1, March 1	Total
2025	\$ 630,000	\$ 1,336,425	\$ 1,966,425
2026	665,000	1,295,475	1,960,475
2027	705,000	1,252,250	1,957,250
2028	740,000	1,206,424	1,946,424
2029	780,000	1,158,326	1,938,326
2030	815,000	1,107,624	1,922,624
2031	855,000	1,054,651	1,909,651
2032	895,000	1,000,525	1,895,525
2033	945,000	943,850	1,888,850
2034	1,000,000	890,300	1,890,300
2035	1,050,000	850,300	1,900,300
2036	1,110,000	808,300	1,918,300
2037	1,160,000	763,169	1,923,169
2038	1,225,000	716,000	1,941,000
2039	1,285,000	665,376	1,950,376
2040	1,355,000	612,249	1,967,249
2041	1,430,000	556,225	1,986,225
2042	1,500,000	497,087	1,997,087
2043	1,575,000	432,988	2,007,988
2044	1,665,000	365,662	2,030,662
2045	1,745,000	293,531	2,038,531
2046	1,845,000	217,913	2,062,913
2047	1,940,000	136,924	2,076,924
2048	1,150,000	51,750	1,201,750
	<u>\$ 28,065,000</u>	<u>\$ 18,213,324</u>	<u>\$ 46,278,324</u>

See accompanying auditor's report.

Brazoria-Fort Bend Counties Municipal Utility District No. 3
TSI-6. Change in Long-Term Bonded Debt
March 31, 2024

	Bond Issue			
	Series 2022	Series 2022 Road	Series 2023	Series 2023 Road
Interest rate	4.00% - 6.50%	4.00% - 6.50%	4.00% - 6.50%	4.00% - 6.50%
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1
Maturity dates	3/1/24 - 3/1/47	3/1/24 - 3/1/47	3/1/25 - 3/1/48	3/1/25 - 3/1/48
Beginning bonds outstanding	\$ 8,860,000	\$ 4,000,000	\$ -	\$ -
Bonds issued			9,205,000	6,310,000
Bonds retired	(215,000)	(95,000)		
Ending bonds outstanding	<u>\$ 8,645,000</u>	<u>\$ 3,905,000</u>	<u>\$ 9,205,000</u>	<u>\$ 6,310,000</u>
Interest paid during fiscal year	<u>\$ 413,000</u>	<u>\$ 190,788</u>	<u>\$ 282,332</u>	<u>\$ 194,133</u>
Paying agent's name and city All Series	<u>Zions Bancorporation, N.A., Houston, Texas</u>			
Bond Authority:	Water, Sewer and Drainage Bonds	Road Bonds	Park and Recreational Bonds	
Amount Authorized by Voters	\$ 150,800,000	\$ 70,200,000	\$ 22,100,000	
Amount Issued	(18,065,000)	(10,310,000)		
Remaining To Be Issued	<u>\$ 132,735,000</u>	<u>\$ 59,890,000</u>	<u>\$ 22,100,000</u>	
Bond Authority:	Water, Sewer and Drainage Refunding Bonds	Road Refunding Bonds	Park and Recreation Refunding Bonds	
Amount Authorized by Voters	\$ 75,400,000	\$ 35,100,000	\$ 11,050,000	
Amount Issued				
Remaining To Be Issued	<u>\$ 75,400,000</u>	<u>\$ 35,100,000</u>	<u>\$ 11,050,000</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 March 31, 2024: \$ 3,001,525

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 1,928,264

See accompanying auditor's report.

<u>Totals</u>	
\$	12,860,000
	15,515,000
	<u>(310,000)</u>
\$	<u>28,065,000</u>
\$	<u>1,080,253</u>

Brazoria-Fort Bend Counties Municipal Utility District No. 3
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Four Fiscal Years

	Amounts			
	2024	2023	2022	2021
Revenues				
Water service	\$ 476,207	\$ 372,235	\$ 149,631	\$ 13,388
Sewer service	630,678	518,086	194,096	15,248
Property taxes	1,756,240	1,033,322	279,560	50,466
Penalties and interest	96,725	67,786	33,035	503
Tap connection and inspection	657,551	988,325	920,838	243,682
Groundwater reduction plan fees	867,187	573,186	175,420	5,186
Miscellaneous	62,179	38,282	42,746	8,389
Investment earnings	69,583	19,414	295	65
Total Revenues	4,616,350	3,610,636	1,795,621	336,927
Expenditures				
Current service operations				
Purchased services	544,055	551,177	225,902	46,721
Professional fees	89,458	101,780	74,687	112,682
Contracted services	861,705	1,206,103	538,051	121,093
Repairs and maintenance	561,092	447,307	207,636	21,210
Utilities	99,823	41,105	9,402	
Regional water authority fees	651,128	351,616	85,038	
Administrative	108,564	86,240	61,395	19,826
Other	17,828	72,430	26,236	200
Capital				
Right-to-use leased asset		1,221,794		
Debt service				
Lease - principal	216,123	112,649		
Lease - interest	54,077	22,844		
Total Expenditures	3,203,853	4,215,045	1,228,347	321,732
Revenues Over/(Under) Expenditures	\$ 1,412,497	\$ (604,409)	\$ 567,274	\$ 15,195
Total Active Retail Water Connections	1,522	1,306	670	143
Total Active Retail Wastewater Connections	1,485	1,281	660	137

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues			
2024	2023	2022	2021
10%	10%	8%	4%
14%	14%	11%	5%
38%	29%	16%	15%
2%	2%	2%	*
14%	27%	51%	72%
19%	16%	10%	2%
1%	1%	2%	2%
2%	1%	*	*
100%	100%	100%	100%

12%	15%	13%	14%
2%	3%	4%	33%
19%	33%	30%	36%
12%	12%	12%	6%
2%	1%	1%	
14%	10%	5%	
2%	2%	3%	6%
*	2%	1%	*
	34%		
5%	3%		
1%	1%		
69%	116%	69%	95%
31%	(16%)	31%	5%

Brazoria-Fort Bend Counties Municipal Utility District No. 3
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Two Fiscal Years

	Amounts		Percent of Fund Total Revenues	
	2024	2023	2024	2023
Revenues				
Property taxes	\$ 2,329,943	\$ 1,024,823	95%	98%
Penalties and interest	18,479	6,406	1%	1%
Investment earnings	94,469	19,222	4%	1%
Total Revenues	2,442,891	1,050,451	100%	100%
Expenditures				
Tax collection services	39,876	17,268	2%	2%
Debt service				
Principal	310,000		13%	
Interest and fees	1,081,252	429,360	44%	41%
Total Expenditures	1,431,128	446,628	59%	43%
Revenues Over Expenditures	\$ 1,011,763	\$ 603,823	41%	57%

*Percentage is negligible

See accompanying auditor's report.

Brazoria-Fort Bend Counties Municipal Utility District No. 3
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended March 31, 2024

Complete District Mailing Address: 9 Greenway Plaza, Suite 1000, Houston, TX 77046-0900
District Business Telephone Number: 713-651-0111
Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): June 6, 2022
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
Board Members				
Corinne Haworth	05/20 - 05/24	\$ 2,068	\$ -	President
Julie Winkle	05/22 - 05/26	1,847		Vice President
Darby Kent	05/20 - 05/24	2,439		Secretary
Bret Fugate	05/22 - 05/26	2,218		Assistant Secretary
Afolake Cannon	04/23 - 05/24	2,739		Assistant Secretary
Consultants				
Coats Rose P.C.	2020			Attorney
<i>General legal fees</i>		\$ 60,738		
<i>Bond counsel</i>		283,448		
SI Environmental	2020	802,244		Operator
Myrtle Cruz Inc.	2020	24,222		Bookkeeper
Utility Tax Services	2020	15,176		Tax Collector
Fort Bend Central Appraisal District	Legislation	17,050		Property Valuation
Brazoria Central Appraisal District	Legislation	37		Property Valuation
Coats Rose P.C.	2020	2,616		Delinquent Tax Attorney
LJA Engineering	2020	11,478		Engineer
McGrath & Co., PLLC	2020	36,200		Auditor
Tierra Financial Advisors	2020	162,443		Financial Advisor

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

APPENDIX 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

Address:

200 Liberty Street, 27th floor
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

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