

OFFICIAL STATEMENT DATED DECEMBER 8, 2022

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND INTEREST ON THE BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS; HOWEVER, SUCH INTEREST IS TAKEN INTO ACCOUNT IN DETERMINING THE ANNUAL ADJUSTED FINANCIAL STATEMENT INCOME OF APPLICABLE CORPORATIONS FOR THE PURPOSE OF DETERMINING THE ALTERNATIVE MINIMUM TAX IMPOSED ON CORPORATIONS FOR TAX YEARS BEGINNING AFTER DECEMBER 31, 2022. SEE "TAX MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

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

NEW ISSUE – Book-Entry-Only

S&P Global Ratings (BAM Insured) ..... "AA"

Moody's Investors Service, Inc. (Underlying) ..... "Baa2"

See: "MUNICIPAL BOND INSURANCE" and "RATINGS" herein.

**\$7,290,000  
UNLIMITED TAX ROAD BONDS  
SERIES 2023**

**BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 55**

(A Political Subdivision of the State of Texas, located within Brazoria County)

**Dated: January 1, 2023**

**Due: September 1, as shown on inside cover**

**Interest Accrues from Date of Delivery**

The \$7,290,000 Unlimited Tax Road Bonds, Series 2023 (the "Bonds") are obligations of Brazoria County Municipal Utility District No. 55 (the "District") and are not obligations of the State of Texas; Brazoria County, 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; 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/ registrar, initially, Regions Bank, an Alabama banking corporation, Houston, Texas (the "Paying Agent/Registrar"). The Bonds will be dated January 1, 2023, and interest on the Bonds accrues from the date of delivery which is expected to be on or about January 12, 2023 (the "Date of Delivery"), with interest payable on September 1, 2023, and on each March 1 and September 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or prior 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 will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. See "THE BONDS – Book-Entry-Only System."

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

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



The Bonds are the seventh series of bonds issued by the District out of an aggregate \$38,200,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road improvements to serve the District (the "Road System") and for the refunding of such bonds. The voters of the District have authorized the issuance of \$110,360,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of acquiring or constructing water, wastewater and drainage facilities to serve the District (the "Utility System") and for the refunding of such bonds. The voters of the District have authorized the issuance of \$41,170,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District (the "Park System") and for the refunding of such bonds. Following issuance of the Bonds, \$9,300,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System and for the refunding of such bonds, \$71,600,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System and for the refunding of such bonds; and \$41,170,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Park System and for the refunding of such bonds will remain authorized but unissued. See "THE BONDS – Authority for Issuance."

The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of a continuing direct annual ad valorem taxes, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. See "THE BONDS – Source of Payment." Investment in the Bonds is subject to special investment considerations as described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered when, as and if issued by the District and accepted by the winning bidder for the Bonds (the "Underwriter"), and subject to the approval of the Attorney General of Texas and of Allen Boone Humphries Robinson LLP, Bond Counsel. Certain legal matters will be passed on for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected on or about January 12, 2023.

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

**\$7,290,000 Unlimited Tax Road Bonds, Series 2023**

**\$4,570,000 Serial Bonds**

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 10608M (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 10608M (b)
2024	\$ 145,000	6.500%	2.950%	NF9	2034 (c)	\$ 245,000	4.000%	3.700%	NR3
2025	150,000	6.500%	3.000%	NG7	2035 (c)	255,000	4.000%	3.850%	NS1
2026	160,000	6.500%	3.050%	NH5	2036 (c)	270,000	4.000%	3.950%	NT9
2027	165,000	6.500%	3.100%	NJ1	2037 (c)	285,000	4.000%	4.050%	NU6
2028	175,000	6.500%	3.150%	NK8	2038 (c)	300,000	4.000%	4.150%	NV4
2029	185,000	6.500%	3.200%	NL6	2039 (c)	320,000	4.000%	4.200%	NW2
2030 (c)	195,000	6.000%	3.250%	NM4	2040 (c)	335,000	4.000%	4.250%	NX0
2031 (c)	205,000	5.500%	3.300%	NN2	2041 (c)	355,000	4.000%	4.300%	NY8
2032 (c)	220,000	5.000%	3.350%	NP7	2042 (c)	375,000	4.000%	4.350%	NZ5
2033 (c)	230,000	4.000%	3.600%	NQ5					

**\$2,720,000 Term Bonds**

\$1,250,000 Term Bond Due September 1, 2045 (c)(d), Interest Rate: 4.000% (Price: \$94.299) (a), CUSIP No. 10608M PC4 (b)

\$1,470,000 Term Bond Due September 1, 2048 (c)(d), Interest Rate: 4.000% (Price: \$92.722) (a), CUSIP No. 10608M PF7 (b)

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- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriter. Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.
- (c) Bonds maturing on September 1, 2030, and thereafter, shall be subject to redemption and payment at the option of the District, in whole, or from time to time in part, on January 1, 2029, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. In addition, the Underwriter may designate one or more maturities as term bonds. See "THE BONDS – Redemption of the Bonds – *Optional Redemption*."
- (d) Subject to mandatory sinking fund redemption by lot or other customary method of random selection on September 1 in the years and in the amounts set forth herein under "THE BONDS – Redemption of the Bonds – *Mandatory Redemption*."

## USE OF INFORMATION IN OFFICIAL STATEMENT

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

All of the summaries of the statutes, resolutions, orders, contracts, audits, 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 Bond Counsel, for further information.

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

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

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

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 purpose.

## TABLE OF CONTENTS

USE OF INFORMATION IN OFFICIAL STATEMENT.....	1	Registered Owners' Remedies.....	18
SALE AND DISTRIBUTION OF THE BONDS.....	3	Use and Distribution of Proceeds of the Bonds.....	19
Award of the Bonds .....	3	THE DISTRICT .....	22
Prices and Marketability .....	3	Authority .....	22
Securities Laws .....	3	Description.....	22
MUNICIPAL BOND INSURANCE.....	3	Management of the District.....	22
Bond Insurance Policy.....	3	Investment Policy .....	23
Build America Mutual Assurance Company.....	3	DEVELOPMENT OF THE DISTRICT.....	24
RATINGS.....	5	Status of Development within the District .....	24
OFFICIAL STATEMENT SUMMARY .....	6	Consultants .....	25
INTRODUCTION.....	12	SHARED FINANCING AGREEMENT.....	25
THE BONDS.....	12	PRINCIPAL LANDOWNERS/DEVELOPER.....	26
General.....	12	Role of the Developer.....	26
Book-Entry-Only System.....	12	Principal Landowner/Developer .....	26
Successor Paying Agent/Registrar .....	14	Homebuilders within the District .....	26
Registration, Transfer and Exchange.....	14	THE UTILITY SYSTEM .....	26
Redemption of the Bonds.....	14	Regulation .....	26
Mutilated, Lost, Stolen or Destroyed Bonds.....	15	Water, Sanitary Sewer and Drainage System.....	26
Authority for Issuance.....	15	100 Year Flood Plain .....	27
Outstanding Bonds.....	15	THE ROAD SYSTEM.....	27
Issuance of Additional Debt .....	16	General Fund Operating Statement .....	28
Source of Payment.....	16	AERIAL PHOTOGRAPH OF THE DISTRICT .....	29
Funds .....	17	PHOTOGRAPHS TAKEN WITHIN THE DISTRICT .....	30
No Arbitrage.....	17	PHOTOGRAPHS TAKEN WITHIN THE DISTRICT .....	31
Defeasance .....	17	DISTRICT DEBT .....	32
Legal Investment and Eligibility to Secure Public		Debt Service Requirement Schedule .....	32
Funds in Texas.....	18	Bonded Indebtedness .....	33

Estimated Direct and Overlapping Debt Statement.....	34	Continuing Compliance with Certain Covenants.....	45
Debt Ratios.....	34	Environmental Regulations .....	45
TAXING PROCEDURES.....	34	Changes in Tax Legislation .....	47
Authority to Levy Taxes.....	34	Extreme Weather Events .....	47
Property Tax Code and County-Wide Appraisal		Potential Impact of Natural Disaster .....	48
District.....	34	Specific Flood Type Risks.....	48
Property Subject to Taxation by the District.....	35	Approval of the Bonds.....	48
Tax Abatement.....	36	Bond Insurance Risk Factors.....	48
Valuation of Property for Taxation .....	36	LEGAL MATTERS .....	49
District and Taxpayer Remedies .....	37	Legal Opinions.....	49
Levy and Collection of Taxes.....	37	No-Litigation Certificate .....	49
Tax Payment Installments After Disaster .....	37	No Material Adverse Change .....	49
Rollback of Operation and Maintenance Tax Rate.....	37	TAX MATTERS .....	49
District's Rights in the Event of Tax Delinquencies.....	38	Tax Accounting Treatment of Original Issue Discount	
TAX DATA.....	39	Bonds.....	50
General.....	39	Not Qualified Tax-Exempt Obligations .....	51
Tax Rate Limitation.....	39	CONTINUING DISCLOSURE OF INFORMATION .....	51
Maintenance Tax.....	39	Annual Reports .....	51
Additional Penalties.....	39	Event Notices .....	51
Tax Rate Calculations.....	39	Availability of Information from EMMA .....	52
Estimated Overlapping Taxes .....	39	Limitations and Amendments .....	52
Historical Tax Collections .....	40	Compliance with Prior Undertakings.....	52
Tax Rate Distribution.....	40	OFFICIAL STATEMENT .....	52
Assessed Taxable Valuation Summary.....	41	General .....	52
Principal Taxpayers.....	41	Experts .....	53
INVESTMENT CONSIDERATIONS .....	41	Certification as to Official Statement.....	53
General.....	41	Updating of Official Statement.....	53
Infectious Disease Outbreak – COVID-19 .....	42	CONCLUDING STATEMENT .....	53
Effects of Hurricane Harvey.....	42		
Potential Effects of Oil Price Declines on the Houston		APPENDIX A - FINANCIAL STATEMENTS OF THE DISTRICT	
Area .....	42		
Factors Affecting Taxable Values and Tax Payments.....	42	APPENDIX B – SPECIMEN MUNICIPAL BOND	
Competitive Nature of Residential Housing Market.....	43	INSURANCE POLICY	
Tax Collection Limitations.....	43		
Registered Owners' Remedies and Bankruptcy .....	44		
Marketability.....	44		
Future Debt.....	44		

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

### **Award of the Bonds**

After requesting competitive bids for the Bonds, the District has accepted the bid of UMB Bank, N.A. (the "Underwriter") to purchase the Bonds at the interest rates shown on the inside cover page of this Official Statement at a price of 97.002747% of par, resulting in a net effective interest rate to the District of 4.336295%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended. No assurance can be given that any trading market will be developed for the Bonds after their sale by the District to the Underwriter. The District has no control over the price at which the Bonds are subsequently sold, and the initial yields at which the Bonds are priced and reoffered are established by and are the sole responsibility of the Underwriter.

### **Prices and Marketability**

Subject to certain hold-the-offering-price requirements described in the Official Notice of Sale, 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.

Subject to certain hold-the-offering-price requirements described in the Official Notice of Sale, the prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts.

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

### **Securities Laws**

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

## **MUNICIPAL BOND INSURANCE**

### **Bond Insurance Policy**

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

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

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

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of 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, 27<sup>th</sup> Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: [www.buildamerica.com](http://www.buildamerica.com).

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

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at

www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

#### *Capitalization of BAM*

BAM's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2022, and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$512.5 million, \$195.6 million, and \$316.9 million, respectively.

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

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

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

#### *Additional Information Available from BAM*

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

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

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

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

## **RATINGS**

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

Moody’s Investors Service, Inc. (“Moody’s”) assigned an underlying rating of “Baa2” to the Bonds. An explanation of the ratings of Moody’s may be obtained from Moody’s, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. The ratings express only the view of Moody’s at the time the ratings are given. A security rating is not a recommendation to buy, sell, or hold securities. Furthermore, 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 its judgment, circumstances so warrant. Any such revisions or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

The District is not aware of any rating assigned to the Bonds other than the ratings discussed above.

*[Remainder of page intentionally left blank.]*

## OFFICIAL STATEMENT SUMMARY

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

### THE BONDS

The District .....	Brazoria County Municipal Utility District No. 55 (the "District"), a political subdivision of the State of Texas, is located in Brazoria County, Texas. See "THE DISTRICT."
The Bonds.....	The \$7,290,000 Unlimited Tax Road Bonds, Series 2023 (the "Bonds"), are dated January 1, 2023, and accrue interest from the date of delivery which is expected to be on or about January 12, 2023 (the "Date of Delivery"), with interest payable on September 1, 2023, and on each March 1 and September 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or prior redemption. The Bonds mature serially on September 1 in the years and in the principal amounts set forth on the inside cover page. See "THE BONDS."
Redemption of the Bonds.....	<p>The Bonds that mature on or after September 1, 2030, are subject to redemption, in whole or from time to time in part, on January 1, 2029, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption of the Bonds – <i>Optional Redemption.</i>"</p> <p>The Bonds maturing on September 1, 2024, through September 1, 2042, both inclusive, are serial bonds. The Bonds maturing on September 1 in the years 2045 and 2048 are term bonds which have mandatory redemption provisions set out herein under "THE BONDS – Redemption of the Bonds – <i>Mandatory Redemption.</i>"</p>
Book-Entry-Only System.....	The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners (herein defined) thereof. Principal of and interest on the Bonds will be payable by Regions Bank, an Alabama banking corporation, Houston, Texas (the "Paying Agent/Registrar"), to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "THE BONDS – Book-Entry-Only System."
Authority for Issuance.....	<p>The Bonds are the seventh series of bonds issued by the District out of an aggregate \$38,200,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road improvements to serve the District (the "Road System") and for the refunding of such bonds.</p> <p>Following issuance of the Bonds, \$9,300,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System and for the refunding of such bonds, \$71,600,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System and for the refunding of such bonds; and \$41,170,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Park System and for the refunding of such bonds will remain authorized but unissued. See "THE BONDS – Authority for Issuance."</p> <p>The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended; a resolution (the "Bond Resolution") adopted by the Board of Directors of the</p>



District (the “Board”); and an election held within the District on November 3, 2009.

Source of Payment.....	The District is authorized to levy taxes to pay debt service on bonds issued for the Utility System and the Road System, and such taxes are unlimited as to rate or amount. The Bonds are payable from a continuing direct annual ad valorem tax, unlimited as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the State of Texas; Brazoria County, Texas; the City of Iowa Colony, Texas; or any entity other than the District. See “THE BONDS – Source of Payment.”
Outstanding Bonds.....	The District has previously issued six series of unlimited tax bonds for the purpose of acquiring or constructing the Road System and for the refunding of such bonds in the aggregate par amount of \$21,610,000 and six series of unlimited tax bonds for the purpose of acquiring or constructing the Utility System and for the refunding of such bonds in the aggregate par amount of \$38,760,000. As of delivery of the Bonds, \$37,340,000 principal amount of the previously issued unlimited tax bonds for the purpose of acquiring or constructing the Utility System and for the refunding of such bonds (the “Outstanding Utility Bonds”) and \$20,345,000 principal amount of the unlimited tax bonds for the purpose of acquiring or constructing the Road System and for the refunding of such bonds (the “Outstanding Road Bonds,” and together with the Outstanding Utility Bonds, the “Outstanding Bonds”) remains outstanding. See “THE BONDS – Outstanding Bonds” and “THE BONDS – Authority for Issuance.”
Payment Record .....	The District has never defaulted on the timely payment of debt service on its bonded indebtedness.
Use of Proceeds of the Bonds.....	Proceeds of the Bonds will be used to reimburse the Developer (defined herein) for a portion of the costs of the projects listed under “THE BONDS – Use and Distribution of Proceeds of the Bonds.” Proceeds of the Bonds will be used to reimburse the Developer for costs related to the operation of the District, to pay developer interest on the Bonds. See “THE BONDS – Use and Distribution of Proceeds of the Bonds.”
NOT Qualified Tax-Exempt Obligations.....	The Bonds are not designated as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended.
Municipal Bond Insurance.....	Build America Mutual Assurance Company (“BAM”). See “MUNICIPAL BOND INSURANCE.”
Ratings .....	S&P Global Ratings (BAM Insured): “AA.” Moody’s Investors Service, Inc. (Underlying): “Baa2.” See “RATINGS.”
Bond Counsel .....	Allen Boone Humphries Robinson LLP, Houston, Texas.
Disclosure Counsel .....	Orrick, Herrington & Sutcliffe LLP, Houston, Texas.
Financial Advisor .....	Robert W. Baird & Co. Incorporated, Houston, Texas.

#### **THE DISTRICT**

Description.....	The District is a political subdivision of the State of Texas, located approximately 22 miles south of the central business district of the City of Houston, Texas. The District lies entirely within the corporate limits of the City of Iowa Colony, Texas. The District is a municipal utility district created by an order of the TCEQ effective August 16, 2007, and by a confirmation election held within the District on November 6, 2007. The District operates in accordance with Article XVI, Section 59 and Article III, Section 52 of the Constitution of the State of Texas, and Chapters 49 and 54 of the Texas Water Code, as amended, and other statutes of Texas applicable to municipal utility districts. The District consists of 1,152.8193 acres. See “THE DISTRICT.”
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Development within the District.....	<p>The District is one of three municipal utility districts that make up the approximately 3,000-acre master-planned community known as Meridiana. To date, approximately 435.8 acres (1,682 lots) within the District have been developed as the residential subdivision of Meridiana, Phase 1, Sections 1-7, 38, 57, 58A, 59, 60, 64, 65, 66, 69, 70, 71, 73, 74, 75, 76A, 76B, 80A, 80B, 81A and 81B. In addition, approximately 12.39 acres have been developed as Meridiana Elementary School and approximately 98.94 acres have been developed as a sports stadium.</p> <p>As of October 1, 2022, the District was composed of 1,422 completed homes, 34 homes under construction and approximately 226 vacant developed lots. Of the 1,456 homes completed and under construction as of October 1, 2022, 1,411 homes were sold to homeowners within the District. The remaining land within the District consists of approximately 153.5 undeveloped but developable acres and approximately 432.38 undevelopable acres consisting of easements, rights of way and greenbelts. See "PRINCIPAL LANDOWNERS/DEVELOPER," "DEVELOPMENT OF THE DISTRICT," and "THE DISTRICT."</p>
Developer.....	Land within the District is being developed by Rise Communities, LLC (the "Developer"). See "PRINCIPAL LANDOWNERS/DEVELOPER" and "DEVELOPMENT OF THE DISTRICT."
Homebuilders Within the District .....	Homebuilders who are active in the District include David Weekley Homes, Highland Homes, Perry Homes, Coventry Homes, Lennar Homes, Shea Homes, Chesmar Homes, and Toll Brothers. Prices of new homes being constructed in the District range from the \$300,000s-\$1,000,000+. See "PRINCIPAL LANDOWNERS/DEVELOPER - Homebuilders within the District."
Hurricane Harvey .....	The greater area of the City of Houston, Texas, sustained widespread damage as a result of Hurricane Harvey's landfall along the Texas Gulf Coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. The District is located approximately 30 miles from the Texas Gulf Coast. According to the District's engineer, the District did not experience any street flooding and no homes within the District had water damage from flooding.

#### **INFECTIOUS DISEASE OUTBREAK – COVID-19**

Infectious Disease Outbreak – COVID-19.....	<p>In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus ("COVID-19") to be a public health emergency. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State of Texas (the "State") because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings, and other activities.</p> <p>Since such time, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the State. Following the widespread release and distribution of various COVID-19 vaccines in 2021 and a decrease in active COVID-19 cases generally in the United States, state governments (including the State) have started to lift business and social limitations associated with COVID-19. Beginning in March 2021, the Governor issued various executive orders, which, among other things, rescinded and superseded prior executive orders and provide that there are currently no COVID-19 related operating limits for any business or other establishment. The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. Additional information regarding executive</p>
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orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this Official Statement.

With the easing or removal of COVID-19 associated governmental restrictions, economic activity has increased. However, there are no assurances that such increased economic activity will continue or continue at the same rate, especially if there are future outbreaks of COVID-19. The District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however, the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

#### **INVESTMENT CONSIDERATIONS**

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

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

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## SELECTED FINANCIAL INFORMATION

### (UNAUDITED)

2022 Assessed Taxable Valuation .....	\$ 465,642,958	(a)
Estimated Taxable Valuation as of November 1, 2022 .....	\$ 562,032,490	(b)
Direct Debt:		
The Outstanding Bonds (as of delivery of the Bonds) .....	\$ 57,685,000	
The Bonds .....	<u>7,290,000</u>	
Total .....	\$ 64,975,000	
Estimated Overlapping Debt .....	<u>\$ 48,269,837</u>	(c)
Total Direct and Estimated Overlapping Debt .....	\$ 113,244,837	(c)
Direct Debt Ratios:		
As a percentage of the 2022 Assessed Taxable Valuation .....	13.95	%
As a percentage of the Estimated Taxable Valuation as of November 1, 2022 .....	11.56	%
Direct and Estimated Overlapping Debt Ratios:		
As a percentage of the 2022 Assessed Taxable Valuation .....	24.32	%
As a percentage of the Estimated Taxable Valuation as of November 1, 2022 .....	20.15	%
Utility System Debt Service Fund Balance (as of November 10, 2022) .....	\$ 858,876	(d)
Road System Debt Service Fund Balance (as of November 10, 2022) .....	\$ 385,068	(e)
Utility System Capital Projects Fund (as of November 10, 2022) .....	\$ 575,419	
Road System Capital Projects Fund (as of November 10, 2022) .....	\$ 37,500	
General Fund Balance (as of November 10, 2022) .....	\$ 1,491,375	

- (a) As of January 1, 2022, all property located in the District is valued on the appraisal rolls by the Brazoria County Appraisal District (the "Appraisal District") at 100% of market value as of January 1 of each year. The District's tax roll is certified by the Appraisal Review Board (herein defined). This value includes \$10,255,230 of uncertified value, which represents 80% of the total uncertified value provided by the Appraisal District and is the estimated minimum amount of the uncertified value that will ultimately be certified. See "TAXING PROCEDURES."
- (b) As of November 1, 2022, provided by the Appraisal District for information purposes only. Represents new construction within the District as of November 1, 2022. This estimate is based upon the same unit value used in the assessed taxable valuation. No taxes will be levied on this estimate. See "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement."
- (d) Funds in the District's fund for debt service on the Outstanding Utility Bonds and any additional unlimited tax bonds issued by the District for the Utility System (the "Utility System Debt Service Fund") are not available to pay debt service on the Outstanding Road Bonds or the Bonds. Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Utility System Debt Service Fund.
- (e) In addition, upon closing and delivery of the Bonds, a portion of the proceeds of the Bonds, will be deposited into the Road System Debt Service Fund (defined herein). Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on the Outstanding Utility Bonds.

## SELECTED FINANCIAL INFORMATION

(UNAUDITED)

2022 Tax Rate per \$100 of Assessed Taxable Valuation		
Utility System Debt Service.....	\$ 0.500	
Road System Debt Service.....	0.290	(a)
Maintenance and Operations.....	<u>0.095</u>	
Total .....	\$ 0.885	
Average Annual Debt Service Requirement (2023-2048) .....	\$ 3,658,142	(b)
Maximum Annual Debt Service Requirement (2041) .....	\$ 4,113,163	(b)
Combined Debt Service Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay the		
Average Annual Debt Service Requirement (2023-2048) at 95% Tax Collections:		
Based on the 2022 Assessed Taxable Valuation .....	\$ 0.83	
Based on the Estimated Taxable Valuation as of November 1, 2022 .....	\$ 0.69	
Combined Debt Service Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay the		
Maximum Annual Debt Service Requirement (2041) at 95% Tax Collections:		
Based on the 2022 Assessed Taxable Valuation .....	\$ 0.93	
Based on the Estimated Taxable Valuation as of November 1, 2022 .....	\$ 0.78	
Single-Family Homes (including 34 under construction) as of October 1, 2022.....	1,456	(c)

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- (a) The District is authorized to levy two separate taxes to pay the debt service on bonds issued for the Road System, such as the Bonds, and bonds issued for the Utility System. Such taxes are unlimited as to rate or amount.
- (b) Requirement of debt service on the Outstanding Bonds and the Bonds. See "DISTRICT DEBT –Debt Service Requirement Schedule."
- (c) Of the 1,456 homes completed and under construction as of October 1, 2022, 1,411 homes were sold to homeowners within the District.

## **BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 55**

(A Political Subdivision of the State of Texas, located within Brazoria County)

### **\$7,290,000 Unlimited Tax Road Bonds Series 2023**

#### **INTRODUCTION**

This Official Statement provides certain information in connection with the issuance by Brazoria County Municipal Utility District No. 55 (the "District") of its \$7,290,000 Unlimited Tax Road Bonds, Series 2023 (the "Bonds").

The Bonds are issued pursuant to (i) Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, (ii) a resolution (the "Bond Resolution") adopted by the Board of Directors of the District, and (iii) an election held within the District on November 3, 2009.

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

There follow in this Official Statement descriptions of the Bonds, the Developer (herein defined), the Bond Resolution and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas, 77027, upon payment of the costs of duplication, therefor.

#### **THE BONDS**

##### **General**

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Resolution. A copy of the Bond Resolution may be obtained from the District upon written request made to the District's Bond Counsel, Allen Boone Humphries Robinson LLP, Phoenix Tower, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

The Bonds are dated January 1, 2023 and accrue interest from the date of delivery which is expected to be on or about January 12, 2023 (the "Date of Delivery"), with interest payable on September 1, 2023, and on each March 1 and September 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or prior redemption. The Bonds are fully registered bonds maturing on September 1 of the years shown under "PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS" on the inside cover page of this Official Statement. Principal of the Bonds will be payable to the Registered Owners at maturity or redemption upon presentation at the principal payment office of the paying agent/registrar, initially, Regions Bank, an Alabama banking corporation, Houston, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will be payable by check, dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar to Registered Owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding the Interest Payment Date (the "Record Date") or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

##### **Book-Entry-Only System**

*This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York ("DTC"), while the Bonds are registered in its nominee's name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be required by an authorized representative

of DTC. One fully-registered Bond certificate will be issued for each of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

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

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

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

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

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

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

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

In the event the Book-Entry-Only System is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the corporate trust office of the Paying Agent/Registrar in Houston, Texas. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. At any time after the date of initial delivery, any Bond may be transferred upon its presentation and surrender at the designated offices of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Underwriter.

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 Registered Owner or assignee of the Registered Owner 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**

#### *Optional Redemption*

Bonds maturing on September 1, 2030, and thereafter shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on January 1, 2029, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by such random method as the Paying Agent/Registrar deems fair and appropriate in integral multiples of \$5,000 within any one maturity.



### *Mandatory Redemption*

The Bonds maturing on September 1 in the years 2045 and 2048 are term bonds (the "Term Bonds") and shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Mandatory Redemption Date"), and in the principal amount set forth in the following schedule:

#### \$1,250,000 Term Bond Maturing on September 1, 2045

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2043	\$ 395,000
September 1, 2044	\$ 415,000
September 1, 2045 (Maturity)	\$ 440,000

#### \$1,470,000 Term Bond Maturing on September 1, 2048

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2046	\$ 465,000
September 1, 2047	\$ 490,000
September 1, 2048 (Maturity)	\$ 515,000

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

### **Mutilated, Lost, Stolen or Destroyed Bonds**

In the event the Book-Entry-Only System is discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The District may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

### **Authority for Issuance**

The Bonds are the seventh series of bonds issued by the District out of an aggregate \$38,200,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road improvements to serve the District (the "Road System") and for the refunding of such bonds.

Following issuance of the Bonds, \$9,300,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System and for the refunding of such bonds, \$71,600,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System and for the refunding of such bonds; and \$41,170,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Park System and for the refunding of such bonds will remain authorized but unissued. See "THE BONDS – Authority for Issuance."

The Bonds are issued pursuant to (i) Article III, Section 52 of the Texas Constitution, and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, (ii) the Bond Resolution adopted by the Board of Directors of the District, and (iii) an election held within the District on November 3, 2009.

### **Outstanding Bonds**

The District has previously issued six series of unlimited tax bonds for the purpose of acquiring or constructing the Road System and for the refunding of such bonds in the aggregate par amount of \$21,610,000 and six series of unlimited tax bonds for the purpose of acquiring or constructing the Utility System and for the refunding of such bonds in the aggregate par amount of \$38,760,000. As of delivery of the Bonds, \$20,345,000 principal amount of the unlimited tax bonds for the purpose of acquiring or constructing the Road System and for the refunding of such bonds and \$37,340,000 principal amount of the previously issued unlimited tax bonds for the purpose of acquiring or constructing the Utility System and for the refunding of such bonds (the "Outstanding Utility Bonds") and (the "Outstanding Road Bonds," and together with the Outstanding Utility Bonds, the "Outstanding Bonds") remains outstanding.

## **Issuance of Additional Debt**

The District may issue additional bonds for the Utility System (herein defined) and the Park System (herein defined), subject to the approval of the TCEQ, and for the Road System, necessary to provide improvements and facilities consistent with the purposes for which the District was created. The District's voters have authorized the issuance of \$38,200,000 of unlimited tax bonds for the purpose of acquiring or constructing the Road System and for the refunding of such bonds, \$110,360,000 of unlimited tax bonds for the purpose of acquiring or constructing the Utility System and for the refunding of such bonds. The District's voters have also authorized \$41,170,000 of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District and for the refunding of such bonds. The District could authorize additional amounts of each. The Bonds are the seventh series of bonds issued by the District for the purpose of acquiring or constructing the Road System and for the refunding of such bonds.

Following issuance of the Bonds, \$9,300,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System and for the refunding of such bonds, \$71,600,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System and for the refunding of such bonds, and \$41,170,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District and for the refunding of such bonds will remain authorized but unissued. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and approved by the TCEQ, as needed).

At the end of fiscal year 2022, the District will owe the Developer approximately \$41,586,282 for expenditures relating to the acquisition or construction of the Utility System, the Road System and parks and recreational facilities serving the District. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

The District is also authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) authorization of a detailed fire protection plan; (b) approval of the fire plan by the TCEQ; (c) approval of the fire plan by the voters of the District; and (d) approval of bonds, if any, by the Attorney General of Texas. The Board has adopted neither a fire plan nor called an election for such purposes. If additional debt obligations are issued in the future by the District, such issuance may increase gross debt/property ratios and might adversely affect the investment security of the Bonds.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. The District prepared a parks master plan, and on November 3, 2009, the District's voters authorized \$41,170,000 in unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District and for the refunding of such bonds. 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 of the value of the taxable property in the District at the time of issuance, unless effective June 14, 2021, the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent but not exceed three percent of the value of the taxable property in the District.

## **Source of Payment**

The Bonds are payable from the proceeds of a continuing, direct annual ad valorem taxes, without legal limitation as to rate or amount, levied against all taxable property located within the District. Bonds issued for the Utility System and for the Road System are each supported by a separate unlimited tax levied by the District.

In the Bond Resolution, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, Paying Agent/Registrar fees, and fees of the Brazoria County Appraisal District (the "Appraisal District"). Tax proceeds, after deduction for collection costs, will be placed in the Road System Debt Service Fund and used solely to pay principal of and interest on the Bonds, any additional bonds payable from taxes which may be issued for the Road System, and fees of the Paying Agent/Registrar. Amounts on deposit in the Road System Debt Service Fund may not be used to pay debt service on bonds issued by the District for the Utility System, including the Outstanding Utility Bonds.

The Bonds are obligations solely of the District and are not the obligations of the State of Texas; the County (defined herein); the City (defined herein); or any entity other than the District.

## **Funds**

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

## **No Arbitrage**

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

## **Defeasance**

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

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

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

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

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

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

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

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

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

### **Registered Owners' Remedies**

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

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

*[Remainder of page intentionally left blank.]*

## Use and Distribution of Proceeds of the Bonds

Proceeds of the Bonds will be used to reimburse the Developer for a portion of the costs of the projects listed below. Proceeds of the Bonds will be used to reimburse the Developer for costs related to the operation of the District, to pay developer interest on the Bonds.

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

		District's Share
<b>CONSTRUCTION COSTS</b>		
A.	Developer Contribution Items	
1.	Meridiana, Section 60	
	a. Site Preparation	\$ 1,645
	b. Excavation, Paving and Lot Grading	380,807
	c. Storm Water Pollution Prevention Plan	118
	d. Construction Staking Service	8,668
	e. As-Built Survey and Record Drawings	4,389
	f. Construction Permits	<u>3,253</u>
	Sub Total	\$ <b>398,879</b>
2.	Meridiana, Expedition Drive	
	a. Site Preparation	\$ 700
	b. Excavation, Paving and Lot Grading	238,857
	c. Storm Water Pollution Prevention Plan	427
	d. Construction Staking Service	4,909
	e. As-Built Survey and Record Drawings	2,561
	f. Construction Permits	<u>6,616</u>
	Sub Total	\$ <b>254,070</b>
3.	Meridiana, Section 64	
	a. Site Preparation	\$ 8,245
	b. Excavation, Paving and Lot Grading	367,551
	c. Storm Water Pollution Prevention Plan	1,277
	d. Construction Staking Service	10,552
	e. As-Built Survey and Record Drawings	4,748
	f. Construction Permits	<u>8,389</u>
	Sub Total	\$ <b>400,762</b>
4.	Meridiana, Section 76A	
	a. Site Preparation	\$ 243
	b. Excavation, Paving and Lot Grading	312,800
	c. Storm Water Pollution Prevention Plan	277
	d. Construction Staking Service	3,467
	e. As-Built Survey and Record Drawings	5,201
	f. Construction Permits	<u>3,266</u>
	Sub Total	\$ <b>325,254</b>
5.	Meridiana, Section 76B	
	a. Site Preparation	\$ 8,738
	b. Excavation, Paving and Lot Grading	387,887
	c. Storm Water Pollution Prevention Plan	953
	d. Construction Staking Service	8,616
	e. As-Built Survey and Record Drawings	4,577
	f. Construction Permits	<u>4,308</u>
	Sub Total	\$ <b>415,080</b>

6.	Meridiana, Section 58A	
	a. Site Preparation	\$ 5,115
	b. Excavation, Paving and Lot Grading	528,681
	c. Storm Water Pollution Prevention Plan	722
	d. Certificates of Insurance, Payment, and Performance Bonds	6,444
	e. Construction Staking Service	7,733
	f. As-Built Survey and Record Drawings	3,866
	g. Construction Permits	<u>5,026</u>
	Sub Total	\$ 557,587
7.	Meridiana, Section 81A	
	a. Site Preparation	\$ 6,632
	b. Excavation, Paving and Lot Grading	530,914
	c. Storm Water Pollution Prevention Plan	586
	d. Construction Staking Service	10,156
	e. As-Built Survey and Record Drawings	5,078
	f. Construction Permits	<u>4,570</u>
	Sub Total	\$ 557,936
8.	Meridiana, Section 81B	
	a. Site Preparation	\$ 11,733
	b. Excavation, Paving and Lot Grading	357,295
	c. Storm Water Pollution Prevention Plan	2,248
	d. Construction Staking Service	—
	e. As-Built Survey and Record Drawings	8,349
	f. Construction Permits	<u>3,615</u>
	Sub Total	\$ 383,239
9.	Discovery Drive (bid with section 80)	
	a. Site Preparation	\$ 1,650
	b. Excavation, Paving and Lot Grading	271,008
	c. Storm Water Pollution Prevention Plan	660
	d. Construction Staking Service	6,599
	e. As-Built Survey and Record Drawings	4,619
	f. Construction Permits	<u>1,320</u>
	Sub Total	\$ 285,856
10.	Meridiana, Section 80	
	a. Site Preparation	\$ 4,533
	b. Excavation, Paving and Lot Grading	608,555
	c. Storm Water Pollution Prevention Plan	498
	d. Construction Staking Service	17,434
	e. As-Built Survey and Record Drawings	5,977
	f. Construction Permits	<u>996</u>
	Sub Total	\$ 637,993
11.	Engineering and Geotechnical (8.50% of Item Nos. 1-11)	
	a. Meridiana, Section (65) Expedition	\$ 11,328
	b. Meridiana, Section 76A	42,969
	c. Meridiana, Section 76B	30,159
	d. Meridiana, Section 58A	66,736
	e. Meridiana, Section 81A	51,535
	f. Meridiana, Section 81B	32,771
	g. Discovery Drive	57,153
	h. Meridiana, Section 80	51,799
	i. Meridiana, Section 64	<u>39,150</u>
	Sub Total	\$ 383,600

12.	Storm Water Compliance	
	a. Meridiana, Section 76A	6,531
	b. Meridiana, Section 76B	3,900
	c. Meridiana, Section 58A	9,393
	d. Meridiana, Section 81A	7,344
	e. Meridiana, Section 81B	14,490
	f. Discovery Drive	18,235
	g. Meridiana, Section 80	13,764
	h. Meridiana, Section 64	<u>15,899</u>
	Sub Total	\$ 89,556
13.	Land Acquisitions	
	a. Meridiana, Section 76A ROW (1.6384 acres @ \$21,250)	\$ 34,816
	ai. Carrying Costs	<u>13,798</u>
	Sub Total	48,614
	b. Meridiana, Section 76B ROW (1.6566 @ \$21,250)	35,203
	bi. Carrying Costs	<u>13,951</u>
	Sub Total	49,154
	c. Meridiana, Section 58A ROW (4.0365 acres @ \$21,250)	52,475
	ci. Carrying Costs	<u>47,387</u>
	Sub Total	99,862
	d. Meridiana, Section 81A ROW (1.9668 acres @ \$21,250)	41,795
	di. Carrying Costs	16,563
	d. Meridiana, Section 81A ROW (0.2128 acres @ \$21,250)	4,522
	di. Carrying Costs	<u>1,793</u>
	Sub Total	64,672
	e. Meridiana, Section 81B ROW (1.3944 acres @ \$21,250)	29,631
	ei. Carrying Costs	11,743
	e. Meridiana, Section 81B ROW (0.1831 acres @ \$21,250)	3,891
	ei. Carrying Costs	<u>1,543</u>
	Sub Total	46,807
	f. Discovery Drive ROW (1.0549 acres @ \$25,747.65)	27,161
	fi. Carrying Costs	<u>24,831</u>
	Sub Total	51,992
	g. Meridiana, Section 80 ROW (4.1558 acres @ \$25,747.65)	107,002
	gi. Carrying Costs	<u>97,822</u>
	Sub Total	204,824
	h. Meridiana, Section 64 ROW (2.4782 acres @ \$39,784.95)	98,595
	hi. Carrying Costs	<u>89,007</u>
	Sub Total	187,602
	h. Expedition ROW (1.3450 acres @ \$39,784.95)	53,511
	hi. Carrying Costs	<u>48,307</u>
	Sub Total	\$ 101,818
	Total Land Acquisition	\$ 855,345
	Total Developer Contribution Items:	\$ 5,545,156
	Less Surplus Funds	(37,429)
	NET CONSTRUCTION COSTS (80.97% of BIR)	<u>\$ 5,507,727</u>

**NON-CONSTRUCTION COSTS**

A. Legal Fees	\$ 185,800
B. Fiscal Advisor Fees	145,800
C. Engineering Bond Fees	54,863
D. Capitalized Interest (1 year)	325,275
E. Developer Interest	722,649
F. Bond Discount	218,500
G. Bond Issuance Expenses	46,221
H. Attorney General Fee (0.10%)	7,290
I. Contingency (a)	75,875
<b>TOTAL NON-CONSTRUCTION COSTS (24.63% of BIR)</b>	<b>\$ 1,782,273</b>

**TOTAL BOND ISSUE REQUIREMENT** **\$ 7,290,000**

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

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

**THE DISTRICT****Authority**

The District was created by order of the TCEQ, dated August 16, 2007, and by a confirmation election held within the District on November 6, 2007, and operates pursuant to Article XVI, Section 59 and Article III, Section 52 of the Constitution of the State of Texas, and Chapters 49 and 54, Texas Water Code, as amended.

The District is empowered, among other things, to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water.

The District also is authorized to acquire, construct, develop and maintain park and recreational facilities using operating revenues or by issuing bonds payable from taxes, and to construct roads. In addition, the District is authorized, upon TCEQ and voter approval, to establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, and provide such facilities and services to the customers of the District.

**Description**

At the time of the confirmation election, the District encompassed 571.56 acres. The District has since annexed 581.264 acres, and thus the total acreage of the District is now 1,152.8193 acres. The District is located wholly within the County, approximately 22 miles south of the Central Business District of the City of Houston, Texas. The District lies approximately 3.5 miles southwest of the intersection of State Highway 6 and Highway 288. The District is located within the corporate city limits of the City of Iowa Colony, Texas.

**Management of the District**

The District is governed by its 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 staggered, four-year terms. Elections are held in even-numbered years in May. The current members and officers of the Board are listed below:

Name	Title	Term Expires May
Houston Hamilton	President	2024
Virginia Woodring	Vice President	2026
Cathy Verret	Secretary	2026
Melissa Lacy	Assistant Secretary	2024
Roy Bergman	Assistant Vice President	2026



**Investment Policy**

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

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## DEVELOPMENT OF THE DISTRICT

The District is one of three municipal utility districts that make up the approximately 3,000-acre master-planned community known as Meridiana. To date, approximately 435.8 acres (1,682 lots) within the District have been developed as the residential subdivision of Meridiana, Phase 1, Sections 1–7, 38, 57, 58A, 59, 60, 64, 65, 66, 69, 70, 71, 73, 74, 75, 76A, 76B, 80A, 80B, 81A and 81B. In addition, approximately 12.39 acres have been developed as Meridiana Elementary School and approximately 98.94 acres have been developed as a sports stadium.

As of October 1, 2022, the District was composed of 1,422 completed homes, 34 homes under construction and approximately 226 vacant developed lots. Of the 1,456 homes completed and under construction as of October 1, 2022, 1,411 homes were sold to homeowners within the District. The remaining land within the District consists of approximately 153.5 undeveloped but developable acres and approximately 432.38 undevelopable acres consisting of easements, rights of way and greenbelts.

### Status of Development within the District

The following is a status of construction of single-family housing within the District as of October 1, 2022:

Meridiana, Phase 1	Section Acreage	Platted Lots	Completed Homes	Homes Under Construction	Developed Vacant Lots
Section 1	21.84	66	66	0	0
Section 2	15.31	32	32	0	0
Section 3	19.9	79	79	0	0
Section 4	26.9	97	97	0	0
Section 5	18.65	44	44	0	0
Section 6	21.06	89	89	0	0
Section 7	23.78	84	84	0	0
Section 38	14.6	45	45	0	0
Section 57	17.4	72	0	0	72
Section 58A	20.7	82	0	5	77
Section 59	26.9	102	102	0	0
Section 60	22.4	93	86	4	3
Section 64	13.3	42	42	0	0
Section 65	17.62	33	33	0	0
Section 66	20.97	58	58	0	0
Section 69	12.68	48	48	0	0
Section 70	22.44	59	59	0	0
Section 71	15.44	52	52	0	0
Section 73	8.2	50	48	1	1
Section 74	8.23	53	53	0	0
Section 75	7.62	41	41	0	0
Section 76A	8.75	56	29	4	23
Section 76B	9.03	56	0	6	50
Section 80A	23.53	77	77	0	0
Section 80B	6.66	30	30	0	0
Section 81A	3.5	70	64	6	0
Section 81B	8.39	72	64	8	0
Totals	435.80	1,682	1,422	34	226
Single-Family Developed:	435.80				
Commercial	19.80				
School Acreage:	12.40				
Stadium Acreage:	98.94				
Undevelopable Acres:	432.38				
Remaining Developable Acres:	153.50				
Service Area Total:	1,152.82				

## **Consultants**

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

*Tax Assessor/Collector:* The tax assessor/collector for the District is Assessments of the Southwest, Inc.

*Bookkeeper:* The District's bookkeeper is Myrtle Cruz, Inc.

*Utility System Operator:* The District's water and sewer system is operated by Si Enviro.

*Auditor:* The District engaged McGrath & Co., PLLC to audit its financial statements for the fiscal year ended March 31, 2022. McGrath & Co., PLLC was not requested to perform any updating procedures subsequent to the date of its audit opinion on the March 31, 2022, financial statements. See "APPENDIX A" for financial statements related to the District.

*Engineer:* The District's engineer is Edminster, Hinshaw, Russ and Associates, Inc. (the "Engineer"). Such firm acts as engineer for many residential and commercial developments in Texas.

*Attorney:* The District has engaged Allen Boone Humphries Robinson LLP, 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:* The District has engaged Orrick, Herrington & Sutcliffe LLP, Houston, Texas, as disclosure counsel ("Disclosure Counsel") to the District in connection with the issuance of the Bonds. The fees to be paid Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

*Financial Advisor:* Robert W. Baird & Co. Incorporated serves as financial advisor ("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.

## **SHARED FINANCING AGREEMENT**

On February 15, 2011, the District entered into a Shared Financing Agreement (the "Agreement") with the City, Reinvestment Zone Number Two, City of Iowa Colony, Texas (the "TIRZ") and Iowa Colony Development Authority (the "Authority") for the purpose of constructing TIRZ Projects (as defined in the Agreement), which include various public works and improvements.

The Authority and the District agree to assist the City and the TIRZ in the implementation of the TIRZ Projects and in the funding, ownership, operation and maintenance of the TIRZ Projects. The District will act as Project Manager for the TIRZ Projects set out in the Agreement, and will give written notice to the Authority's Board of Directors before initiating the design or construction of a TIRZ Project for approval. Upon completion of TIRZ Project construction, the project shall be conveyed to the responsible party as stated in the Agreement.

For any year in which the City collects or receives tax increment, the City will pay such tax increment to the Authority. For any year the Authority receives payments from the City, the amount of Project Costs to be paid from tax increment by the Authority ("TIRZ Share") to the District is the percentage of the actual project costs set out in the Agreement. The District will begin to receive TIRZ Share payments no later than thirty days prior to the fall principal and interest payment date upon the District's issuance of bonds.

The term of the Agreement will expire on the later of January 1 in the year following completion of the TIRZ Plan (as defined in the Agreement) or the date that the Developer has been repaid in full for all eligible project costs.

## **PRINCIPAL LANDOWNERS/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 of the cost of constructing certain of the water, wastewater and drainage facilities in a 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 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, nor any affiliate entity, is obligated to pay principal of or interest on the Bonds. Furthermore, none of the Developer or its affiliate entities has 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 its 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.

### **Principal Landowner/Developer**

GR-M1 LTD was formed for the purpose of acquiring and holding for investment and sale tracts of land, including the land in the District. The Developer has determined the overall development plan for such land in the District and arranged for the construction of water, sanitary sewer and road facilities within the District. GR-M1 LTD plans to use equity contributions to fund the development of Meridiana.

Rise Communities LLC is a developer and manager of master-planned, large-scale communities. In addition to developing Meridiana, Rise Communities LLC is also developing Cane Island, an 1,100-acre master-planned community located in the City of Katy, Texas.

### **Homebuilders within the District**

Homebuilders who are active in the District include David Weekley Homes, Highland Homes, Perry Homes, Coventry Homes, Lennar Homes, Shea Homes, Chesmar Homes, Lennar Homes, Toll Brother, and Gracemark Homes. Prices of new homes being constructed in the District range from the \$300,000s –\$1,000,000's.

## **THE UTILITY SYSTEM**

### **Regulation**

According to the Engineer, the water distribution and wastewater collection lines constructed by the District have been designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, the City, and the County. According to the District's Engineer, the design of all such completed facilities has been approved by all required governmental agencies.

Operation of the District's waterworks and sewer treatment facilities is subject to regulation by, among others, the Environmental Protection Agency and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revisions.

### **Water, Sanitary Sewer and Drainage System**

*Water Supply:* The District owns one water plant. Phase One of the Water Plant consists of a 1,600 gallon-per minute ("gpm") well, 30,000 gallons of hydropneumatic tank capacity, a 269,000-gallon ground storage tank and

3,450 gpm of booster pump capacity. According to EHRA, the District's engineer, phase one of the water plant is capable of serving 1,345 equivalent single family connections ("esfc") in the District.

The Ultimate Phase of the Water Plant consists of the addition of a 269,000-gallon ground storage tank and 1,750 gpm of booster pump capacity. According to the Engineer, the ultimate phase of the water plant is capable of serving 2,600 esfc in the District.

*Wastewater Treatment:* The District owns and operates a 480,000 gallon-per day ("gpd") wastewater treatment facility. According to the Engineer, the facility is adequate to serve 1,745 esfc.

The District plans to ultimately expand the plant to a 960,000 gpd wastewater treatment facility. According to the Engineer, the ultimate phase of the facility will be adequate to serve 3,490 esfc, based on a re-rate to 275 gpd/esfc in a previous bond issue.

### **100 Year Flood Plain**

According to the FEMA Map Panel No. 48039 C0110H and FEMA Map Panel No. 48039 C0120H dated June 5, 1989, approximately 300 acres within the District are located in the 100-year flood plain and are not considered to be developable. Approximately 150 acres of flood plain will be filled in connection with future development, and a letter of map revision will be filed to remove it from the flood plain.

### **THE ROAD SYSTEM**

The Road System serves residents of the District by providing access to the major thoroughfares and collectors within the Meridiana development and surrounding area. The major thoroughfares and collectors serving the District include Meridiana Parkway, Discovery Drive and Iowa Colony Boulevard. Discovery Drive and Iowa Colony Boulevard act as collectors by conveying residents of the District to the major thoroughfare of Meridiana Parkway which connects to the State Highway 288 to the west. The District will finance, design and construct the Road System in phases as development progresses. The Road System will ultimately be owned, operated and maintained by the City as the phases are constructed and accepted by the City. The District does not intend to maintain or operate the roads once they are accepted by the City.

*[Remainder of page intentionally left blank.]*

## General Fund Operating Statement

The following statement sets forth in condensed form the historical results of operations of the District's. Such summary has been prepared by the Financial Advisor for inclusion herein, based upon information obtained from the District's audited financial statements. Reference is made to such statement for further and more complete information. See "APPENDIX A."

### FISCAL YEAR END MARCH 31

	<u>2023(c)</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
REVENUES					
Water Service	\$ 427,054	\$ 552,206	\$ 507,713	\$ 348,012	\$ 267,640
Sewer Service	295,985	493,469	404,703	294,463	203,300
Property Taxes	4,280	228,922	321,355	165,014	171,802
Penalties and Interest	9,199	15,892	12,228	10,700	7,964
Groundwater Pumpage Fees	2,800	3,956	3,875	2,494	1,870
Tap Connection and Inspection	353,324	454,782	451,005	403,265	387,735
Miscellaneous	—	34,807	28,388	28,513	23,142
Investment Earnings	<u>2,759</u>	<u>1,369</u>	<u>4,979</u>	<u>14,416</u>	<u>12,100</u>
TOTAL REVENUES	<u>\$ 1,095,401</u>	<u>\$ 1,785,403</u>	<u>\$ 1,734,246</u>	<u>\$ 1,266,877</u>	<u>\$ 1,075,553</u>
EXPENDITURES					
Professional Fees	\$ 94,253	\$ 220,694	\$ 199,268	\$ 252,786	\$ 182,882
Contracted Services	301,948	374,621	391,854	347,449	298,239
Repairs and Maintenance	200,716	369,660	328,962	255,487	166,590
Lease	228,150	343,574	240,732	230,094	0
Utilities	47,816	77,844	67,509	56,478	45,038
Groundwater Pumpage Fees	—	—	—	2,135	—
Administrative	10,012	78,244	67,722	60,496	54,087
Other	15,653	9,281	15,845	7,773	5,173
Capital outlay	879,520	—	—	1,280,130 (b)	—
Developer Interest	<u>—</u>	<u>—</u>	<u>—</u>	<u>117,968</u>	<u>—</u>
TOTAL EXPENDITURES	<u>\$ 1,778,069</u>	<u>\$ 1,473,918</u>	<u>\$ 1,311,892</u>	<u>\$ 2,610,796</u>	<u>\$ 752,009</u>
Excess Revenues (Expenditures)	\$ (682,668)	\$ 311,485	\$ 422,354	\$(1,343,919)	\$ 323,544
Other Financing Sources (Uses):					
Internal Transfers	(100,000)	52,848	47,959	10,524	97,703
Capital Recovery Fees	<u>—</u>	<u>879,520(a)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net Change in Fund Balance	\$ (782,668)	\$ 1,243,853	\$ 470,313	\$(1,333,395)	\$ 421,247
Balance, Beg of Year	<u>\$ 2,419,221</u>	<u>\$ 1,175,368</u>	<u>\$ 705,055</u>	<u>\$ 2,038,450</u>	<u>\$ 1,617,203</u>
Balance, End of Year	<u>\$ 1,636,553</u>	<u>\$ 2,419,221</u>	<u>\$ 1,175,368</u>	<u>\$ 705,055</u>	<u>\$ 2,038,450</u>

(a) Tax exempt impact fees received from Alvin Independent School District based on its pro rata share of existing District facilities intended to serve Alvin Independent School District's stadium site and bus barn.

(b) GR-M1, Ltd Reimbursement (Developer Reimb).

(c) Unaudited for the time period April 1- September 30, 2022

**EHRA**  
ENGINEERING THE FUTURE  
SINCE 1834  
November 2022



**PHOTOGRAPHS TAKEN WITHIN THE DISTRICT**  
**(October 2022)**





**PHOTOGRAPHS TAKEN WITHIN THE DISTRICT**  
**(October 2022)**



## DISTRICT DEBT

### Debt Service Requirement Schedule

The following schedule sets forth the debt service requirements on the Outstanding Bonds, as well as the principal and interest requirements for the Bonds.

Calendar Year	Outstanding Debt Service (a)	Plus: The Bonds		Total Debt Service
		Principal	Interest	
2023	\$ 3,322,064	\$ -	\$ 206,911	\$ 3,528,975
2024	3,587,010	145,000	325,275	4,057,285
2025	3,580,820	150,000	315,850	4,046,670
2026	3,573,185	160,000	306,100	4,039,285
2027	3,569,185	165,000	295,700	4,029,885
2028	3,575,866	175,000	284,975	4,035,841
2029	3,580,908	185,000	273,600	4,039,508
2030	3,580,164	195,000	261,575	4,036,739
2031	3,586,589	205,000	249,875	4,041,464
2032	3,582,856	220,000	238,600	4,041,456
2033	3,596,250	230,000	227,600	4,053,850
2034	3,600,969	245,000	218,400	4,064,369
2035	3,607,094	255,000	208,600	4,070,694
2036	3,607,513	270,000	198,400	4,075,913
2037	3,608,631	285,000	187,600	4,081,231
2038	3,613,381	300,000	176,200	4,089,581
2039	3,618,488	320,000	164,200	4,102,688
2040	3,624,738	335,000	151,400	4,111,138
2041	3,620,163	355,000	138,000	4,113,163
2042	3,466,831	375,000	123,800	3,965,631
2043	3,255,313	395,000	108,800	3,759,113
2044	3,034,181	415,000	93,000	3,542,181
2045	3,037,338	440,000	76,400	3,553,738
2046	1,443,200	465,000	58,800	1,967,000
2047	598,500	490,000	40,200	1,128,700
2048	-	515,000	20,600	535,600
Total (b)	\$ 82,871,234	\$ 7,290,000	\$ 4,950,461	\$ 95,111,695

(a) Outstanding debt as of delivery of the Bonds.

(b) Totals may not sum due to rounding.

Average Annual Debt Service Requirement (2023-2048).....	\$ 3,658,142
Maximum Annual Debt Service Requirement (2041).....	\$ 4,113,163

*[Remainder of page intentionally left blank.]*

## Bonded Indebtedness

2022 Assessed Taxable Valuation .....	\$ 465,642,958	(a)
Estimated Taxable Valuation as of November 1, 2022 .....	\$ 562,032,490	(b)

### Direct Debt:

The Outstanding Bonds (as of delivery of the Bonds) .....	\$ 57,685,000
The Bonds .....	<u>7,290,000</u>
Total .....	\$ 64,975,000

Estimated Overlapping Debt .....	\$ 48,269,837	(c)
Total Direct and Estimated Overlapping Debt .....	\$ 113,244,837	(c)

### Direct Debt Ratios:

As a percentage of the 2022 Assessed Taxable Valuation .....	13.95	%
As a percentage of the Estimated Taxable Valuation as of November 1, 2022 .....	11.56	%

### Direct and Estimated Overlapping Debt Ratios:

As a percentage of the 2022 Assessed Taxable Valuation .....	24.32	%
As a percentage of the Estimated Taxable Valuation as of November 1, 2022 .....	20.15	%

Utility System Debt Service Fund Balance (as of November 10, 2022).....	\$	858,876	(d)
Road System Debt Service Fund Balance (as of November 10, 2022).....	\$	385,068	(e)
Utility System Capital Projects Fund (as of November 10, 2022).....	\$	575,419	
Road System Capital Projects Fund (as of November 10, 2022).....	\$	37,500	
General Fund Balance (as of November 10, 2022).....	\$	1,491,375	

- (a) As of January 1, 2022, all property located in the District is valued on the appraisal rolls by the Brazoria County Appraisal District (the "Appraisal District") at 100% of market value as of January 1 of each year. The District's tax roll is certified by the Appraisal Review Board. This value includes \$10,255,230 of uncertified value, which represents 80% of the total uncertified value provided by the Appraisal District and is the estimated minimum amount of the uncertified value that will ultimately be certified. See "TAXING PROCEDURES."
- (b) As of November 1, 2022, provided by the Appraisal District for information purposes only. Represents new construction within the District as of November 1, 2022. This estimate is based upon the same unit value used in the assessed taxable valuation. No taxes will be levied on this estimate. See "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement."
- (d) Funds in the District's fund for debt service on the Outstanding Utility Bonds and any additional unlimited tax bonds issued by the District for the Utility System (the "Utility System Debt Service Fund") are not available to pay debt service on the Outstanding Road Bonds or the Bonds. Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Utility System Debt Service Fund.
- (e) In addition, upon closing and delivery of the Bonds, a portion of the proceeds of the Bonds, will be deposited into the Road System Debt Service Fund (defined herein). Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on the Outstanding Utility Bonds.

## Estimated Direct and Overlapping Debt Statement

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

Taxing Jurisdiction	Outstanding Debt as of November 30, 2022	Estimated Overlapping	
		Percent	Amount
Brazoria County, Texas	\$ 213,253,313	1.10%	\$ 2,349,383
Alvin Independent School District	\$ 968,580,000	3.78%	36,568,667
Alvin Community College District	\$ 24,305,000	2.84%	689,408
Iowa Colony, Texas	\$ 14,225,000	49.33%	7,017,545
Port Freeport, Texas	\$ 67,850,000	2.42%	1,644,834
Total Estimated Overlapping Debt			<u>\$ 48,269,837</u>
The District			<u>\$ 64,975,000</u> (a)
Total Direct & Estimated Overlapping Debt			<u>\$ 113,244,837</u> (a)

(a) Includes the Bonds and the Outstanding Bonds.

## Debt Ratios

	Percentage of 2022 Assessed Taxable Valuation	Percentage of Estimate of Value November 1, 2022
Direct Debt (a)	13.95%	11.56%
Total Direct and Estimated Overlapping Debt (a)	24.32%	20.15%

(a) Includes the Bonds and the Outstanding Bonds.

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

### Property Tax Code and County-Wide Appraisal District

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

Brazoria County Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll, as approved by the Appraisal Review Board, will be used by the District in establishing its tax rolls and tax rate.

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

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board. 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 100% is entitled to an exemption for the full value of the veteran's residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied.

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

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

*Residential Homestead Exemptions:* The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by before July 1. The District has never adopted a homestead exemption. See "TAX DATA."

*Freeport Goods and Goods-in-Transit Exemption:* A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2013 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage

purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

### **Tax Abatement**

The County may designate all or part of the area within the District as a reinvestment zone. Thereafter, the County, the City and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. At this time, the County has 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 District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. Nevertheless, certain land may be appraised at less than market value, as such is defined in the Property Tax Code. The Texas Constitution limits increases in the appraised value of residence homesteads to 10 percent annually regardless of the market value of the property.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code.

Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by one political subdivision while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use, open space land, and timberland.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all property in the Appraisal District at least once every three years. It is not known what frequency of reappraisals will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense, has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses to formally include such values on its appraisal roll.

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such

temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

### **District and Taxpayer Remedies**

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a timely petition for review in district court. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property 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 values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

### **Levy and Collection of Taxes**

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

### **Tax Payment Installments After Disaster**

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

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

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

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

### *Special Taxing Units*

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

### *Developed Districts*

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

### *Developing Districts*

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

### *The District*

For the 2022 tax year, the District made the determination of its status as a Developing District. A determination as to the District's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis, in September or October of each year. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

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

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

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



and six months for commercial property and all other types of property after the purchaser's deed at the foreclosure sale is filed in the county records.

## **TAX DATA**

### **General**

All taxable property within the District is subject to the assessment, levy and collection by the District of a continuing, direct annual ad valorem tax without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds and the Outstanding Bonds (see "TAXING PROCEDURES"). The Board has in its Bond Resolution covenanted to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds (see "THE BONDS" and "INVESTMENT CONSIDERATIONS"). The District has levied a total tax rate of \$0.885 per \$100 of assessed valuation for the 2022 tax year. Such rate is expected to be composed of a maintenance and operations tax rate of \$0.095 per \$100 of assessed valuation, a Utility System debt service tax rate of \$0.500 per \$100 of assessed valuation and a Road System debt Service tax rate of \$0.290 per \$100 of assessed valuation.

### **Tax Rate Limitation**

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

### **Maintenance Tax**

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. See "Tax Rate Distribution" below.

### **Additional Penalties**

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

### **Tax Rate Calculations**

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of assessed taxable valuation which would be required to meet certain debt service requirements of the Outstanding Bonds and the Bonds if no growth in the District's tax base occurs beyond the 2022 Assessed Taxable Valuation (\$465,642,958) or the Estimated Taxable Assessed Valuation as of November 1, 2022 (\$562,032,490). The calculations assume collection of 95% of taxes levied, the sale of the Bonds but not the sale of any additional bonds by the District.

Average Annual Debt Service Requirement (2023-2048).....	\$ 3,658,142
Combined Debt Service Tax Rate of \$0.83 on the 2022 Assessed Taxable Valuation .....	\$ 3,671,595
Combined Debt Service Tax Rate of \$0.69 on the Estimated Taxable Valuation as of November 1, 2022.....	\$ 3,684,123
Maximum Annual Debt Service Requirement (2041).....	\$ 4,113,163
Combined Debt Service Tax Rate of \$0.93 on the 2022 Assessed Taxable Valuation .....	\$ 4,113,956
Combined Debt Service Tax Rate of \$0.78 on the Estimated Taxable Valuation as of November 1, 2022.....	\$ 4,164,661

### **Estimated Overlapping Taxes**

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

Set forth below is an estimation of all taxes per \$100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. The following chart includes the 2022

taxes per \$100 of assessed valuation levied by all such taxing jurisdictions. No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

<u>Taxing Jurisdictions</u>	<u>2022 Tax Rate Per \$100 of A.V.</u>
The District	\$ 0.885000
City of Iowa Colony, Texas	0.519209
Brazoria County Drainage District No. 5	0.123851
Brazoria County Emergency Services District No. 3	0.097745
Brazoria County, Texas	0.291106
Alvin Community College	0.164145
Road & Bridge Fund	0.050000
Alvin Independent School District	1.377700
Port Freeport	<u>0.035000</u>
Total	<u>\$ 3.543756</u>

#### Historical Tax Collections

Tax Year	Assessed Valuation	Tax Rate Per \$100 (a)	Adjusted Levy	% of Collections Current Year	For the Current Year Ended September 30	% of Collections as of October 31, 2022
2015	845,389	0.8000	6,763	100.00%	2016	100.00%
2016	19,544,997	0.8500	166,132	100.00%	2017	100.00%
2017	56,346,940	0.8850	498,670	99.11%	2018	100.00%
2018	99,321,552	0.8850	878,996	98.65%	2019	100.00%
2019	171,327,145	0.8850	1,516,245	97.58%	2020	100.00%
2020	259,493,320	0.8550	2,296,516	99.33%	2021	100.00%
2021	345,467,851	0.8850	3,057,390	99.03%	2022	99.46%
2022	468,206,765 (b)	0.8850	4,143,630	(b)	2023	(b)

(a) Tax rate per \$100 of taxable value. See "Tax Rate Distribution" below.

(b) In process of collections.

#### Tax Rate Distribution

	2022	2021	2020	2019	2018
Utility System Debt Service	\$0.5000	\$ 0.5200	\$ 0.4000	\$ 0.4400	\$ 0.3450
Road System Debt Service	0.2900	0.3000	0.3600	0.3500	0.3700
Maintenance	<u>0.0950</u>	<u>0.0650</u>	<u>0.1250</u>	<u>0.0950</u>	<u>0.1700</u>
Total	<u>\$0.8850</u>	<u>\$ 0.8850</u>	<u>\$ 0.8850</u>	<u>\$ 0.8850</u>	<u>\$ 0.8850</u>

## Assessed Taxable Valuation Summary

The following represents the types of property comprising the District assessed taxable value for each of the 2018–2022 tax years.

Type of Property	2022 Assessed Taxable Valuation (a)	2021 Assessed Taxable Valuation	2020 Assessed Taxable Valuation	2019 Assessed Taxable Valuation	2018 Assessed Taxable Valuation
Land	\$ 82,772,145	\$ 75,941,861	\$ 70,191,225	\$ 48,441,402	\$ 31,926,328
Improvements	434,075,958	299,883,535	210,148,266	129,463,710	72,177,593
Personal Property	4,950,220	4,090,040	3,076,630	1,656,620	1,335,010
Exemptions	<u>(53,591,558)</u>	<u>(34,447,585)</u>	<u>(23,918,301)</u>	<u>(8,234,587)</u>	<u>(6,117,379)</u>
Total	\$468,206,765	\$345,467,851	\$259,497,820	\$171,327,145	\$ 99,321,552

(a) This amount includes \$12,819,037 which represents 100% of the total uncertified value amount under review by the Appraisal Review Board.

## Principal Taxpayers

The following are the principal taxpayers in the District as shown on the District’s certified appraisal rolls for the 2022 tax year.

Taxpayer	Type of Property	Assessed Taxable Valuation 2022 Tax Roll
GR-M1 LTD (a)	Land & Lots	\$ 3,766,092
Upward America Central Property Owner	Lots and Homes	3,367,870
Perry Homes LLC	Lots and Homes	2,440,820
Lennar Homes of Texas Land & Construction LTD	Lots and Homes	2,306,430
BPJ Investments	Lots and Homes	1,726,890
Highland Homes-Houston	Lots and Homes	2,582,780
Jersy Meridiana LLC	Lots and Homes	943,200
MHI Partnership LTD	Lots and Homes	905,660
Homeowner	Lots and Homes	735,130
Homeowner	Lots and Homes	712,170
Total		<u>\$ 19,487,042</u>
Percent of Respective Tax Roll		4.16 %

(a) See “PRINCIPAL LANDOWNERS/DEVELOPER.”

## INVESTMENT CONSIDERATIONS

### General

The Bonds, which are obligations of the District and not of the State of Texas, Brazoria County, Texas (the “County”); the City of Iowa Colony, Texas (the “City”); or any political subdivision other than the District, will be secured by a continuing direct annual ad valorem tax, 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. 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.”

## **Infectious Disease Outbreak – COVID-19**

In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus (“COVID-19”) to be a public health emergency. On March 13, 2020, the Governor of Texas (the “Governor”) declared a state of disaster for all counties in the State of Texas (the “State”) because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings, and other activities.

Since such time, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the State. Following the widespread release and distribution of various COVID-19 vaccines in 2021 and a decrease in active COVID-19 cases generally in the United States, state governments (including the State) have started to lift business and social limitations associated with COVID-19. Beginning in March 2021, the Governor issued various executive orders, which, among other things, rescinded and superseded prior executive orders and provide that there are currently no COVID-19 related operating limits for any business or other establishment. The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this Official Statement.

With the easing or removal of COVID-19 associated governmental restrictions, economic activity has increased. However, there are no assurances that such increased economic activity will continue or continue at the same rate, especially if there are future outbreaks of COVID-19. The District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however, the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

## **Effects of Hurricane Harvey**

The greater City of Houston, Texas, area sustained widespread damage as a result of Hurricane Harvey’s landfall along the Texas Gulf Coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. The District is located in the County, which is located on the Texas Gulf Coast.

None of the structures in the District and none of the District’s facilities sustained any significant damage as a result of Hurricane Harvey. The District cannot predict what impact Hurricane Harvey will ultimately have on the assessed value of land and improvements within the District. However, Hurricane Harvey could have a long-term impact on business activity and development in the District and the region.

The District cannot predict the effect that additional extreme weather events may have upon the District and the Gulf Coast. Additional extreme weather events have the potential to cause damage within the District and along the Gulf Coast generally that could have a negative effect on taxable assessed valuations in the District and the economy of the District and the region.

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

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

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 an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District’s share of operations and maintenance expenses payable from ad valorem taxes.

## **Factors Affecting Taxable Values and Tax Payments**

**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.

**Principal Landowner/Developer:** There is no commitment by or legal requirement of the principal landowners/developers or any other landowner to the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of 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 LANDOWNERS/DEVELOPERS" and "TAX DATA – Principal Taxpayers."

**Dependence on Principal Taxpayers:** The ability of any principal landowner to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. As illustrated in this Official Statement under the caption "TAX DATA – Principal Taxpayers," the District's principal taxpayers in 2022 own approximately 4.16% of the District's total 2022 Assessed Taxable Valuation of property located within the District. GR-M1 LTD, an entity associated with Rise Communities, LLC (the "Developer"), the District's top taxpayer, owns approximately 0.80% or \$3,766,092 of the District's total 2022 Assessed Taxable Valuation of property located within the District. In the event that the Developer, any other taxpayer, or any combination of taxpayers, should default in the payment of taxes in an amount which exceeds the surpluses in the District's debt service funds, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax liens, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate. The District is not required by law or the Bond Resolution to maintain any specified amount of surplus in its interest and sinking fund. See "TAX DATA – Principal Taxpayers" and "TAXING PROCEDURES – Levy and Collection of Taxes."

**Maximum Impact on District Tax Rates:** Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2022 Assessed Taxable Valuation of property located within the District is \$465,642,958, and the Estimated Taxable Valuation as of November 1, 2022, is \$562,032,490. After issuance of the Bonds, the maximum annual debt service requirement on the Outstanding Bonds and the Bonds will be \$4,113,163 (2041) and the average annual debt service requirement on the Outstanding Bonds and the Bonds will be \$3,658,142 (2023-2048). Assuming no increase to nor decrease from the 2022 Assessed Taxable Valuation, tax rates of \$0.93 and \$0.83 per \$100 of Assessed Taxable Valuation at a 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 increase to nor decrease from the Estimated Taxable Valuation as of November 1, 2022, tax rates of \$0.78 and \$0.69 per \$100 of assessed taxable 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.

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners. The District has levied a total tax rate of \$0.885 per \$100 of assessed valuation for the 2022 tax year. Such rate is composed of a maintenance and operations tax rate of \$0.095 per \$100 of assessed valuation, a Utility System debt service tax rate of \$0.500 per \$100 of assessed valuation and a Road debt service tax rate of \$0.290 per \$100 of assessed valuation.

### **Competitive Nature of Residential Housing Market**

The housing industry in the City of Houston, Texas, area is very competitive, but the District can give no assurance that the building programs which are planned by any home builder(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 Limitations**

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (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."

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

In the event of default in the payment of principal of or interest on the Bonds, the registered owners of the Bonds (the "Registered Owners") have a right to seek a writ of mandamus requiring the District to levy sufficient taxes each year to make such payments. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The enforceability of the rights and remedies of the Registered Owners may be limited further by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the District to seek judicial foreclosure of its tax lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge.

### **Marketability**

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

### **Future Debt**

The District reserves in the Bond Resolution the right to issue the remaining \$71,600,000 of unlimited tax bonds authorized but unissued for the purpose of acquiring or constructing water, wastewater and drainage facilities to serve the District (the "Utility System") and for the refunding of such bonds; \$9,300,000 of unlimited tax bonds authorized but unissued for the purpose of acquiring or constructing road improvements to serve the District and for the refunding of such bonds; and \$41,170,000 of unlimited tax bonds authorized but unissued for the purpose of acquiring or constructing parks and recreational facilities to serve the District (the "Park System") and for the refunding of such bonds, and such additional bonds as may hereafter be approved by the voters of the District. See "THE BONDS – Issuance of Additional Debt." The District has also reserved the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Resolution authorized by the voters of the District, which may be issued by the District from time to time as needed. Issuance of the remaining \$71,600,000 of unlimited tax bonds for the purpose of acquiring or constructing the Utility System and for the refunding of such bonds, as well as the remaining \$41,170,000 of unlimited tax bonds for the purpose of acquiring or constructing parks and recreation facilities to serve the District and for the refunding of such bonds, is subject to approval by the TCEQ.

At the end of fiscal year 2022, the District owed the Developer approximately \$41,586,282 for expenditures relating to the acquisition or construction of the Utility System, the Road System and parks and recreational facilities serving the District. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. See "THE BONDS – Issuance of Additional Debt."

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. The District prepared a parks master plan on November 3, 2009, and the District's voters authorized \$41,170,000 in unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District and for the refunding of such bonds. 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 of the value of the taxable property in the District at the time of issuance, unless effective June 14, 2021, the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent but not greater than three percent of the value of the taxable property in the District.

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

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

### **Environmental Regulations**

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

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

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

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

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

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

On October 7, 2022, the EPA published final notice reclassifying the HGB Area from “serious” to “severe” under the 2008 Ozone Standard, effective November 7, 2022. The “severe” nonattainment area classification 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 attainment deadline for the HGB Area under the 2008 Ozone Standard is July 20, 2027, with an attainment year of 2026,

On October 7, 2022, the EPA published final notice reclassifying the HGB Area from “marginal” to “moderate” under the 2015 Ozone Standard, effective November 7, 2022. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties. The attainment deadline for the HGB Area under the 2015 Ozone Standard is August 3, 2024, with an attainment year of 2023.

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. As a result of the HGB Area’s reclassification, the TCEQ must submit revisions of the SIP to the EPA no later than January 1, 2023, addressing the “moderate” nonattainment classification and by May 2024 addressing the “severe” nonattainment classification.

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

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

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

Texas Pollutant Discharge Elimination System (“TPDES”) permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), with an effective date of March 5, 2018, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain non-stormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district’s ability to obtain and maintain compliance with TPDES permits.

The TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”) on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. While the District is currently not subject to the MS4 Permit, if the District’s inclusion were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

In 2015, the EPA and USACE promulgated a rule known as the Clean Water Rule (“CWR”) aimed at redefining “waters of the United States” over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expanded the scope of the federal government’s CWA jurisdiction over intrastate water bodies and wetlands. The CWR was challenged in



numerous jurisdictions, including the Southern District of Texas, causing significant uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction.

On September 12, 2019, the EPA and USACE finalized a rule repealing the CWR, thus reinstating the regulatory text that existed prior to the adoption of the CWR. This repeal officially became final on December 23, 2019, but the repeal has itself become the subject of litigation in multiple jurisdictions.

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule (“NWPR”), which contains a new definition of “waters of the United States.” The stated purpose of the NWPR is to restore and maintain the integrity of the nation’s waters by maintaining federal authority over the waters Congress has determined should be regulated by the federal government, while preserving the states’ primary authority over land and water resources. The new definition outlines four categories of waters that are considered “waters of the United States,” and thus federally regulated under the CWA: (i) territorial seas and traditional navigable waters; (ii) perennial and intermittent tributaries to territorial seas and traditional navigable waters; (iii) certain lakes, ponds, and impoundments of jurisdictional waters; and (iv) wetlands adjacent to jurisdictional waters. The new rule also identifies certain specific categories that are not “waters of the United States,” and therefore not federally regulated under the CWA: (a) groundwater; (b) ephemeral features that flow only in direct response to precipitation; (c) diffuse stormwater runoff and directional sheet flow over upland; (d) certain ditches; (e) prior converted cropland; (f) certain artificially irrigated areas; (g) certain artificial lakes and ponds; (h) certain water-filled depressions and certain pits; (i) certain stormwater control features; (j) certain groundwater recharge, water reuse, and wastewater recycling structures; and (k) waste treatment systems. The NWPR became effective June 22, 2020, and is currently the subject of ongoing litigation.

On June 9, 2021, the EPA and USACE announced plans to further revise the definition of “waters of the United States.” On August 30, 2021, the United States District Court for the District of Arizona issued an order vacating the NWPR while the EPA and USACE make plans to replace it. On November 18, 2021, the EPA and USACE issued a Notice Proposed Rulemaking to put back into place the pre-2015 definition of “waters of the United States,” and on December 7, 2021, the proposed rule was published in the Federal Register, with the public comment period closing on February 7, 2022. Due to existing and possible future litigation and regulatory action, there remains uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

### **Changes in Tax Legislation**

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

### **Extreme Weather Events**

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

During Harvey, land within the District sustained flooding due to historic rainfalls which caused Spring Creek to overflow its banks. According to Si Enviro (the “Operator”) and EHRA Engineering, the District’s water and sewer system operated without interruption throughout the event, however, the wastewater treatment plant sustained damage of the electrical system due to the flooding.

According to the Developer, the Operator, and the Engineer, the flood waters caused structural flooding of approximately 10 occupied homes and 4 model homes within the District, the wastewater treatment plant and the recreation club house. The District’s facilities are designed and constructed to elevations above the 100-year flood plain in accordance with all regulatory requirements. However, the District cannot predict whether flooding could occur in the event of another historic rain event that exceeds a 100-year event.

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. See “INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments – Maximum Impact on District Tax Rates.”

## **Potential Impact of Natural Disaster**

The District is located near the Texas Gulf Coast and, as it has in the past, 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 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.

## **Specific Flood Type Risks**

The District may be subject to the following flood risks:

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

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

## **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.

## **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 on the Bonds, (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the District which is recovered by the District from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the 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 “RATINGS.”

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 or Underwriter have made independent investigation into the claims paying ability of the bond insurer and no assurance or representation regarding the financial strength or projected financial strength of the bond insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the bond insurer, particularly over the life of the investment. See “MUNICIPAL BOND INSURANCE” 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.

## **LEGAL MATTERS**

### **Legal Opinions**

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the District and based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds; the approving legal opinion of Bond Counsel, to a like effect, and to the effect that, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations for the purpose of determining the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

Bond Counsel has reviewed the information appearing in this Official Statement under “THE BONDS (except for information under the subheadings “Book-Entry-Only System” and “Use and Distribution of Proceeds of the Bonds”), “THE DISTRICT – Authority,” “TAXING PROCEDURES,” “LEGAL MATTERS,” “TAX MATTERS” and “CONTINUING DISCLOSURE OF INFORMATION” solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel’s limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

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

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

### **No-Litigation Certificate**

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

### **No Material Adverse Change**

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

## **TAX MATTERS**

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative

minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code")) for the purpose of determining the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

The Internal Revenue Code of 1986, as amended imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The District has covenanted in the Bond Resolution that it will comply with these requirements.

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

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

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

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

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

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

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

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the

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

The foregoing is based on the assumptions that (a) the Underwriter has purchased the Bonds for contemporaneous sale to the general public and not for investment purposes, and (b) all of the Original Issue Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the cover page of this Official Statement, and (c) the respective initial offering prices of the Original Issue Discount Bonds to the general public are equal to the fair market value thereof. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

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

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

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

The Bonds are not "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Code.

### **CONTINUING DISCLOSURE OF INFORMATION**

In the Bond Resolution, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe these agreements 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, as well as timely notice of specified events, to the Municipal Securities Rulemaking Board or any successor to its function as a repository (the "MSRB"), through its Electronic Municipal Market Access ("EMMA") system.

#### **Annual Reports**

The District will provide certain updated financial information and operating data to the MSRB. The information to be updated with respect to the District includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement included under the headings "DISTRICT DEBT" (except for the subheading "- Estimated Direct and Overlapping Debt Statement"), "TAX DATA," and in "APPENDIX A." The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2023. The District will provide the updated information to the MSRB.

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.

#### **Event Notices**

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit

enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material 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; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or obligated person, any of which reflect financial difficulties. The terms “obligated person” and “financial obligation” when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the “Rule”). The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide 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](http://www.emma.msrb.org).

#### **Limitations and Amendments**

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

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

#### **Compliance with Prior Undertakings**

During the past five years, the District has complied in all material respects with its continuing disclosure undertakings made in accordance with the Rule.

### **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 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 the 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 DISTRICT - Description" and "THE UTILITY SYSTEM," and "THE ROAD SYSTEM" has been provided by Edminster, Hinshaw, Russ and Associates, Inc. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

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

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

The District, acting by and through its Board 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 Underwriter, of any adverse event which causes the Official Statement to be materially misleading, and unless the Underwriter elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriter; 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 Underwriter, unless the Underwriter notify the District in writing on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

### **CONCLUDING STATEMENT**

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

This Official Statement was approved by the Board of Directors of Brazoria County Municipal Utility District No. 55 as of the date shown on the cover page.

/s/ Houston Hamilton  
President, Board of Directors  
Brazoria County Municipal Utility District No. 55

ATTEST:

/s/ Cathy Verret  
Secretary, Board of Directors  
Brazoria County Municipal Utility District No. 55



**APPENDIX A**  
**FINANCIAL STATEMENTS OF THE DISTRICT**

**BRAZORIA COUNTY MUNICIPAL  
UTILITY DISTRICT NO. 55**

**BRAZORIA COUNTY, TEXAS**

**FINANCIAL REPORT**

**March 31, 2022**

## Table of Contents

	<u>Schedule</u>	<u>Page</u>
Independent Auditor's Report		1
Management's Discussion and Analysis		7
<b>BASIC FINANCIAL STATEMENTS</b>		
Statement of Net Position and Governmental Funds Balance Sheet		16
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances		17
Notes to Financial Statements		19
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>		
Budgetary Comparison Schedule – General Fund		38
Notes to Required Supplementary Information		39
<b>TEXAS SUPPLEMENTARY INFORMATION</b>		
Services and Rates	TSI-1	42
General Fund Expenditures	TSI-2	44
Investments	TSI-3	45
Taxes Levied and Receivable	TSI-4	46
Long-Term Debt Service Requirements by Years	TSI-5	47
Change in Long-Term Bonded Debt	TSI-6	59
Comparative Schedule of Revenues and Expenditures – General Fund	TSI-7a	62
Comparative Schedule of Revenues and Expenditures – Debt Service Fund	TSI-7b	64
Board Members, Key Personnel and Consultants	TSI-8	66

# **McGRATH & CO., PLLC**

*Certified Public Accountants*

2900 North Loop West, Suite 880

Houston, Texas 77092

## **Independent Auditor's Report**

Board of Directors  
Brazoria County Municipal Utility District No. 55  
Brazoria County, Texas

### **Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of Brazoria County Municipal Utility District No. 55 (the "District"), as of and for the year ended March 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Brazoria County Municipal Utility District No. 55, as of March 31, 2022, 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.

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

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

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

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

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

## **Required Supplementary Information**

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

***Board of Directors  
Brazoria County Municipal Utility District No. 55  
Brazoria County, Texas***

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

**Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas Supplementary Information 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 are fairly stated in all material respects in relation to the basic financial statements as a whole.

*McGuire & Co, LLC*

Houston, Texas  
July 14, 2022

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



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***Brazoria County Municipal Utility District No. 55  
Management's Discussion and Analysis  
March 31, 2022***

## **Using this Annual Report**

Within this section of the financial report of Brazoria County Municipal Utility District No. 55 (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, 2022. 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.

***Brazoria County Municipal Utility District No. 55***  
***Management's Discussion and Analysis***  
***March 31, 2022***

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, 2022, was negative \$41,239,447. The District's net position is negative because the District incurs debt to construct road facilities and certain storm drainage facilities which it conveys to City of Iowa Colony. A comparative summary of the District's overall financial position, as of March 31, 2022 and 2021, is as follows:

	2022	2021
Current and other assets	\$ 6,194,841	\$ 5,266,255
Capital assets	43,434,560	40,322,314
Total assets	<u>49,629,401</u>	<u>45,588,569</u>
Current liabilities	1,558,036	6,457,541
Long-term liabilities	89,310,812	74,135,389
Total liabilities	<u>90,868,848</u>	<u>80,592,930</u>
Net position		
Net investment in capital assets	(8,729,684)	(6,825,615)
Restricted	2,851,901	2,020,421
Unrestricted	(35,361,664)	(30,199,167)
Total net position	<u>\$ (41,239,447)</u>	<u>\$ (35,004,361)</u>

***Brazoria County Municipal Utility District No. 55***  
***Management's Discussion and Analysis***  
***March 31, 2022***

The total net position of the District decreased during the current fiscal year by \$6,235,086. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2022	2021
Revenues		
Property taxes, penalties and interest	\$ 3,099,792	\$ 2,316,227
Water and sewer service	1,045,675	912,416
Other	495,875	491,671
Total revenues	<u>4,641,342</u>	<u>3,720,314</u>
Expenses		
Current service operations	1,742,251	1,449,279
Debt interest and fees	1,261,884	1,051,310
Developer interest	1,378,335	681,355
Debt issuance costs	1,204,918	972,047
Depreciation	806,587	734,292
Total expenses	<u>6,393,975</u>	<u>4,888,283</u>
Change in net position before other items	(1,752,633)	(1,167,969)
Other items		
Capital recovery fees	879,520	
Transfers to other governments	<u>(5,361,973)</u>	<u>(1,782,802)</u>
Change in net position	(6,235,086)	(2,950,771)
Net position, beginning of year	<u>(35,004,361)</u>	<u>(32,053,590)</u>
Net position, end of year	<u><u>\$ (41,239,447)</u></u>	<u><u>\$ (35,004,361)</u></u>

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

The District's combined fund balances, as of March 31, 2022, were \$5,695,788, which consists of \$2,419,221 in the General Fund, \$2,895,719 in the Debt Service Fund, and \$380,848 in the Capital Projects Fund.

***Brazoria County Municipal Utility District No. 55  
Management's Discussion and Analysis  
March 31, 2022***

*General Fund*

A comparative summary of the General Fund's financial position as of March 31, 2022 and 2021 is as follows:

	2022	2021
Total assets	<u>\$ 2,843,474</u>	<u>\$ 1,595,106</u>
Total liabilities	\$ 419,418	\$ 411,875
Total deferred inflows	4,835	7,863
Total fund balance	<u>2,419,221</u>	<u>1,175,368</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 2,843,474</u>	<u>\$ 1,595,106</u>

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

	2022	2021
Total revenues	\$ 1,785,403	\$ 1,734,246
Total expenditures	<u>(1,473,918)</u>	<u>(1,311,892)</u>
Revenues over expenditures	311,485	422,354
Other changes in fund balance	<u>932,368</u>	<u>47,959</u>
Net change in fund balance	<u>\$ 1,243,853</u>	<u>\$ 470,313</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy, the provision of water and sewer services to customers within the District, tap connection fees charged to 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 assessed values in the District increased from the prior year, property tax revenues decreased because the District decreased the maintenance component of the levy.
- Water and sewer revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.
- Tap connection fees fluctuate with homebuilding activity within the District.

As further discussed in Note 15, during the current year the District received \$879,520 from Alvin Independent School District for capital recovery fees.

***Brazoria County Municipal Utility District No. 55  
Management's Discussion and Analysis  
March 31, 2022***

*Debt Service Fund*

A comparative summary of the Debt Service Fund's financial position as of March 31, 2022 and 2021 is as follows:

	2022	2021
Total assets	<u>\$ 2,970,519</u>	<u>\$ 2,135,679</u>
Total liabilities	\$ 7,841	\$ 19,890
Total deferred inflows	66,959	53,427
Total fund balance	<u>2,895,719</u>	<u>2,062,362</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 2,970,519</u>	<u>\$ 2,135,679</u>

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

	2022	2021
Total revenues	<u>\$ 2,845,354</u>	<u>\$ 1,977,016</u>
Total expenditures	<u>(2,011,997)</u>	<u>(1,529,080)</u>
Revenues over expenditures	833,357	447,936
Other changes in fund balance		91,094
Net change in fund balance	<u>\$ 833,357</u>	<u>\$ 539,030</u>

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues. During the previous fiscal year, financial resources also included 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, 2022 and 2021 is as follows:

	2022	2021
Total assets	<u>\$ 380,848</u>	<u>\$ 1,535,470</u>
Total liabilities	\$ -	\$ 17,408
Total fund balance	<u>380,848</u>	<u>1,518,062</u>
Total liabilities and fund balance	<u>\$ 380,848</u>	<u>\$ 1,535,470</u>

***Brazoria County Municipal Utility District No. 55***  
***Management's Discussion and Analysis***  
***March 31, 2022***

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

	2022	2021
Total revenues	\$ 81	\$ 826
Total expenditures	(11,111,447)	(10,229,308)
Revenues under expenditures	(11,111,366)	(10,228,482)
Other changes in fund balance	9,974,152	10,982,947
Net change in fund balance	\$ (1,137,214)	\$ 754,465

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2021 Unlimited Tax Bonds and Series 2021 Unlimited Tax Road Bonds in the current year and issuance of its Series 2020 Unlimited Tax Bonds, Series 2020 Unlimited Tax Road Bonds and Series 2021 Bond Anticipation Note 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 did not amend the budget during the fiscal year.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$741,577 greater than budgeted. The *Budgetary Comparison Schedule* on page 38 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.

***Brazoria County Municipal Utility District No. 55***  
***Management's Discussion and Analysis***  
***March 31, 2022***

Capital assets held by the District at March 31, 2022 and 2021 are summarized as follows:

	2022	2021
Capital assets not being depreciated		
Land and improvements	\$ 10,860,442	\$ 10,015,828
Construction in progress		179,060
	<u>10,860,442</u>	<u>10,194,888</u>
Capital assets being depreciated		
Infrastructure	36,012,304	32,759,025
Less accumulated depreciation	<u>(3,438,186)</u>	<u>(2,631,599)</u>
Depreciable capital assets, net	<u>32,574,118</u>	<u>30,127,426</u>
Capital assets, net	<u>\$ 43,434,560</u>	<u>\$ 40,322,314</u>

Capital asset additions during the current year include the following:

- Wastewater treatment plant expansion to 0.48 million gallons per day
- Water supply and storage facility expansion no. 1
- Water and sewer facilities to serve Meridiana Section 76-B
- Water and sewer facilities to serve Meridiana Section 81-B
- Water and sewer facilities to serve Meridiana Commercial Section 68

The City of Iowa Colony assumes responsibility for all storm sewer systems constructed in public streets and road facilities constructed within the City. Consequently, these projects are not recorded as capital assets on the District's financial statements but are recorded as transfers to other governments upon completion of construction. For the year ended March 31, 2022, capital assets in the amount of \$5,361,973 have been completed and recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 10.

### **Long-Term Debt and Related Liabilities**

As of March 31, 2022, the District owes approximately \$39,793,502 to the 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 7, the District has an additional commitment in the amount of \$16,794,251 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.



***Brazoria County Municipal Utility District No. 55***  
***Management's Discussion and Analysis***  
***March 31, 2022***

At March 31, 2022 and 2021, the District had total bonded debt outstanding as shown below:

Series	2022	2021
2016	\$ 2,220,000	\$ 2,295,000
2017	4,795,000	4,940,000
2017 Road	2,995,000	3,085,000
2018	3,060,000	3,160,000
2018 Road	3,090,000	3,170,000
2019	5,060,000	5,195,000
2019 Road	4,190,000	4,300,000
2020	6,980,000	6,980,000
2020 Road	3,000,000	3,000,000
2021	9,900,000	
2021 Road	5,305,000	
	<u>\$ 50,595,000</u>	<u>\$ 36,125,000</u>

During the current year, the District issued \$9,900,000 in unlimited tax bonds and \$5,305,000 in unlimited tax road bonds. At March 31, 2022, the District had \$79,710,000 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 the refunding of such bonds; \$41,170,000 for parks and recreational facilities and the refunding of such bonds; and \$16,590,000 for road improvements and the refunding of such bonds.

### **Next Year's Budget**

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes 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:

	2022 Actual	2023 Budget
Total revenues	\$ 1,785,403	\$ 1,723,000
Total expenditures	(1,473,918)	(1,504,330)
Revenues over expenditures	311,485	218,670
Other changes in fund balance	932,368	
Net change in fund balance	1,243,853	218,670
Beginning fund balance	1,175,368	2,419,221
Ending fund balance	<u>\$ 2,419,221</u>	<u>\$ 2,637,891</u>

### **Property Taxes**

The District's property tax base increased approximately \$136,151,000 for the 2022 tax year from \$345,656,771 to \$481,807,504, based on preliminary values. This increase was primarily due to new construction in the District and increased property values.

## **Basic Financial Statements**

***Brazoria County Municipal Utility District No. 55***  
***Statement of Net Position and Governmental Funds Balance Sheet***  
***March 31, 2022***

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>						
Cash	\$ 2,264,004	\$ 2,947,470	\$ 473,440	\$ 5,684,914	\$ -	\$ 5,684,914
Investments	248,418			248,418		248,418
Taxes receivable	4,835	66,959		71,794		71,794
Customer service receivables, net	117,467			117,467		117,467
Internal balances	136,502	(43,910)	(92,592)			
Prepaid items	66,107			66,107		66,107
Other receivables	6,141			6,141		6,141
Capital assets not being depreciated					10,860,442	10,860,442
Capital assets, net					32,574,118	32,574,118
Total Assets	<u>\$ 2,843,474</u>	<u>\$ 2,970,519</u>	<u>\$ 380,848</u>	<u>\$ 6,194,841</u>	<u>43,434,560</u>	<u>49,629,401</u>
<b>Liabilities</b>						
Accounts payable	\$ 99,753	\$ -	\$ -	\$ 99,753		99,753
Other payables	31,526	7,841		39,367		39,367
Customer deposits	222,625			222,625		222,625
Builder deposits	18,000			18,000		18,000
Unearned revenue	43,910			43,910		43,910
Due to other governments	3,604			3,604		3,604
Accrued interest payable					110,777	110,777
Due to developer					39,793,502	39,793,502
Long-term debt						
Due within one year					1,020,000	1,020,000
Due after one year					49,517,310	49,517,310
Total Liabilities	<u>419,418</u>	<u>7,841</u>	<u></u>	<u>427,259</u>	<u>90,441,589</u>	<u>90,868,848</u>
<b>Deferred Inflows of Resources</b>						
Deferred property taxes	<u>4,835</u>	<u>66,959</u>	<u></u>	<u>71,794</u>	<u>(71,794)</u>	
<b>Fund Balances/Net Position</b>						
<b>Fund Balances</b>						
Nonspendable	66,107			66,107	(66,107)	
Restricted		2,895,719	380,848	3,276,567	(3,276,567)	
Unassigned	2,353,114			2,353,114	(2,353,114)	
Total Fund Balances	<u>2,419,221</u>	<u>2,895,719</u>	<u>380,848</u>	<u>5,695,788</u>	<u>(5,695,788)</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,843,474</u>	<u>\$ 2,970,519</u>	<u>\$ 380,848</u>	<u>\$ 6,194,841</u>		
<b>Net Position</b>						
Net investment in capital assets					(8,729,684)	(8,729,684)
Restricted for debt service					2,851,901	2,851,901
Unrestricted					(35,361,664)	(35,361,664)
Total Net Position					<u>\$ (41,239,447)</u>	<u>\$ (41,239,447)</u>

See notes to basic financial statements.

***Brazoria County Municipal Utility District No. 55***

***Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended March 31, 2022***

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>						
Water service	\$ 552,206	\$ -	\$ -	\$ 552,206	\$ -	\$ 552,206
Sewer service	493,469			493,469		493,469
Property taxes	228,922	2,829,372		3,058,294	10,799	3,069,093
Penalties and interest	15,892	15,102		30,994	(295)	30,699
Groundwater pumpage fees	3,956			3,956		3,956
Tap connection and inspection	454,782			454,782		454,782
Miscellaneous	34,807	270	65	35,142		35,142
Investment earnings	1,369	610	16	1,995		1,995
Total Revenues	1,785,403	2,845,354	81	4,630,838	10,504	4,641,342
<b>Expenditures/Expenses</b>						
Current service operations						
Professional fees	220,694		215,377	436,071		436,071
Contracted services	374,621	44,541		419,162		419,162
Repairs and maintenance	369,660			369,660		369,660
Lease	343,574			343,574		343,574
Utilities	77,844			77,844		77,844
Administrative	78,244	5,915		84,159		84,159
Other	9,281	2,500		11,781		11,781
Capital outlay			8,293,268	8,293,268	(8,293,268)	
Debt service						
Principal		735,000		735,000	(735,000)	
Interest and fees		1,224,041	19,549	1,243,590	18,294	1,261,884
Developer interest			1,378,335	1,378,335		1,378,335
Debt issuance costs			1,204,918	1,204,918		1,204,918
Depreciation					806,587	806,587
Total Expenditures/Expenses	1,473,918	2,011,997	11,111,447	14,597,362	(8,203,387)	6,393,975
<b>Revenues Over/(Under) Expenditures/Expenses</b>	311,485	833,357	(11,111,366)	(9,966,524)	8,213,891	(1,752,633)
<b>Other Financing Sources/(Uses)</b>						
Proceeds from sale of bonds			15,205,000	15,205,000	(15,205,000)	
Repayment of bond anticipation note			(5,178,000)	(5,178,000)	5,178,000	
Internal transfers	52,848		(52,848)			
<b>Other Items</b>						
Capital recovery fees	879,520			879,520		879,520
Transfers to other governments					(5,361,973)	(5,361,973)
<b>Net Change in Fund Balances</b>	1,243,853	833,357	(1,137,214)	939,996	(939,996)	
<b>Change in Net Position</b>					(6,235,086)	(6,235,086)
Fund Balances/Net Position						
Beginning of the year	1,175,368	2,062,362	1,518,062	4,755,792	(39,760,153)	(35,004,361)
<b>End of the year</b>	<u>\$ 2,419,221</u>	<u>\$ 2,895,719</u>	<u>\$ 380,848</u>	<u>\$ 5,695,788</u>	<u>\$ (46,935,235)</u>	<u>\$ (41,239,447)</u>

See notes to basic financial statements.

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

The accounting policies of Brazoria County Municipal Utility District No. 55 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

### **Creation**

The District was organized, created and established pursuant to an order of the Texas Commission on Environmental Quality dated August 16, 2007, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on August 28, 2007, and the first bonds were issued on December 13, 2016.

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

### **Reporting Entity**

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

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

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

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

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

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

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

- The General Fund is used to account for the operations of the District’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 and tap connection 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.

**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, 2022, an allowance of \$4,500 was provided for possible uncollectible water/sewer accounts. An allowance for possible uncollectible property taxes was not considered necessary.

**Unbilled Service Revenues**

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

**Interfund Activity**

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

**Capital Assets**

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



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

**Capital Assets (continued)**

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

<u>Assets</u>	<u>Useful Life</u>
Infrastructure	15-45 years

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

**Deferred Inflows and Outflows of Financial Resources**

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

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

**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 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 value of unbilled utility revenues and receivables; the useful lives and impairment of capital assets; the value of amounts due to developer; the value of capital assets transferred to the City of Iowa Colony 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 County Municipal Utility District No. 55***  
***Notes to Financial Statements***  
***March 31, 2022***

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

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

Total fund balances, governmental funds	\$ 5,695,788
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost	\$ 46,872,746	
Less accumulated depreciation	<u>(3,438,186)</u>	
Change due to capital assets		43,434,560

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	(50,537,310)	
Interest payable on bonds	<u>(110,777)</u>	
Change due to long-term debt		(50,648,087)

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> .	(39,793,502)
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Property taxes receivable and related penalties and interest have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.	71,794
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Total net position - governmental activities	<u><u>\$ (41,239,447)</u></u>
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***Brazoria County Municipal Utility District No. 55***  
***Notes to Financial Statements***  
***March 31, 2022***

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

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

Net change in fund balances - total governmental funds	\$ 939,996
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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 <i>Statement of Activities</i> when earned. The difference is for property taxes and penalties and interest.	10,504
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Capital outlays for developer reimbursements are recorded as expenditures in the fund, but reduce the liability for due to developer in the *Statement of Net Position*. In the *Statement of Activities*, the cost of capital assets is charged to expense over the estimated useful life of the asset.

Capital outlays	\$ 8,293,268	
Depreciation expense	<u>(806,587)</u>	
		7,486,681

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	(15,205,000)	
Principal payments	735,000	
Repayment of bond anticipation note	5,178,000	
Interest expense accrual	<u>(18,294)</u>	
		(9,310,294)

The District conveys certain facilities to the City of Iowa Colony upon completion of construction. Since these improvements are funded by the developer, financial resources are not expended in the fund financial statements; however, in the <i>Statement of Activities</i> , these amounts are reported as transfers to other governments.	(5,361,973)
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Change in net position of governmental activities	<u><u>\$ (6,235,086)</u></u>
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### **Note 3 – Deposits and Investments**

#### **Deposit Custodial Credit Risk**

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

#### **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, 2022, the District's investments consist entirely of certificates of deposit in the amount of \$248,418 in the General Fund. These investments are reported at cost.

***Brazoria County Municipal Utility District No. 55***  
***Notes to Financial Statements***  
***March 31, 2022***

**Note 4 – Interfund Balances and Transactions**

Amounts due to/from other funds at March 31, 2022, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	\$ 38,595	Maintenance tax collections not remitted as of year end
General Fund	Debt Service Fund	5,315	Paying agent fees and arbitrage expense paid by the General Fund
General Fund	Capital Projects Fund	92,592	Bond application costs and engineering fees paid by the General Fund

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

During the current year, the Capital Projects Fund transferred \$52,848 to the General Fund to reimburse wastewater treatment plant lease payments paid in the previous fiscal year.

**Note 5 – Capital Assets**

A summary of changes in capital assets, for the year ended March 31, 2022, is as follows:

	Beginning Balances	Additions/ Adjustments	Retirements	Ending Balances
Capital assets not being depreciated				
Land and improvements	\$ 10,015,828	\$ 844,614	\$ -	\$ 10,860,442
Construction in progress	179,060		(179,060)	
	<u>10,194,888</u>	<u>844,614</u>	<u>(179,060)</u>	<u>10,860,442</u>
Capital assets being depreciated				
Infrastructure	32,759,025	3,253,279		36,012,304
Less accumulated depreciation	(2,631,599)	(806,587)		(3,438,186)
Subtotal depreciable capital assets, net	<u>30,127,426</u>	<u>2,446,692</u>		<u>32,574,118</u>
Capital assets, net	<u>\$ 40,322,314</u>	<u>\$ 3,291,306</u>	<u>\$ (179,060)</u>	<u>\$ 43,434,560</u>

Depreciation expense for the current year was \$806,587.

**Note 6 – Bond Anticipation Note**

The District uses a bond anticipation note (BAN) to provide short-term financing for reimbursements to its developer. Despite its short-term nature, a BAN is not recorded as a fund liability, since it will not be repaid from current financial resources and will be repaid through the issuance of long-term debt or another BAN. It is, however, recorded as a liability at the government-wide level.

***Brazoria County Municipal Utility District No. 55***  
***Notes to Financial Statements***  
***March 31, 2022***

**Note 6 – Bond Anticipation Note (continued)**

At the beginning of the fiscal year, the District had a BAN outstanding in the amount of \$5,178,000. This BAN was repaid on December 16, 2021 with proceeds from the issuance of the District's Series 2021 Unlimited Tax Bonds.

The effect of this transaction on the District's short-term obligations are as follows:

Beginning balance	\$ 5,178,000
Amounts repaid	(5,178,000)
Ending balance	<u>\$ -</u>

**Note 7 – Due to Developer**

The District has entered into financing agreements with its developer for the financing of the construction of water, sewer, drainage, and 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 are as follows:

Due to developer, beginning of year	\$ 38,805,964
Developer funded construction and adjustments	9,280,806
Developer reimbursements	(8,293,268)
Due to developer, end of year	<u>\$ 39,793,502</u>

***Brazoria County Municipal Utility District No. 55***  
***Notes to Financial Statements***  
***March 31, 2022***

**Note 7 – Due to Developer (continued)**

In addition, the District will owe the developer approximately \$16,794,251, 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*	Percent Complete
Meridiana 68 Utility Extension	\$ 293,287	65%
Meridiana Section 58-A	2,300,672	75%
Pursley Boulevard Phase 6	6,582,378	21%
Detention Basin O Phase 2, Detention Basin P	3,244,367	84%
Meridiana Section 57	1,604,321	76%
Wastewater Treatment Plant Maintenance Site	360,206	39%
Alvin ISD High School Lift Station	879,520	0%
Meridiana Section 56	1,529,500	0%
	<u>\$ 16,794,251</u>	

**Note 8 – Long-Term Debt**

Long-term debt is comprised of the following:

Bonds payable	\$ 50,595,000
Unamortized discounts	(57,690)
	<u>\$ 50,537,310</u>
Due within one year	<u>\$ 1,020,000</u>



***Brazoria County Municipal Utility District No. 55***  
***Notes to Financial Statements***  
***March 31, 2022***

**Note 8 – Long-Term Debt (continued)**

The District's bonds payable at March 31, 2022, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2016 Road	\$ 2,220,000	\$ 2,500,000	3.25% - 4.50%	September 1, 2018 - 2041	September 1, March 1	September 1, 2024
2017	4,795,000	5,215,000	2.00% - 3.875%	September 1, 2019 - 2042	September 1, March 1	September 1, 2025
2017 Road	2,995,000	3,255,000	2.00% - 4.00%	September 1, 2019 - 2042	September 1, March 1	September 1, 2025
2018	3,060,000	3,360,000	3.00% - 5.50%	September 1, 2020 - 2043	September 1, March 1	September 1, 2026
2018 Road	3,090,000	3,250,000	3.50% - 6.00%	September 1, 2020 - 2043	September 1, March 1	September 1, 2026
2019	5,060,000	5,195,000	2.00% - 4.00%	September 1, 2021 - 2045	September 1, March 1	September 1, 2024
2019 Road	4,190,000	4,300,000	2.00% - 4.00%	September 1, 2021 - 2045	September 1, March 1	September 1, 2024
2020	6,980,000	6,980,000	2.00% - 4.50%	September 1, 2022 - 2045	September 1, March 1	September 1, 2025
2020 Road	3,000,000	3,000,000	2.00% - 4.50%	September 1, 2022 - 2045	September 1, March 1	September 1, 2025
2021	9,900,000	9,900,000	1.50% - 4.00%	September 1, 2023 - 2046	September 1, March 1	September 1, 2027
2021 Road	5,305,000	5,305,000	1.50% - 4.00%	September 1, 2023 - 2046	September 1, March 1	September 1, 2027
	<u>\$ 50,595,000</u>					

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

At March 31, 2022, the District had authorized but unissued bonds in the amount of \$79,710,000 for water, sewer and drainage facilities and the refunding of such bonds; \$41,170,000 for park and recreational facilities and the refunding of such bonds; and \$16,590,000 for road improvements and the refunding of such bonds.

***Brazoria County Municipal Utility District No. 55***  
***Notes to Financial Statements***  
***March 31, 2022***

**Note 8 – Long-Term Debt (continued)**

On December 16, 2021, the District issued its \$9,900,000 Series 2021 Unlimited Tax Bonds at a net effective interest rate of 2.676191%. Proceeds of the bonds were used to reimburse its 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 repay a \$5,178,000 BAN issued in the previous fiscal year.

On December 16, 2021, the District issued its \$5,305,000 Series 2021 Unlimited Tax Road Bonds at a net effective interest rate of 2.74767%. Proceeds of the bonds were used to reimburse its developer for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds.

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

Bonds payable, beginning of year	\$ 36,125,000
Bonds issued	15,205,000
Bonds retired	<u>(735,000)</u>
Bonds payable, end of year	<u><u>\$ 50,595,000</u></u>

***Brazoria County Municipal Utility District No. 55***  
***Notes to Financial Statements***  
***March 31, 2022***

**Note 8 – Long-Term Debt (continued)**

As of March 31, 2022, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2023	\$ 1,020,000	\$ 1,526,862	\$ 2,546,862
2024	1,530,000	1,475,234	3,005,234
2025	1,590,000	1,412,661	3,002,661
2026	1,635,000	1,351,739	2,986,739
2027	1,680,000	1,292,798	2,972,798
2028	1,730,000	1,236,762	2,966,762
2029	1,785,000	1,185,999	2,970,999
2030	1,840,000	1,134,646	2,974,646
2031	1,895,000	1,079,488	2,974,488
2032	1,955,000	1,022,809	2,977,809
2033	2,010,000	964,564	2,974,564
2034	2,075,000	903,720	2,978,720
2035	2,145,000	839,917	2,984,917
2036	2,215,000	774,528	2,989,528
2037	2,280,000	707,721	2,987,721
2038	2,355,000	636,568	2,991,568
2039	2,430,000	560,625	2,990,625
2040	2,510,000	481,375	2,991,375
2041	2,595,000	398,239	2,993,239
2042	2,680,000	311,141	2,991,141
2043	2,610,000	224,572	2,834,572
2044	2,475,000	150,997	2,625,997
2045	2,330,000	93,261	2,423,261
2046	2,395,000	39,644	2,434,644
2047	830,000	6,225	836,225
	<u>\$ 50,595,000</u>	<u>\$ 19,812,095</u>	<u>\$ 70,407,095</u>

**Note 9 – Property Taxes**

On November 6, 2007, 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. District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

All property values and exempt status, if any, are determined by the 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.

***Brazoria County Municipal Utility District No. 55***  
***Notes to Financial Statements***  
***March 31, 2022***

**Note 9 – Property Taxes (continued)**

Property taxes are collected based on rates adopted in the year of the levy. The District's 2022 fiscal year was financed through the 2021 tax levy, pursuant to which the District levied property taxes of \$0.885 per \$100 of assessed value, of which \$0.065 was allocated to maintenance and operations, \$0.52 was allocated to debt service, and \$0.30 was allocated to road debt service. The resulting tax levy was \$3,059,062 on the adjusted taxable value of \$345,656,771.

Property taxes receivable, at March 31, 2022, consisted of the following:

Current year taxes receivable	\$ 65,866
Penalty and interest receivable	5,928
Property taxes receivable	<u>\$ 71,794</u>

**Note 10 – Transfers to Other Governments**

The City of Iowa Colony assumes responsibility for the maintenance of storm sewer systems constructed in public streets, road facilities and certain landscaping improvements within the District. Accordingly, these facilities are considered to be capital assets of the City of Iowa Colony, not the District. The estimated cost of each project is trued-up when the developer is subsequently reimbursed. For the year ended March 31, 2022, the District recorded transfers to other governments in the amount of \$5,361,973 for storm sewer systems and road facilities constructed by the developer within the District.

**Note 11 – Lease Agreements**

On October 14, 2014, the District entered into an equipment lease agreement for a temporary wastewater treatment plant. This lease is for a term of 60 months effective June 1, 2016, unless otherwise terminated. The District has the option to extend the lease on a month-to-month basis following expiration of the term. The District is responsible for all ordinary expenses related to repairing and maintaining the equipment. This lease is on a month to month basis. Monthly payments for the initial wastewater treatment plant lease are \$10,325.

On July 12, 2018, the District entered into a second equipment lease agreement for expansion of the wastewater treatment plant. This lease is for a term of 60 months effective July 1, 2019, unless terminated. The District has the option to extend the lease on a month-to-month basis following expiration of the term. The District is responsible for all ordinary expenses related to repairing and maintaining the equipment. Monthly payments for the second lease are \$7,950.

On July 16, 2020, subsequently amended December 10, 2020, the District entered into a third equipment lease agreement for expansion of the wastewater treatment plant. This lease is for a term of 60 months, with a projected effective date of August 2021, unless terminated. The District has the option to extend the lease on a month-to-month basis following expiration of the term. The District is responsible for all ordinary expenses related to repairing and maintaining the equipment. Monthly payments for the second lease are \$19,750.

***Brazoria County Municipal Utility District No. 55***  
***Notes to Financial Statements***  
***March 31, 2022***

**Note 11 – Lease Agreements (continued)**

As of March 31, 2021, the District's paid \$343,574 in lease payments, which includes \$129,674 for the wastewater treatment plant and \$213,900 for the expansion of the wastewater treatment plant. Future minimum leases payments as of March 31, 2022 for term leases are as follows:

Year	Amount
2023	\$ 332,400
2024	332,400
2025	260,850
2026	237,000
2027	118,500
	\$ 1,281,150

Standard lease terms require the District to prepay the last month's lease payment upon inception of the lease. All such amounts are recorded as a prepaid expense on the *Statement of Net Position*.

**Note 12 – Shared Facilities Agreement with the City of Iowa Colony**

On February 15, 2011, the District entered into a Shared Financing Agreement (the "Agreement") with the City of Iowa Colony, Texas (the "City"), Reinvestment Zone Number Two, City of Iowa Colony, Texas (the "Zone") and Iowa Colony Development Authority (the "Authority") for the purpose of constructing TIRZ Projects which include various public works and improvements. The Authority and the District agree to assist the City and the Zone in the implementation of the TIRZ Projects and in the funding, ownership, operation and maintenance of the TIRZ Projects. The District will act as Project Manager for the TIRZ projects set out in the Agreement, and will give written notice to the Authority Board before initiating the design or construction of a TIRZ project for approval. Upon completion of TIRZ Project construction, the project shall be conveyed to the responsible party as stated in the Agreement.

For any year in which the City collects or receives Tax Increment, the City will pay such Tax Increment to the Authority. For any year the Authority receives payments from the City, the amount of Project Costs to be paid from Tax Increment by the Authority ("TIRZ Share") to the District is the percentage of the actual project costs set out in the Agreement. The District will begin to receive TIRZ Share payments no later than thirty days prior to the fall principal and interest payment date subsequent to the District issuance of bonds.

The term of the Agreement will expire on the later of January 1 in the year following completion of the TIRZ plan or the date that the Developer has been repaid in full for all eligible project costs. As of March 31, 2022, certain projects in the Zone have been completed and the District is in process of submitting documentation for reimbursement. The amount of reimbursement is not known as of fiscal year end.

**Note 13 – Interim Wastewater Capacity Supply Agreement**

On February 13, 2020, the District entered into an Amended and Restated Interim Wastewater Capacity Supply Agreement with Brazoria County Municipal Utility District No. 56 (“MUD 56”). Pursuant to the agreement, the District agrees to provide MUD 56 interim wastewater capacity supply during the time MUD 56 is constructing its wastewater treatment plant. The District will have final ownership to the interim wastewater capacity. Each district is billed for its proportionate share of maintenance and operating expenditures based on the active equivalent single-family connections. The Agreement shall be in force until MUD 56 completes construction of its wastewater treatment plant unless terminated by either party. As of March 31, 2022, the District has not billed for any such costs.

**Note 14 – Interconnect and Interim Water Supply Agreement**

On November 18, 2021, the District approved the Second Amended and Restated Interconnect and Interim Water Supply Agreement (the “Agreement”) with MUD 56. MUD 56 has agreed to provide the District with interim water supply up to a maximum of 1,000 equivalent single-family connections until the District has constructed sufficient capacity within its system to serve the area within its boundaries. Each District shall pay its proportionate share of the operation and maintenance expenditures. MUD 55 is responsible for the construction of the joint water facilities and MUD 56 shall reimburse MUD 55 for the construction costs related to the MUD 56 water line no later than January 31, 2023. The term of this agreement is 40 years. As of March 31, 2022, there were no operation and maintenance expenditures related to the joint water plant.

**Note 15 – Capital Recovery Fees**

During the current year, the District received \$879,520 from the Alvin Independent School District (“AISD”) for the construction of a lift station to serve AISD High School No. 4 located at Davenport Parkway and Iowa Colony Boulevard. This fee represents AISD’s proportionate share of costs necessary to construct the facilities.

**Note 16 – Risk Management**

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

**Note 17 – Subsequent Event**

On April 26, 2022, the District issued its \$4,362,000 Series 2022 Bond Anticipation Note with an interest rate of 2.32%, which is due on April 27, 2023. Proceeds from the BAN were used to reimburse the District’s developer for land acquisitions for detention facilities and infrastructure improvements in the District.

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## **Required Supplementary Information**



***Brazoria County Municipal Utility District No. 55***  
***Required Supplementary Information - Budgetary Comparison Schedule - General Fund***  
***For the Year Ended March 31, 2022***

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Water service	\$ 500,000	\$ 552,206	\$ 52,206
Sewer service	360,000	493,469	133,469
Property taxes	325,000	228,922	(96,078)
Penalties and interest		15,892	15,892
Groundwater pumpage fees	19,000	3,956	(15,044)
Tap connection and inspection	450,000	454,782	4,782
Miscellaneous		34,807	34,807
Investment earnings	8,000	1,369	(6,631)
Total Revenues	<u>1,662,000</u>	<u>1,785,403</u>	<u>123,403</u>
<b>Expenditures</b>			
Current service operations			
Professional fees	177,500	220,694	(43,194)
Contracted services	436,400	374,621	61,779
Repairs and maintenance	268,500	369,660	(101,160)
Lease	158,544	343,574	(185,030)
Utilities	68,000	77,844	(9,844)
Administrative	35,780	78,244	(42,464)
Other	15,000	9,281	5,719
Total Expenditures	<u>1,159,724</u>	<u>1,473,918</u>	<u>(314,194)</u>
<b>Revenues Over Expenditures</b>	502,276	311,485	(190,791)
<b>Other Financing Sources</b>			
Internal transfers		52,848	52,848
<b>Other Item</b>			
Capital recovery fees		879,520	879,520
<b>Net Change in Fund Balance</b>	502,276	1,243,853	741,577
<b>Fund Balance</b>			
Beginning of the year	1,175,368	1,175,368	
<b>End of the year</b>	<u>\$ 1,677,644</u>	<u>\$ 2,419,221</u>	<u>\$ 741,577</u>

***Brazoria County Municipal Utility District No. 55***  
***Notes to Required Supplementary Information***  
***March 31, 2022***

**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. There were no amendments to the budget during the year.

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## **Texas Supplementary Information**

**Brazoria County Municipal Utility District No. 55**  
**TSI-1. Services and Rates**  
**March 31, 2022**

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

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

2. Retail Service Providers

a. Retail Rates for a 1" meter (or equivalent):

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels	
Water:	\$ 28.80	10,000	N	\$ 2.60	10,001	to 20,000
				\$ 3.15	20,001	to 25,000
				\$ 3.95	25,001	to no limit
Wastewater:	\$ 28.80	10,000	N	\$ 1.35	10,001	to 20,000
				\$ 1.60	20,001	to 25,000
				\$ 1.80	25,001	to no limit
Groundwater reduction:	\$ 0.03	1,000		\$ 0.03	1,001	to no limit

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

Total charges per 10,000 gallons usage: Water \$ 29.10 Wastewater \$ 28.80

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	341	341	x 1.0	341
1"	1,065	1,058	x 2.5	2,645
1.5"			x 5.0	
2"	13	13	x 8.0	104
3"	2	2	x 15.0	30
4"			x 25.0	
6"	1	1	x 50.0	50
8"	1	1	x 80.0	80
10"			x 115.0	
Total Water	1,423	1,416		3,250
Total Wastewater	1,409	1,402	x 1.0	1,402

See accompanying auditors' report.

***Brazoria County Municipal Utility District No. 55***  
***TSI-1. Services and Rates***  
***March 31, 2022***

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

Gallons pumped into system:	<u>158,503,000</u>	Water Accountability Ratio:
Gallons billed to customers:	<u>151,857,000</u>	(Gallons billed / Gallons pumped)
		<u>95.81%</u>

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

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

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

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

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

5. Location of District

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

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

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

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

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

Entirely ☐ Partly ☐ Not at all ☒

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

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

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

See accompanying auditors' report.

***Brazoria County Municipal Utility District No. 55***  
***TSI-2 General Fund Expenditures***  
***For the Year Ended March 31, 2022***

Professional fees		
Legal	\$	88,953
Audit		12,500
Engineering		119,241
		<u>220,694</u>
Contracted services		
Bookkeeping		18,474
Operator		113,413
Tap connection and inspection		242,734
		<u>374,621</u>
Repairs and maintenance		<u>369,660</u>
Lease		<u>343,574</u>
Utilities		<u>77,844</u>
Administrative		
Directors fees		8,719
Printing and office supplies		46,033
Insurance		21,706
Other		1,786
		<u>78,244</u>
Other		<u>9,281</u>
Total expenditures	\$	<u><u>1,473,918</u></u>

Reporting of Utility Services in Accordance with HB 3693:

	Usage	Cost
Electrical	886,560 kWh	\$ 76,163
Water	N/A	N/A
Natural Gas	N/A	N/A

See accompanying auditors' report.

***Brazoria County Municipal Utility District No. 55***  
***TSI-3. Investments***  
***March 31, 2022***

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Interest Receivable</u>
General				
Certificate of deposit	0.40%	09/13/22	\$ 248,418	\$ 542

See accompanying auditors' report.



***Brazoria County Municipal Utility District No. 55***  
***TSI-4. Taxes Levied and Receivable***  
***March 31, 2022***

	Maintenance Taxes	W-S-D Debt Service Taxes	Road Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	\$ 7,863	\$ 24,868	\$ 22,336	\$ 55,067
Adjustments to Prior Year Tax Levy	1,361	4,612	4,058	10,031
Adjusted Receivable	9,224	29,480	26,394	65,098
2021 Original Tax Levy	205,005	1,640,039	946,176	2,791,220
Adjustments	19,672	157,376	90,794	267,842
Adjusted Tax Levy	224,677	1,797,415	1,036,970	3,059,062
Total to be accounted for	233,901	1,826,895	1,063,364	3,124,160
Tax collections:				
Current year	219,842	1,758,711	1,014,643	2,993,196
Prior years	9,224	29,480	26,394	65,098
Total Collections	229,066	1,788,191	1,041,037	3,058,294
Taxes Receivable, End of Year	\$ 4,835	\$ 38,704	\$ 22,327	\$ 65,866
Taxes Receivable, By Years				
2021	\$ 4,835	\$ 38,704	\$ 22,327	\$ 65,866
	2021	2020	2019	2018
Property Valuations:				
Land	\$ 75,816,273	\$ 70,065,637	\$ 48,433,722	\$ 31,899,114
Improvements	299,883,535	210,148,266	129,463,710	72,177,593
Personal Property	4,090,040	3,076,630	1,656,620	1,335,010
Exemptions	(34,133,077)	(23,797,213)	(8,226,907)	(6,090,165)
Total Property Valuations	\$ 345,656,771	\$ 259,493,320	\$ 171,327,145	\$ 99,321,552
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.065	\$ 0.125	\$ 0.095	\$ 0.170
W-S-D debt service tax rates	0.520	0.400	0.440	0.345
Road debt service tax rates	0.300	0.360	0.350	0.370
Total Tax Rates per \$100 Valuation	\$ 0.885	\$ 0.885	\$ 0.885	\$ 0.885
Adjusted Tax Levy:	\$ 3,059,062	\$ 2,296,516	\$ 1,516,245	\$ 878,996
Percentage of Taxes Collected to Taxes Levied **	97.85%	100.00%	100.00%	100.00%

\* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on November 6, 2007

\* Maximum Road Maintenance Tax Rate Approved by Voters: \$0.25 on May 10, 2008

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

See accompanying auditors' report.

***Brazoria County Municipal Utility District No. 55***  
***TSI-5. Long-Term Debt Service Requirements***  
***Series 2016 Road--by Years***  
***March 31, 2022***

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2023	\$ 75,000	\$ 90,724	\$ 165,724
2024	80,000	88,206	168,206
2025	80,000	85,606	165,606
2026	85,000	82,819	167,819
2027	90,000	79,757	169,757
2028	90,000	76,494	166,494
2029	95,000	73,025	168,025
2030	100,000	69,243	169,243
2031	100,000	65,244	165,244
2032	105,000	60,947	165,947
2033	110,000	56,244	166,244
2034	115,000	51,322	166,322
2035	120,000	46,181	166,181
2036	125,000	40,822	165,822
2037	130,000	35,244	165,244
2038	135,000	29,362	164,362
2039	135,000	23,287	158,287
2040	145,000	16,988	161,988
2041	150,000	10,350	160,350
2042	155,000	3,488	158,488
	<u>\$ 2,220,000</u>	<u>\$ 1,085,353</u>	<u>\$ 3,305,353</u>

See accompanying auditors' report.

***Brazoria County Municipal Utility District No. 55***  
***TSI-5. Long-Term Debt Service Requirements***  
***Series 2017--by Years***  
***March 31, 2022***

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2023	\$ 150,000	\$ 160,270	\$ 310,270
2024	155,000	156,646	311,646
2025	160,000	152,637	312,637
2026	170,000	148,127	318,127
2027	175,000	143,210	318,210
2028	185,000	137,897	322,897
2029	190,000	132,177	322,177
2030	200,000	126,032	326,032
2031	205,000	119,500	324,500
2032	215,000	112,622	327,622
2033	220,000	105,362	325,362
2034	230,000	97,768	327,768
2035	240,000	89,687	329,687
2036	250,000	81,112	331,112
2037	260,000	72,187	332,187
2038	270,000	62,912	332,912
2039	280,000	52,937	332,937
2040	290,000	42,250	332,250
2041	305,000	30,903	335,903
2042	315,000	18,890	333,890
2043	330,000	6,393	336,393
	<u>\$ 4,795,000</u>	<u>\$ 2,049,519</u>	<u>\$ 6,844,519</u>

See accompanying auditors' report.

***Brazoria County Municipal Utility District No. 55***  
***TSI-5. Long-Term Debt Service Requirements***  
***Series 2017 Road--by Years***  
***March 31, 2022***

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2023	\$ 95,000	\$ 106,869	\$ 201,869
2024	95,000	104,019	199,019
2025	100,000	101,094	201,094
2026	105,000	98,019	203,019
2027	110,000	94,794	204,794
2028	115,000	91,347	206,347
2029	120,000	87,600	207,600
2030	125,000	83,540	208,540
2031	130,000	79,156	209,156
2032	135,000	74,518	209,518
2033	140,000	69,618	209,618
2034	145,000	64,453	209,453
2035	150,000	59,012	209,012
2036	155,000	53,294	208,294
2037	160,000	47,388	207,388
2038	170,000	41,094	211,094
2039	175,000	34,300	209,300
2040	180,000	27,200	207,200
2041	190,000	19,800	209,800
2042	195,000	12,100	207,100
2043	205,000	4,100	209,100
	<u>\$ 2,995,000</u>	<u>\$ 1,353,315</u>	<u>\$ 4,348,315</u>

See accompanying auditors' report.

***Brazoria County Municipal Utility District No. 55***  
***TSI-5. Long-Term Debt Service Requirements***  
***Series 2018--by Years***  
***March 31, 2022***

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2023	\$ 105,000	\$ 106,494	\$ 211,494
2024	105,000	100,719	205,719
2025	110,000	95,631	205,631
2026	110,000	91,781	201,781
2027	115,000	88,406	203,406
2028	115,000	84,956	199,956
2029	120,000	81,431	201,431
2030	120,000	77,831	197,831
2031	125,000	74,156	199,156
2032	125,000	70,328	195,328
2033	135,000	66,181	201,181
2034	135,000	61,709	196,709
2035	140,000	57,069	197,069
2036	145,000	52,169	197,169
2037	150,000	47,006	197,006
2038	155,000	41,572	196,572
2039	160,000	35,863	195,863
2040	165,000	29,972	194,972
2041	165,000	23,991	188,991
2042	175,000	17,719	192,719
2043	180,000	11,063	191,063
2044	205,000	3,844	208,844
	<u>\$ 3,060,000</u>	<u>\$ 1,319,891</u>	<u>\$ 4,379,891</u>

See accompanying auditors' report.

***Brazoria County Municipal Utility District No. 55***  
***TSI-5. Long-Term Debt Service Requirements***  
***Series 2018 Road--by Years***  
***March 31, 2022***

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2023	\$ 85,000	\$ 128,094	\$ 213,094
2024	90,000	122,844	212,844
2025	95,000	117,294	212,294
2026	100,000	111,444	211,444
2027	100,000	105,944	205,944
2028	105,000	101,606	206,606
2029	110,000	97,844	207,844
2030	115,000	93,906	208,906
2031	120,000	89,644	209,644
2032	125,000	85,050	210,050
2033	130,000	80,269	210,269
2034	140,000	75,031	215,031
2035	145,000	69,331	214,331
2036	150,000	63,431	213,431
2037	160,000	57,231	217,231
2038	165,000	50,731	215,731
2039	170,000	44,031	214,031
2040	180,000	36,918	216,918
2041	190,000	29,288	219,288
2042	195,000	21,347	216,347
2043	205,000	13,097	218,097
2044	215,000	4,434	219,434
	<u>\$ 3,090,000</u>	<u>\$ 1,598,809</u>	<u>\$ 4,688,809</u>

See accompanying auditors' report.

***Brazoria County Municipal Utility District No. 55***  
***TSI-5. Long-Term Debt Service Requirements***  
***Series 2019--by Years***  
***March 31, 2022***

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2023	\$ 140,000	\$ 136,906	\$ 276,906
2024	145,000	131,206	276,206
2025	145,000	125,406	270,406
2026	155,000	120,956	275,956
2027	160,000	117,806	277,806
2028	165,000	114,453	279,453
2029	170,000	110,788	280,788
2030	175,000	106,907	281,907
2031	180,000	102,913	282,913
2032	185,000	98,691	283,691
2033	195,000	94,178	289,178
2034	200,000	89,362	289,362
2035	210,000	84,237	294,237
2036	215,000	78,790	293,790
2037	225,000	73,015	298,015
2038	230,000	66,900	296,900
2039	240,000	60,439	300,439
2040	245,000	53,769	298,769
2041	255,000	46,575	301,575
2042	265,000	38,775	303,775
2043	275,000	30,675	305,675
2044	285,000	22,275	307,275
2045	295,000	13,575	308,575
2046	305,000	4,575	309,575
	<u>\$ 5,060,000</u>	<u>\$ 1,923,172</u>	<u>\$ 6,983,172</u>

See accompanying auditors' report.

***Brazoria County Municipal Utility District No. 55***  
***TSI-5. Long-Term Debt Service Requirements***  
***Series 2019 Road--by Years***  
***March 31, 2022***

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2023	\$ 115,000	\$ 114,318	\$ 229,318
2024	120,000	109,618	229,618
2025	125,000	104,718	229,718
2026	125,000	100,968	225,968
2027	130,000	98,418	228,418
2028	135,000	95,684	230,684
2029	140,000	92,675	232,675
2030	145,000	89,469	234,469
2031	150,000	86,057	236,057
2032	155,000	82,435	237,435
2033	160,000	78,594	238,594
2034	165,000	74,531	239,531
2035	175,000	70,172	245,172
2036	180,000	65,513	245,513
2037	185,000	60,606	245,606
2038	190,000	55,450	245,450
2039	200,000	50,090	250,090
2040	205,000	44,519	249,519
2041	210,000	38,550	248,550
2042	220,000	32,100	252,100
2043	230,000	25,350	255,350
2044	235,000	18,375	253,375
2045	245,000	11,175	256,175
2046	250,000	3,750	253,750
	<u>\$ 4,190,000</u>	<u>\$ 1,603,135</u>	<u>\$ 5,793,135</u>

See accompanying auditors' report.



***Brazoria County Municipal Utility District No. 55***  
***TSI-5. Long-Term Debt Service Requirements***  
***Series 2020--by Years***  
***March 31, 2022***

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2023	\$ 170,000	\$ 178,362	\$ 348,362
2024	180,000	170,488	350,488
2025	195,000	162,050	357,050
2026	195,000	153,275	348,275
2027	195,000	144,500	339,500
2028	200,000	138,112	338,112
2029	205,000	134,062	339,062
2030	210,000	129,912	339,912
2031	215,000	125,662	340,662
2032	220,000	121,312	341,312
2033	220,000	116,912	336,912
2034	225,000	112,463	337,463
2035	225,000	107,822	332,822
2036	235,000	102,934	337,934
2037	235,000	97,794	332,794
2038	240,000	92,450	332,450
2039	245,000	86,841	331,841
2040	255,000	80,903	335,903
2041	265,000	74,563	339,563
2042	270,000	67,875	337,875
2043	275,000	61,063	336,063
2044	605,000	50,063	655,063
2045	835,000	32,063	867,063
2046	865,000	10,813	875,813
	<u>\$ 6,980,000</u>	<u>\$ 2,552,294</u>	<u>\$ 9,532,294</u>

See accompanying auditors' report.

***Brazoria County Municipal Utility District No. 55***  
***TSI-5. Long-Term Debt Service Requirements***  
***Series 2020 Road--by Years***  
***March 31, 2022***

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2023	\$ 85,000	\$ 74,356	\$ 159,356
2024	90,000	70,419	160,419
2025	95,000	66,256	161,256
2026	95,000	61,981	156,981
2027	100,000	57,594	157,594
2028	100,000	54,344	154,344
2029	105,000	52,294	157,294
2030	105,000	50,194	155,194
2031	110,000	48,044	158,044
2032	115,000	45,794	160,794
2033	115,000	43,494	158,494
2034	120,000	41,144	161,144
2035	125,000	38,694	163,694
2036	130,000	36,144	166,144
2037	130,000	33,462	163,462
2038	135,000	30,647	165,647
2039	140,000	27,637	167,637
2040	145,000	24,431	169,431
2041	150,000	21,019	171,019
2042	155,000	17,397	172,397
2043	160,000	13,656	173,656
2044	160,000	9,856	169,856
2045	165,000	5,997	170,997
2046	170,000	2,018	172,018
	<u>\$ 3,000,000</u>	<u>\$ 926,872</u>	<u>\$ 3,926,872</u>

See accompanying auditors' report.

***Brazoria County Municipal Utility District No. 55***  
***TSI-5. Long-Term Debt Service Requirements***  
***Series 2021--by Years***  
***March 31, 2022***

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2023	\$ -	\$ 273,694	\$ 273,694
2024	305,000	267,594	572,594
2025	315,000	255,194	570,194
2026	320,000	242,494	562,494
2027	330,000	229,494	559,494
2028	340,000	216,094	556,094
2029	345,000	205,628	550,628
2030	355,000	196,637	551,637
2031	365,000	185,837	550,837
2032	375,000	174,737	549,737
2033	380,000	163,412	543,412
2034	390,000	151,862	541,862
2035	400,000	140,012	540,012
2036	410,000	129,144	539,144
2037	420,000	119,288	539,288
2038	435,000	107,775	542,775
2039	445,000	94,575	539,575
2040	455,000	81,075	536,075
2041	465,000	67,275	532,275
2042	480,000	53,100	533,100
2043	490,000	38,550	528,550
2044	500,000	27,450	527,450
2045	515,000	19,838	534,838
2046	525,000	12,038	537,038
2047	540,000	4,050	544,050
	<u>\$ 9,900,000</u>	<u>\$ 3,456,847</u>	<u>\$ 13,356,847</u>

See accompanying auditors' report.

***Brazoria County Municipal Utility District No. 55***  
***TSI-5. Long-Term Debt Service Requirements***  
***Series 2021 Road--by Years***  
***March 31, 2022***

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2023	\$ -	\$ 156,775	\$ 156,775
2024	165,000	153,475	318,475
2025	170,000	146,775	316,775
2026	175,000	139,875	314,875
2027	175,000	132,875	307,875
2028	180,000	125,775	305,775
2029	185,000	118,475	303,475
2030	190,000	110,975	300,975
2031	195,000	103,275	298,275
2032	200,000	96,375	296,375
2033	205,000	90,300	295,300
2034	210,000	84,075	294,075
2035	215,000	77,700	292,700
2036	220,000	71,175	291,175
2037	225,000	64,500	289,500
2038	230,000	57,675	287,675
2039	240,000	50,625	290,625
2040	245,000	43,350	288,350
2041	250,000	35,925	285,925
2042	255,000	28,350	283,350
2043	260,000	20,625	280,625
2044	270,000	14,700	284,700
2045	275,000	10,613	285,613
2046	280,000	6,450	286,450
2047	290,000	2,175	292,175
	<u>\$ 5,305,000</u>	<u>\$ 1,942,888</u>	<u>\$ 7,247,888</u>

See accompanying auditors' report.

***Brazoria County Municipal Utility District No. 55***  
***TSI-5. Long-Term Debt Service Requirements***  
***All Bonded Debt Series--by Years***  
***March 31, 2022***

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2023	\$ 1,020,000	\$ 1,526,862	\$ 2,546,862
2024	1,530,000	1,475,234	3,005,234
2025	1,590,000	1,412,661	3,002,661
2026	1,635,000	1,351,739	2,986,739
2027	1,680,000	1,292,798	2,972,798
2028	1,730,000	1,236,762	2,966,762
2029	1,785,000	1,185,999	2,970,999
2030	1,840,000	1,134,646	2,974,646
2031	1,895,000	1,079,488	2,974,488
2032	1,955,000	1,022,809	2,977,809
2033	2,010,000	964,564	2,974,564
2034	2,075,000	903,720	2,978,720
2035	2,145,000	839,917	2,984,917
2036	2,215,000	774,528	2,989,528
2037	2,280,000	707,721	2,987,721
2038	2,355,000	636,568	2,991,568
2039	2,430,000	560,625	2,990,625
2040	2,510,000	481,375	2,991,375
2041	2,595,000	398,239	2,993,239
2042	2,680,000	311,141	2,991,141
2043	2,610,000	224,572	2,834,572
2044	2,475,000	150,997	2,625,997
2045	2,330,000	93,261	2,423,261
2046	2,395,000	39,644	2,434,644
2047	830,000	6,225	836,225
	<u>\$ 50,595,000</u>	<u>\$ 19,812,095</u>	<u>\$ 70,407,095</u>

See accompanying auditors' report.

***Brazoria County Municipal Utility District No. 55***  
***TSI-6. Change in Long-Term Bonded Debt***  
***March 31, 2022***

***Page 1 of 3***

	Bond Issue			
	Series 2016 Road	Series 2017	Series 2017 Road	Series 2018
Interest rate	3.25% - 4.50%	2.000% - 3.875%	2.00% - 4.00%	3.00% - 5.50%
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1
Maturity dates	9/1/18 - 9/1/41	9/1/19 - 9/1/42	9/1/19 - 9/1/42	9/1/19 - 9/1/43
Beginning bonds outstanding	\$ 2,295,000	\$ 4,940,000	\$ 3,085,000	\$ 3,160,000
Bonds issued				
Bonds retired	(75,000)	(145,000)	(90,000)	(100,000)
Ending bonds outstanding	\$ 2,220,000	\$ 4,795,000	\$ 2,995,000	\$ 3,060,000
Interest paid during fiscal year	\$ 93,163	\$ 163,518	\$ 109,194	\$ 112,131
Paying agent's name and city				
Series 2016 Road, Series 2017, Series 2017 Road, Series 2018	Amegy Bank, a division of ZB, N.A., Houston, Texas			
All other Series	Zions Bancorporation, N.A., Houston, Texas			
Bond Authority:	Water, Sewer and Drainage Bonds	Park Bonds	Road Bonds	
Amount Authorized by Voters	\$ 110,360,000	\$ 41,170,000	\$ 38,200,000	
Amount Issued	(30,650,000)		(21,610,000)	
Remaining To Be Issued	\$ 79,710,000	\$ 41,170,000	\$ 16,590,000	

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, 2022: \$ 2,947,470

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 2,816,284

See accompanying auditors' report.

	Bond Issue			
	Series 2018 Road	Series 2019	Series 2019 Road	Series 2020
Interest rate	3.50% - 6.00%	2.00% - 4.00%	2.00% - 4.00%	2.00% - 4.50%
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1
Maturity dates	9/1/20 - 9/1/43	9/1/21 - 9/1/45	9/1/21 - 9/1/45	9/1/22 - 9/1/45
Beginning bonds outstanding	\$ 3,170,000	\$ 5,195,000	\$ 4,300,000	\$ 6,980,000
Bonds issued				
Bonds retired	(80,000)	(135,000)	(110,000)	
Ending bonds outstanding	<u>\$ 3,090,000</u>	<u>\$ 5,060,000</u>	<u>\$ 4,190,000</u>	<u>\$ 6,980,000</u>
Interest paid during fiscal year	<u>\$ 133,044</u>	<u>\$ 142,406</u>	<u>\$ 118,819</u>	<u>\$ 182,187</u>

See accompanying auditors' report.

Series 2020 Road	Bond Issue		Totals
	Series 2021	Series 2021 Road	
2.00% - 4.50%	1.50% - 4.00%	1.50% - 4.00%	
9/1; 3/1	9/1; 3/1	9/1; 3/1	
9/1/22 - 9/1/45	9/1/23 - 9/1/46	9/1/23 - 9/1/46	
\$ 3,000,000	\$ -	\$ -	\$ 36,125,000
	9,900,000	5,305,000	15,205,000
			(735,000)
<u>\$ 3,000,000</u>	<u>\$ 9,900,000</u>	<u>\$ 5,305,000</u>	<u>\$ 50,595,000</u>
<u>\$ 76,269</u>	<u>\$ 68,423</u>	<u>\$ 39,194</u>	<u>\$ 1,238,348</u>



**Brazoria County Municipal Utility District No. 55****TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund  
For the Last Five Fiscal Years**

	Amounts				
	2022	2021	2020	2019	2018
Revenues					
Water service	\$ 552,206	\$ 507,713	\$ 348,012	\$ 267,640	\$ 139,407
Sewer service	493,469	404,703	294,463	203,300	103,788
Property taxes	228,922	321,355	165,014	171,802	148,512
Penalties and interest	15,892	12,228	10,700	7,964	4,638
Groundwater pumpage fees	3,956	3,875	2,494	1,870	1,136
Tap connection and inspection	454,782	451,005	403,265	387,735	278,910
Miscellaneous	34,807	28,388	28,513	23,142	16,817
Investment earnings	1,369	4,979	14,416	12,100	2,230
Total Revenues	1,785,403	1,734,246	1,266,877	1,075,553	695,438
Expenditures					
Current service operations					
Professional fees	220,694	199,268	252,786	182,882	183,101
Contracted services	374,621	391,854	347,449	298,239	210,136
Repairs and maintenance	369,660	328,962	255,487	166,590	127,114
Lease	343,574	240,732	230,094		158,444
Utilities	77,844	67,509	56,478	45,038	43,013
Groundwater pumpage fees			2,135		710
Administrative	78,244	67,722	60,496	54,087	48,114
Other	9,281	15,845	7,773	5,173	7,825
Capital outlay			1,280,130		
Debt service					
Developer interest			117,968		
Total Expenditures	1,473,918	1,311,892	2,610,796	752,009	778,457
Revenues Over/(Under) Expenditures	\$ 311,485	\$ 422,354	\$ (1,343,919)	\$ 323,544	\$ (83,019)
Total Active Retail Water Connections	1,416	1,178	885	619	375
Total Active Retail Wastewater Connections	1,402	1,169	870	608	369

\*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues				
2022	2021	2020	2019	2018
31%	29%	27%	25%	20%
28%	23%	23%	19%	15%
13%	19%	13%	16%	22%
1%	1%	1%	1%	1%
*	*	*	*	*
25%	26%	32%	36%	40%
2%	2%	2%	2%	2%
*	*	2%	1%	*
100%	100%	100%	100%	100%
12%	11%	20%	17%	26%
21%	23%	27%	28%	30%
21%	19%	20%	15%	18%
19%	14%	18%		23%
4%	4%	4%	4%	6%
		*		*
4%	4%	5%	5%	7%
1%	1%	1%	*	1%
		101%		
		9%		
82%	76%	205%	69%	111%
18%	24%	(105%)	31%	(11%)

***Brazoria County Municipal Utility District No. 55***

***TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund  
For the Last Five Fiscal Years***

	Amounts				
	2022	2021	2020	2019	2018
Revenues					
Property taxes	\$ 2,829,372	\$ 1,957,131	\$ 1,345,737	\$ 702,618	\$ 319,295
Penalties and interest	15,102	17,287	11,662	10,922	3,366
Miscellaneous	270	450	490	1,270	150
Investment earnings	610	2,148	2,439	1,859	745
Total Revenues	2,845,354	1,977,016	1,360,328	716,669	323,556
Expenditures					
Tax collection services	50,456	39,399	26,022	18,431	10,211
Other	2,500				
Debt service					
Principal	735,000	475,000	390,000	65,000	
Interest and fees	1,224,041	1,014,681	718,926	472,198	204,843
Total Expenditures	2,011,997	1,529,080	1,134,948	555,629	215,054
Revenues Over Expenditures	\$ 833,357	\$ 447,936	\$ 225,380	\$ 161,040	\$ 108,502

\*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues				
2022	2021	2020	2019	2018
99%	99%	99%	98%	99%
1%	1%	1%	2%	1%
*	*	*	*	*
*	*	*	*	*
100%	100%	100%	100%	100%
2%	2%	2%	3%	3%
*				
26%	24%	29%	9%	
43%	51%	53%	66%	63%
71%	77%	84%	78%	66%
29%	23%	16%	22%	34%

***Brazoria County Municipal Utility District No. 55***  
***TSI-8. Board Members, Key Personnel and Consultants***  
***For the Year Ended March 31, 2022***

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027  
District Business Telephone Number: (713) 860-6400  
Submission Date of the most recent District Registration Form  
(TWC Sections 36.054 and 49.054): October 8, 2021  
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:	Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
<b>Board Members</b>				
Houston Hamilton	05/20 - 05/24	\$ 2,100	\$ 236	President
Virginia Woodring	10/21 - 05/22	900	14	Vice President
Cathy Verret	06/18 - 05/22	2,100	256	Secretary
Roy Bergman	05/18 - 05/22	1,350	99	Assistant Vice President
Melissa Lacy	05/20 - 05/24	1,050	65	Assistant Secretary
Kristina Jones	05/18 - 10/21	1,200	62	Former Director
<b>Consultants</b>				
Allen Boone Humphries Robinson LLP	2007	<u>Amounts Paid</u>		Attorney
<i>General legal fees</i>		\$ 133,849		
<i>Bond counsel</i>		398,964		
Si Environmental, LLC	2015	720,385		Operator
Myrtle Cruz	2007	29,019		Bookkeeper
Assessments of the Southwest, Inc.	2007	20,719		Tax Collector
Brazoria County Appraisal District	Legislation	17,265		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	2008	6,556		Delinquent Tax Attorney
EHRA Engineering	2007	265,472		Engineer
McGrath & Co., PLLC	2016	33,425		Auditor
Robert W. Baird & Co. Incorporated	2015	307,050		Financial Advisor

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

See accompanying auditors' 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](mailto:claims@buildamerica.com)

Address:

200 Liberty Street, 27th floor

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN