

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS (I) IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER SECTION 103 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, AND (II) IS NOT AN ITEM OF TAX PREFERENCE FOR PURPOSES OF THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS. SEE "TAX MATTERS" HEREIN, INCLUDING INFORMATION REGARDING POTENTIAL ALTERNATIVE MINIMUM TAX CONSEQUENCES FOR CORPORATIONS.

THE BONDS WILL BE DESIGNATED "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

NEW ISSUE – BOOK-ENTRY ONLY

CUSIP No. 10606K

RATINGS: Underlying "BBB+" (stable outlook) S&P

See "MUNICIPAL BOND RATING" herein

\$9,500,000

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 31

(A political subdivision of the State of Texas, located in Brazoria County, Texas)

UNLIMITED TAX BONDS

SERIES 2025

Dated: October 1, 2025

Due: September 1 (as shown below)

Interest on the \$9,500,000 Unlimited Tax Bonds, Series 2025 (the "Bonds" or the "Series 2025 Bonds") will accrue from October 1, 2025, and will be payable on March 1 and September 1 of each year, commencing March 1, 2026. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is BOKF, N.A., Dallas, Texas. See "THE BONDS – Paying Agent/Registrar."

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

<u>Principal</u>		<u>Interest</u>		<u>Principal</u>		<u>Interest</u>	
<u>Amount</u>	<u>Maturity</u>	<u>Rate</u>	<u>Yield (a)</u>	<u>Amount</u>	<u>Maturity</u>	<u>Rate</u>	<u>Yield (a)</u>
\$215,000	2027	%	%	\$385,000	2039(b)	%	%
\$225,000	2028	%	%	\$400,000	2040(b)	%	%
\$235,000	2029	%	%	\$425,000	2041(b)	%	%
\$245,000	2030	%	%	\$445,000	2042(b)	%	%
\$260,000	2031(b)	%	%	\$465,000	2043(b)	%	%
\$270,000	2032(b)	%	%	\$490,000	2044(b)	%	%
\$285,000	2033(b)	%	%	\$515,000	2045(b)	%	%
\$300,000	2034(b)	%	%	\$540,000	2046(b)	%	%
\$315,000	2035(b)	%	%	\$565,000	2047(b)	%	%
\$330,000	2036(b)	%	%	\$595,000	2048(b)	%	%
\$350,000	2037(b)	%	%	\$625,000	2049(b)	%	%
\$365,000	2038(b)	%	%	\$655,000	2050(b)	%	%

- (a) The initial reoffering yields are established by and are the sole responsibility of the Underwriter (hereinafter defined) and may be subsequently changed.
- (b) The Bonds maturing on or after September 1, 2031, are subject to redemption in whole or from time to time in part, at the option of the District, on September 1, 2030, or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS—Optional Redemption."

The proceeds of the Bonds will be used by Brazoria County Municipal Utility District No. 31 (the "District") to reimburse the Developers, (hereinafter defined) for advancing funds to construct certain water, sewer and drainage costs (including engineering, material testing, as storm protection costs); to pay developer interest; to fund \$475,000 of capitalized interest; to pay off the principal and interest of the \$4,350,000 Bond Anticipation Note, Series 2024 (the "Series 2024 Bond Anticipation Note") and to pay for costs associated with the issuance of the Bonds. See "USE OF BOND PROCEEDS." The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS – Source of and Security for Payment." The Bonds are obligations solely of the District and are not obligations of the State of Texas, Brazoria County, the City of Iowa Colony, or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas, Brazoria County, or the City of Iowa Colony is pledged to the payment of the principal of or interest on the Bonds. **The Bonds are subject to certain investment considerations described under the caption "RISK FACTORS."**

The Bonds are offered when, as and if issued by the District, subject to approval by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. The Issuer will be advised on certain legal matters concerning disclosure Norton Rose Fulbright US LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about October 2, 2025.

Bids Due: September 4, 2025 at 9:00 A.M. Houston Time

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USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended ("Rule 15c2-12" or the "Rule"), this Preliminary Official Statement constitutes an "official statement" of the District with respect to the Bonds that has been deemed "final" by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

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

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

Any information and expressions of opinion herein contained are subject to change and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof.

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

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

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

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

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

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

Prices and Marketability

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

yields or prices of the Bonds and has no control over trading of the Bonds after their initial sale by the District. Information concerning reoffering yields or prices is the responsibility of the Underwriter.

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

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

Securities Laws

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

CONTINUING DISCLOSURE OF INFORMATION - SEC RULE 15c2-12

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

Annual Reports

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

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements if the District commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, the District will provide unaudited financial statements for the applicable fiscal year to the MSRB within such six-month period and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Resolution or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5)

substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms “obligated person” and “financial obligation” when used in this paragraph shall have the meanings ascribed to them under 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 provisions for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information

The District has agreed to provide the foregoing updated information only to the MSRB. Investors will be able to access, without charge from the MSRB, continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

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

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

Compliance with Prior Undertakings

During the last five years, the District has complied in all material respects, with all its prior continuing disclosure agreements made by the District in accordance with SEC Rule 15c2-12.

MUNICIPAL BOND RATING

In connection with the sale of the Bonds the District has made application to S&P Global Ratings (“S&P”) which has assigned the underlying rating of “BBB+” (stable outlook) on the Bonds based upon the District’s underlying credit without bond insurance. An explanation of the significance of such rating may be obtained from S&P. The rating reflects only the view of S&P and the District makes no representation as to the appropriateness of such rating. The District can make no assurance that S&P’s rating will continue for any

period of time or that such rating will not be revised downward or withdrawn entirely by S&P if in the judgment of S&P circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

BOND INSURANCE

The District has applied to Assured Guaranty Inc. ("AG") and Build America Mutual Assurance Company ("BAM") for qualification of the Bonds for bond insurance. The Underwriter (as defined herein) may bid for the Bonds with or without bond insurance. If the Underwriter bids for the Bonds with bond insurance, the cost of the bond insurance premium must be paid for by the Underwriter. The District will pay for the cost of the S&P rating. The Underwriter must pay for the cost of any rating other than the S&P rating. If the Underwriter purchases the Bonds with bond insurance and subsequent to the sale date and prior to the closing date, the bond insurer's credit rating is downgraded the Underwriter is still obligated to accept delivery of the Bonds. Information relative to the cost of the insurance premium will be available from the bond insurance company on the day of the sale.

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

Description:	The \$9,500,000 Unlimited Tax Bonds, Series 2025 (the "Bonds or the "Series 2025 Bonds"), are dated October 1, 2025. The Bonds represent the twelfth series of bonds to be issued by Brazoria County Municipal Utility District No. 31 (the "District"). Interest on the Bonds is payable March 1, 2026, and each September 1 and March 1 thereafter until the earlier of maturity or redemption. The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, relating to the issuance of bonds by political subdivisions, including but not limited to Chapters 49 and 54, Texas Water Code, as amended, a resolution authorizing the issuance of the Bonds (the "Bond Resolution") to be adopted by the Board of Directors of the District, an approving order of the Texas Commission on Environmental Quality (the "TCEQ"), and consent by the City of Iowa Colony, Texas approving the sale of the Bonds. See "THE BONDS."
Source of Payment:	The Bonds are payable from a continuing, direct, annual ad valorem tax upon all taxable property within the District which, under Texas law, is not limited as to rate or amount. The Bonds are obligations of the District and are not obligations of the State of Texas, Brazoria County, the City of Iowa Colony (herein "Iowa Colony" or the "City") or any other political subdivision or agency. See "THE BONDS - Source of and Security for Payment."
Redemption Provisions:	The Bonds maturing on or after September 1, 2031, are callable in whole or in part at the option of the District on September 1, 2030, or on any date thereafter at a price at par value plus unpaid accrued interest from the most recent Interest Payment Date to the date fixed for redemption. See "THE BONDS – Optional Redemption."
Book-Entry-Only System:	The Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co. which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."
Use of Proceeds:	The proceeds of the Bonds will be used by the District to reimburse the Developers, (hereinafter defined) for advancing funds to construct certain water, sewer and drainage costs (including engineering, material testing, as storm protection costs); to pay developer interest; to fund \$475,000 of capitalized interest; to pay off the principal and interest of the Series 2024 Bond Anticipation Note and to pay for costs associated with the issuance of the Bonds. See "USE OF BOND PROCEEDS."
Legal Opinion:	Allen Boone Humphries Robinson LLP, Bond Counsel, Houston, Texas. See "LEGAL MATTERS" and "TAX MATTERS."
Payment Record:	This is the District's twelfth bond issue. The District has never defaulted on the payment of interest or principal on bonds.
Risk Factors:	The Bonds are subject to certain investment considerations, as set forth in this Official Statement. Prospective purchasers should carefully examine this Official Statement with respect to the investment security of the Bonds, particularly the sections captioned "RISK FACTORS" and "LEGAL MATTERS."
Qualified Tax Exempt Obligations:	THE BONDS WILL BE DESIGNATED "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.
Municipal Bond Rating:	In connection with the sale of the Bonds, the District made a formal application for a rating with S&P. S&P has assigned a rating of "BBB+" (stable outlook) on the Bonds based upon the District's underlying credit without bond insurance. See "MUNICIPAL BOND RATING."
Municipal Bond	

Insurance: The District has applied to AG and BAM for qualification of the Bonds for bond insurance. Potential purchasers may bid for the Bonds with or without bond insurance. If the Underwriters bid the Bonds with bond insurance, the cost of the bond insurance premium must be paid for by the Underwriters. The District will pay for the cost of the S&P rating. The Underwriters must pay for the cost of any rating other than the S&P rating. If the Underwriters purchase the Bonds with bond insurance and, subsequent to the sale date and prior to the closing date, the bond insurer's credit rating is down-graded then the Underwriters are still obligated to accept delivery of the Bonds. Information relative to the cost of the insurance premium will be available from AG or BAM on the day of the sale. See "BOND INSURANCE."

THE DISTRICT

Description: The District is a political subdivision of the State of Texas, created by order of the TCEQ on September 2, 2005, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. Following the annexation of approximately 88 acres in January 2013, and approximately 196 acres in July 2015, to the original 693 acres at the time of creation, the District now contains approximately 977 acres of land. See "THE DISTRICT – Authority."

Location: The District is located in northeastern Brazoria County, approximately 22 miles south of the central downtown business district of the City of Houston and just west of State Highway 288. The District lies within the corporate limits of the City of Iowa Colony (the "City"). The District is within the boundaries of the Alvin Independent School District. See "THE DISTRICT – Description and Location."

Status of Development: The land in the District is being developed as the single-family subdivisions known as Sterling Lakes at Iowa Colony, Sterling Lakes West, and Sterling Lakes North. Land development has taken place on approximately 646 acres. As of July 1, 2025, there were approximately 1,987 completed homes, 48 homes under construction, and 283 vacant developed lots. Approximately 1,895 of the completed homes were occupied as of that date.

In addition to the development described above, there is a recreation center, which includes a clubhouse with changing rooms and entertaining areas, a junior-Olympic sized pool, spray-play pool, tike/bike course, playground with swings and picnic pavilions located in the District.

The District contains approximately 255 acres currently under development (Sterling Lakes North) and approximately 51 additional developable acres owned by Alvin ISD which have not been provided with water distribution, wastewater collection, and storm drainage facilities. Approximately 143 acres are undevelopable and include pipeline easements, drainage easements, road rights-of-way, district plant sites, parks, recreation sites, and open spaces. See "THE DISTRICT."

Community Facilities: The community facilities include shopping facilities that include supermarkets, pharmacies, dry cleaners, restaurants, banking facilities, and other retail and service establishments are located approximately seven miles north of the District along State Highway 288. Police protection for the District is provided by the Brazoria County Sheriff's Department. Fire protection for the District is provided by Iowa Colony Volunteer Fire Department. The nearest medical care facility for District residents is available from The Memorial Emergency Center Urgent Care, approximately five miles north of the District, and the Texas Medical Center, approximately 20 miles north of the District. Numerous other medical facilities are located in the Houston metropolitan area. The land within the District is located within the boundaries of Alvin ISD, and children within the District attend elementary, junior high and high schools of Alvin ISD located within six to ten miles of the development in the District.

The Developers: The developers in the District are Sterling Lakes Iowa Associates; Iowa Colony Sterling Lakes, Ltd.; IC Section 10 and 11, Ltd.; IC Section 12, Ltd.; and IC Section 20, Ltd (the entities above are collectively referred to as the "Original Developer"); and LGI Homes, Texas LLC ("LGI").

Sterling Lakes Iowa Associates is a Texas joint venture, the managing joint venture of which is Iowa Colony Sterling Lakes 274, Ltd.; the general partner of which is L.T. Management, Inc. The limited partners of Sterling Lakes Iowa Associates are Al. P. Brende and LT Partnership, LTD, a Texas limited partnership.

Iowa Colony Sterling Lakes, Ltd. is a Texas limited partnership, the general partner of which is L.T. Management, Inc., a Nevada corporation. The limited partners of Iowa Colony Sterling Lakes Ltd. are Al P. Brende and LT Partnership, Ltd.

IC Section 12 Ltd.; a Texas limited partnership, the general partner of which is Land Tejas Companies, Ltd., a Texas limited partnership. The limited partners of IC Section 12, Ltd. are Al P. Brende and L.T. Partnership, LTD., a Texas limited partnership.

IC Section 10 and 11, Ltd. is a Texas Limited Partnership, the general partner of which is Land Tejas Companies, Ltd., a Texas limited partnership. The limited partners of IC Section 10 and 11, Ltd. are Al P. Brende and L.T. Partnership, LTD., a Texas limited partnership.

IC Section 20, Ltd. is a Texas Limited Partnership, the general partner of which is L.T. Management, Inc., a Nevada corporation. The limited partners of IC Section 20, Ltd. are Al P. Brende and L.T. Partnership, LTD., a Texas limited partnership.

The District annexed approximately 196 additional acres of land contiguous to the northern and western boundaries of the District in 2015. All 196 acres were purchased by LGI who has developed the acreage in the subdivision known as Sterling Lakes West. Sterling Lakes West subdivision includes approximately 569 single-family lots. All of the lots in Sterling Lakes West are built out. LGI marketed homes in this subdivision in the \$182,000 - \$250,000 price range.

Approximately 15 acres adjacent to the LGI annexation tract (but located outside of the boundaries of the District) was purchased by Alvin ISD. The school district has not disclosed its plans for school construction. See "THE DISTRICT'S DEVELOPER – Developers in the District."

LGI is currently in the process of developing approximately 99 acres (211 lots) in the District. According to LGI, home building on such lots began during the first quarter of 2024; it is currently anticipated that such homes will be marketed in the \$345,000 price range.

In December 2021, the Original Developer sold a portion of its interests to Astro Sterling Lakes North, LP, a Delaware limited partnership created by Mr. Al P. Brende/the Land Tejas Companies and Starwood Land Astro Venture LP. Starwood Land Venture LP is a special purpose entity established solely for the purpose of developing land and marketing developed land within the District. Starwood Land Astro Venture LP has entered into a management agreement with the Land Tejas companies for the purpose of managing the day to day development activities within the District. The Original Developer has assigned its developer financing agreement with the District to Astro Sterling Lakes North, LP. LGI and Astro Sterling Lakes North, LP are collectively referred to as the "Developers."

Homebuilders

In the District:

Homes in the District have been built by LGI, Castlerock Homes ("Castlerock"), D.R. Horton-Homes, Texas ("DR Horton"), Westin Homes, Triumph Homes, and Anglia Homes ("Anglia").

2019 Annexation by Iowa Colony and Rebate Agreement:

Pursuant to a strategic partnership agreement, the City of Iowa Colony annexed the District for full purposes in April 2019. The District remains in place as a "limited district" under the terms of the SPA, and the District is authorized to conduct all of its normal water, wastewater, drainage, and similar business (including the issuance of debt and the levy of its taxes to service that debt) until the District is dissolved by the City. The City must determine whether to dissolve the District at least as frequently as every ten years. The City will begin to levy its ad valorem taxes on property located within the District beginning in calendar year 2020; as a result, the City and the District have entered into an agreement whereby the City will rebate a portion of its ad valorem taxes to the District for use in the District's debt service fund. Beginning in 2020 (and continuing for a period of 20 years thereafter), the City will rebate to the District 70 percent of its tax levy collected with respect to property in the District, save and except any portion of the City tax used by the City for City debt service subject to certain restrictions described in the rebate agreement.

Ownership and

Operation of the System: The City and District are parties to the First Amendment to Development Agreement by and among the City, Sterling Lakes Iowa Associates, Iowa Colony Sterling Lakes, Ltd., Land Tejas Companies, and the District effective June 17, 2013. This agreement confirms that the parties previously agreed that the District would convey ownership and operation of the District's water supply and wastewater treatment facilities (the "Facilities") to the City upon two years' notice. The City provided official notice on or about October 20, 2021, of the City's interest in and intent to assume ownership and operation of the Facilities. The City and the District entered into the Facility Conveyance Agreement dated March 11, 2024. The District will continue to construct and finance additional water and sewer capacity, but the residents of the District are customers of the City. See "THE SYSTEM – Ownership and Operation of the System."

SELECTED FINANCIAL INFORMATION
(Unaudited)

7/15/2025 Estimated Taxable Valuation	\$626,595,916	(a)
1/1/2025 Certified Taxable Valuation	\$572,000,856	(b)
Direct Debt (See "District Debt")		
Outstanding Bonds (as of September 1, 2025)	\$36,715,000	
The Bonds	<u>\$9,500,000</u>	
Total Direct Debt	\$46,215,000	
Estimated Overlapping Debt	\$41,963,719	
Direct and Estimated Overlapping Debt	\$88,178,719	
Percentage of Direct Debt to:		
7/15/2025 Estimated Taxable Valuation	7.38%	
1/1/2025 Certified Taxable Valuation	8.08%	
(See "District Debt")		
Percentage of Direct and Estimated Overlapping Debt to:		
7/15/2025 Estimated Taxable Valuation	14.07%	
1/1/2025 Certified Taxable Valuation	15.42%	
(See "District Debt")		
2024 Tax Rate Per \$100 of Assessed Value		
Debt Service Tax	\$0.34481	
Maintenance Tax	<u>\$0.41519</u>	
Total 2024 Tax Rate	\$0.76000	
Cash and Temporary Investment Balances		
General Fund as of July 24, 2025	\$7,031,699	
Debt Service Fund	\$2,476,821	(c)

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- (a) Reflects data supplied by the Brazoria County Appraisal District ("BCAD"). The Estimated Taxable Value as of 7/15/2025 was prepared by BCAD and provided to the District. Such value is not binding on BCAD. The new values (subsequent to January 1, 2025) will not be included on the District's tax roll until the 2025 tax roll is prepared and certified by BCAD during the second half of 2025. See "DISTRICT TAX DATA" and "TAXING PROCEDURES".
- (b) Reflects the 1/1/2025 Certified Taxable Value according to data supplied to the District by BCAD. The figure above includes \$559,179,662 of property in the District that is fully certified and 85% of the \$15,083,758 value of property that is still in the certification process. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."
- (c) Neither Texas law nor the District's Bond Resolution requires that the District maintain any particular balance in the Debt Service Fund. The figure above assumes the \$2,098,331 September 1 debt service payment and includes \$475,000 of capitalized interest to be funded with Series 2025 Bonds and deposited into the District's Debt Service Fund on the day of closing. See "DISTRICT TAX DATA - Tax Adequacy of Tax Revenue."

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements on the District's outstanding bonds plus the estimated debt service requirements on the Series 2025 Bonds.

<u>Year</u>	<u>Existing Debt Service Requirements</u>	<u>Plus: Debt Service on the Series 2025 Bonds</u>		<u>Total Debt Service Requirements*</u>
		<u>Principal</u>	<u>Interest*</u>	
2025	\$2,721,662	-	-	\$2,721,662
2026	\$2,803,425	-	\$435,417	\$3,238,841
2027	\$2,789,650	\$215,000	\$475,000	\$3,479,650
2028	\$2,764,231	\$225,000	\$464,250	\$3,453,481
2029	\$2,847,536	\$235,000	\$453,000	\$3,535,536
2030	\$2,866,174	\$245,000	\$441,250	\$3,552,424
2031	\$2,862,986	\$260,000	\$429,000	\$3,551,986
2032	\$2,882,005	\$270,000	\$416,000	\$3,568,005
2033	\$2,893,136	\$285,000	\$402,500	\$3,580,636
2034	\$2,931,024	\$300,000	\$388,250	\$3,619,274
2035	\$2,964,561	\$315,000	\$373,250	\$3,652,811
2036	\$2,708,061	\$330,000	\$357,500	\$3,395,561
2037	\$2,733,862	\$350,000	\$341,000	\$3,424,862
2038	\$2,749,312	\$365,000	\$323,500	\$3,437,812
2039	\$2,837,062	\$385,000	\$305,250	\$3,527,312
2040	\$1,818,206	\$400,000	\$286,000	\$2,504,206
2041	\$1,935,518	\$425,000	\$266,000	\$2,626,518
2042	\$1,919,768	\$445,000	\$244,750	\$2,609,518
2043	\$1,212,468	\$465,000	\$222,500	\$1,899,968
2044	\$625,593	\$490,000	\$199,250	\$1,314,843
2045	\$609,719	\$515,000	\$174,750	\$1,299,469
2046	\$618,344	\$540,000	\$149,000	\$1,307,344
2047	\$601,156	\$565,000	\$122,000	\$1,288,156
2048	\$213,968	\$595,000	\$93,750	\$902,718
2049	-	\$625,000	\$64,000	\$689,000
2050	-	\$655,000	\$32,750	\$687,750
	\$51,909,419	\$9,500,000	\$7,459,917	\$68,869,335

Maximum Annual Debt Service Requirements (2035)\$3,652,811*

Requires a \$0.47 Tax Rate on 7/15/2025 Estimated Taxable Valuation of \$626,595,916
assuming a 95% tax collection factor (a)

Requires a \$0.52 Tax Rate on 1/1/2025 Certified Taxable Valuation of \$572,000,856
assuming a 95% tax collection factor (a)

- (a) The calculations above reflect the annual rebate that the District receives from the City for a portion of the Maintenance and Operations tax collected by the City from property located within the District. The calculations above assume no growth in the District's taxable value and no change in the City's Maintenance and Operations tax rate, producing a rebate to the District for a debt service of \$860,000 based on 2024 data. See "THE DISTRICT – 2019 Annexation by Iowa Colony Rebate Agreement" and "DISTRICT TAX DATA – Adequacy of Tax Revenue."

* Preliminary, subject to change.

OFFICIAL STATEMENT

Relating to

\$9,500,000

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT No. 31

(A political subdivision of the State of Texas located within Brazoria County, Texas)

UNLIMITED TAX BONDS

SERIES 2025

INTRODUCTION

This Official Statement provides certain information in connection with the issuance of the \$9,500,000 Brazoria County Municipal Utility District No. 31 Unlimited Tax Bonds, Series 2025 (the "Bonds").

The Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution; (ii) general laws of the State of Texas, including but not limited to Chapters 49 and 54, Texas Water Code, as amended; (iii) a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors (the "Board") of Brazoria County Municipal Utility District No. 31 (the "District"); (iv) an election held within the District; and (v) an order of the Texas Commission on Environmental Quality ("TCEQ").

This Official Statement includes descriptions of the Bonds, the Bond Resolution, and certain information about the District and its financial condition and the developers in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Bond Counsel upon payment of duplication costs thereof.

RISK FACTORS

General

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

Marketability

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

Tax Collections

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be impaired by (a) repetitive, annual, expensive collection procedures, (b) a federal bankruptcy court's stay of tax collection procedures, (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property or, (d) the taxpayer's right to redeem the property within 2 years for residential and all other non-commercial property after the purchaser's deed issued at the foreclosure sale is filed in the county records. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Attorney's fees and other costs of collecting any such taxpayer's

delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two (2) other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six (6) years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. See "TAXING PROCEDURES – District's Rights in the Event of Tax Delinquencies."

Personal Property Tax Collection

Unlike real property, there is no certainty that personal property will remain in the District from year to year. Personal property is portable and could be removed from the District at any time. Personal property removed from the District as of January 1 of any year is not subject to taxation by the District for that year.

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

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

Registered Owners' Remedies

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

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Specifically, the District may voluntarily file a petition for protection from creditors under the federal bankruptcy laws. During the pendency of the bankruptcy proceedings, the remedy of mandamus would not be available to the Registered Owners unless authorized by a federal bankruptcy judge.

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

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

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect Registered Owners by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owners' claims against the district. A district cannot be placed into bankruptcy involuntarily.

Approval of the Bonds

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

Economic Factors

The Houston metropolitan area has, in the past, experienced increased unemployment, business failures, and slow absorption of office space, especially during times of relatively low oil and natural gas prices. The relatively low oil and natural gas prices, currently being experienced worldwide, could affect the demand for new residential home construction and commercial development and hence the growth of property values in the District. An oversupply of homes, along with a decreased demand in new housing because of general economic conditions or relatively high interest rates, may have an adverse impact on sale prices for homes and, consequently, may materially adversely affect property values or, in some instances, cause builders to abandon home-building plans altogether.

The continued growth of taxable values in the District is directly related to the housing and building industry. The housing and building industry has historically been a cyclical industry, affected by both short-term and long-term interest rates, availability of mortgage and development funds, labor conditions, and general economic conditions. A return to relatively high mortgage interest rates similar to those experienced in the past may adversely affect the availability and desirability of mortgage financing for new homes, hence reducing demand by homebuilders for lots within the District.

Interest rates and the availability of mortgage and development funds have a direct impact on construction activity, particularly the short-term interest rates at which developers and builders are able to obtain financing for land development or homebuilding costs. Interest rate levels may affect the developers' or builders' ability to complete development or building plans. Long-term interest rates affect home purchasers' ability to qualify for and afford the total financing costs of a new home. The continuation of long-term interest rates at higher levels may negatively affect home sales and the rate of growth of taxable values in the District.

The housing industry in the Houston area is competitive and the District can give no assurance that current homebuilding programs will be completed. The competitive position of the developers in the sale of their developed lots or, respectively, that of present and prospective builders in the construction of single-family residential houses, is affected by most of the factors discussed herein. Such a competitive position is directly related to tax revenues to be received by the District and the growth and maintenance of taxable values in the District.

Nationally, there was a significant downturn in new housing construction from 2008 – 2012 caused, in part, by increasing foreclosures, reduced builder financing, the unavailability of mortgage funds, and contraction in the national economy resulting in a decline in the market value of homes. However, the Houston area did experience reduced levels of home construction in 2009, 2010, 2011 and 2012 when compared to similar periods in prior years (i.e., 2004 – 2007).

Alternative sites are available for the construction of single-family residential improvements and commercial development within the market area in which the District is located. Such sites could pose competition to the continued home-building development and commercial development on comparable sites within the District.

Potential Effects of Oil Price Fluctuation on the Houston Area

Fluctuations 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.

Dependence on the Energy Industry

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

Landowners/Developer Under No Obligation to the District

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

Dependence on Future Development and Potential Impact on District Tax Rates

The District's 2024 total tax rate is \$0.76 per \$100 of assessed valuation. The City of Iowa Colony's 2024 overlapping tax rate is \$0.519209. An increase in the combined District's and City's tax rates substantially above such a level could have an adverse impact on future development in the District and on the District's ability to collect such tax.

Assuming no further residential building development within the District other than that which has been constructed, the value of such land and improvements currently located and under construction within the District could be a major determinant of the ability of the District to collect, and the willingness of property owners to pay, ad valorem taxes levied by the District. The District's 1/1/2025 Certified Taxable Value is \$572,000,856 and the District's 7/15/2025 Estimated Taxable Value is \$626,595,916. After issuance of the Bonds, the District's Maximum Annual Debt Service Requirement will be \$3,652,811 (2035). Assuming no increase or decrease from the values noted above and no use of other District funds, a debt service tax rate of \$0.52, and \$0.47, per \$100 of Assessed Valuation at 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirements. Assuming a contribution of the City's rebate policy and no change in the City's 2024 Maintenance and Operation tax rate. See "DISTRICT TAX DATA."

Future Debt

The District's voters have authorized the issuance of \$77,000,000 of unlimited tax bonds for the purposes of providing water, sewer, drainage facilities, \$4,000,000 of unlimited tax bonds for firefighting facilities; \$50,000,000 of unlimited tax bonds for refunding purposes; and \$9,700,000 of unlimited tax bonds for recreational facilities and could authorize additional amounts. After the issuance of the Bonds, the District will have \$21,195,000 of unlimited tax bonds for water, sewer and drainage facilities; \$4,000,000 for firefighting facilities; \$49,250,000 for refunding purposes; and \$9,700,000 of unlimited tax bonds for recreational facilities that will remain authorized, but unissued. Moreover, the District has the right to issue additional new money bonds as may hereafter be approved by both the Board and the voters of the District and may issue refunding bonds without additional elections so long as they do not exceed the principal amount of then outstanding bonds being refunded. Such additional new money bonds or refunding bonds would be issued on parity with the Bonds. Any future new money bonds to be issued by the District must also be approved by the TCEQ.

The District currently has one outstanding bond anticipation note. The District is issuing the Bonds in part to pay the interest and cost of issuance expenses on of the outstanding Series 2024 bond anticipation note.

Financing Parks and Recreational Facilities

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the park project and bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds may not exceed an amount equal to three percent of the value of the taxable property in the District. The District conducted an election that authorized \$9,700,000 of park bonds on May 13, 2006, and no such park bonds have been issued to date.

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

Continuing Compliance with Certain Covenants

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

Environmental Regulations

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

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

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

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

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

The HGB Area is currently designated as a “serious” nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2027. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

In order to demonstrate progress toward attainment of the EPA’s ozone standards, the TCEQ has established a state implementation plan (“SIP”) for the HGB Area setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the HGB Area. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the HGB Area to reach attainment with the ozone standards by the EPA’s attainment deadlines. These additional controls could have a negative impact on the HGB Area’s economic growth and development.

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

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

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and the EPA’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency’s rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future. Further, the EPA has established a NPDWR for six (6) Per- and Polyfluoroalkyl Substances (“PFAS”), which requires public water systems to perform certain monitoring and remediation measures. Public water systems may be subject to additional PFAS regulation in the future, which could increase the cost of constructing, operating, and maintaining water production and distribution facilities.

Texas Pollutant Discharge Elimination System (“TPDES”) permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000) (“CGP”), with an effective date of March 5, 2023, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain non-stormwater discharges into surface water in the state. The CGP has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district’s ability to obtain and maintain compliance with TPDES permits.

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

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

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

and USACE issued a final rule amending the definition of “waters of the United States” under the CWA to conform with the Supreme Court’s decision.

While the *Sackett* decision and subsequent regulatory action removed a great deal of uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements, in the future.

2025 Legislative Session

The 89th Regular Legislative Session convened on January 14, 2025, and concluded on June 2, 2025. The Governor has called two special session and may call additional special sessions that may include legislation affecting property taxes. The District can make no representation regarding any actions the Texas Legislature may take or the effect of any such actions.

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.

Bond Insurance Risk Factors

The District has applied for a bond insurance policy to guarantee the scheduled payment of principal and interest on the Bonds. If the Policy is issued, investors should be aware of the following risk factors:

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

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 description of “BOND INSURANCE” herein.

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

Neither the District nor the 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 Issuer 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 “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.

Hurricane Beryl

Hurricane Beryl made landfall along the Texas Gulf Coast on July 8, 2024, and brought high levels of wind and rainfall to the Houston metropolitan area, including the District. According to the District's Engineer, there were no interruptions of water and sewer service as a result of Hurricane Beryl. According to District's Engineer, the District's system did not sustain any material damage from Hurricane Beryl. The District did not receive reports that any homes or improvements within the District experienced structural flooding or other significant damage as a result of Hurricane Beryl.

Severe Weather

The District is located approximately 60 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. If a hurricane (or any other natural disaster) significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or necessity to increase the District's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District would be adversely affected.

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

Specific Flood Type Risks

The District may be subject to the following flood risks:

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

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

Coastal (or Storm Surge) Flooding – Coastal, or storm surge, flooding occurs when sea levels or water levels in estuarial rivers, bayous and channels rise to abnormal levels in coastal areas, over and above the regular astronomical tide, caused by forces generated from a severe storm's wind, waves, and low atmospheric pressure. Storm surge is extremely dangerous, because it is capable of flooding large swaths of coastal property and causing catastrophic destruction. This type of flooding may be exacerbated when storm surge coincides with a normal high tide.

Winter Storm Uri

From February 12-19, 2021, the State of Texas experienced a severe winter storm ("Winter Storm Uri") which included prolonged freezing temperatures, heavy snow and freezing rains statewide. Winter Storm Uri led to power outages and potable and non-potable water shortages in many areas of the State, including the District. The federal government issued a Major Disaster Declaration for the State of Texas and has included federal funding for emergency protective measures. As noted elsewhere in this Official Statement, the District does not operate any water supply or wastewater treatment facilities. Based on information available to the District, the District

experienced no interruptions of water or wastewater service from the City as a result of Winter Storm Uri. The District cannot predict the impact of future winter weather events.

Temporary Tax Exemption for Property Damaged by Disaster

The Property Tax Code (hereinafter defined) provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

Tax Payment Installments

Certain qualified taxpayers, including owners of residential homesteads, located within a natural 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.

In addition, under the Texas Tax Code, solely at the District's discretion, quarterly payments of ad valorem taxes on all taxable personal property of a business that lost money during a declared disaster or emergency regardless of whether the property was directly damaged as a result of the disaster or emergency are allowed.

Atlas 14

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

Increase in Costs of Building Materials and Labor Shortages

As a result of low supply and high demand, shipping constraints, and the ongoing trade war (including tariffs and retaliatory tariffs), there have been substantial increases in the cost of lumber and other materials, causing developers, homebuilders, and general contractors to experience budget overruns. Further, the federal administration's impositions and threatened impositions of tariffs and the imposition or threatened impositions of retaliatory tariffs against the United States will impact the ability of developers, homebuilders, general contractors, and district consultants to estimate costs, which could have a direct effect on the District's ability to finance water, sanitary, and detention facilities. Furthermore, the federal administration's immigration policies may impact the Texas' workforce.

Cybersecurity

The District's consultants use digital technologies to collect taxes, hold funds and process disbursements. These systems necessarily hold sensitive protected information that is valued on the black market. As a result, the electronic systems and networks of organizations like the District's consultants are considered targets for cyber-attacks and other potential breaches of their systems. To the extent the District is determined to be the party responsible for various electronic systems or suffers a loss of funds due to a security breach, there could be a material adverse effect on the District's finances. Insurance to protect against such breaches is limited.

USE OF BOND PROCEEDS

Proceeds from the sale of the Bonds will be used to reimburse the Developers, (hereinafter defined) for advancing funds to construct certain water, sewer and drainage costs (including engineering, material testing, as storm protection costs); to pay developer interest; to fund \$475,000 of capitalized interest; to pay off the principal and interest of the Series 2024 Bond Anticipation Note and to pay for costs associated with the issuance of the Bonds.

The Engineer has advised the District that the proceeds listed below should be sufficient for the acquisition of such facilities. The District's present estimate of the use of proceeds of the Bonds as approved by the TCEQ is as follows:

CONSTRUCTION COSTS:	<u>Total Amount</u> (a)
Sterling Lakes North Phase 1 Clearing & Grubbing	\$551,179
Sterling Lakes North, Section 2	\$1,444,156
Sterling Lakes North, Section 3	\$1,126,450
Sterling Lakes North, Section 4	\$1,717,498
Sterling Lakes North Lift Station	\$1,180,590
Engineering, Testing, and SWPPP	<u>\$1,234,270</u>
TOTAL CONSTRUCTION COSTS	\$7,254,143
 NON-CONSTRUCTION COSTS:	
Legal Fees	\$230,000
Financial Agent Fees	\$167,500
Developer Interest	\$588,702
BAN Interest	\$217,500
Capitalized Interest	\$475,000
Bond Discount	\$285,000
Bond Issuance Expenses	\$74,692
Bond Application Report Costs	\$75,700
Bond Anticipation Note Issuance Costs	\$98,513
Attorney General Fee	\$9,500
TCEQ Bond Issuance Fee	\$23,750
Contingency	<u>\$0</u> (b)
TOTAL NON-CONSTRUCTION COSTS	\$2,245,857
 TOTAL BOND ISSUE REQUIREMENT	 \$9,500,000

(a) TCEQ rules require, with certain exceptions, that developers contribute to the District's construction program a minimum of 30% of the construction costs of certain system facilities. The District requested a waiver from the TCEQ of the 30% developer contribution requirement based upon the District receiving an investment grade rating on the Bonds and the TCEQ granted the request for the waiver.

(b) The District will designate any surplus Bond proceeds resulting from the sale of the Bonds at a lower interest rate than the estimated rate as a contingency line item in the Final Official Statement. Such funds will be used by the District to fund costs only after approval by the TCEQ.

THE DISTRICT

Authority

The District is a municipal utility district created on September 2, 2005, by an order of the TCEQ. The District was created pursuant to the authority of Article XVI, Section 59 of the Texas Constitution and operates pursuant to Chapters 49 and 54, Texas Water Code, as amended. The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54, Texas Water Code, as amended. The District is subject to the continuing supervision of the TCEQ. The District is empowered to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of stormwater.

Under certain limited circumstances the District also is authorized to construct, develop, and maintain park and recreational facilities. In addition, the District is authorized to establish, operate, and maintain a fire department, independently or with one or more other conservation and reclamation districts, and provides such facilities and services to the customers of the District.

The TCEQ exercises continuing supervisory jurisdiction over the District. In order to obtain the consent for creation from the City of Iowa Colony, within whose extraterritorial and full-purpose jurisdiction the majority of the District lies, the District is required to observe certain requirements of the City of Iowa Colony which: limit the purposes for which the District may sell bonds for the acquisition, construction, and improvement of waterworks, wastewater, drainage facilities, roads, parks and recreation facilities and for fire-fighting purposes; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of Iowa Colony of District construction plans; and permit connections only to lots and commercial or multi-family reserves described in plats which have been approved by the Planning Commission and City Counsel of the City of Iowa Colony and recorded in the real property records. Construction and operation of the District's system is subject to the regulatory jurisdiction of additional governmental agencies.

Description and Location

The District contained approximately 693 acres of land when it was created in September 2005. In January 2013, an additional approximately 88 acres was annexed and in July 2015 approximately 196 acres were annexed into the District. The District now contains a total of approximately 977 acres. The District is located in northeastern Brazoria County, approximately 22 miles south of the central downtown business district of the City of Houston and one-half mile west of State Highway 288. The District lies within the corporate limits of the City of Iowa Colony and within the boundaries of the Alvin ISD. The District is being developed as the Sterling Lakes at Iowa Colony subdivision, the Sterling Lakes West subdivision, and the Sterling Lakes North Subdivision; all three subdivisions are predominately single-family residential communities.

As of July 1, 2025, there were a total of approximately 1,987 completed homes, 48 homes under construction, and 283 vacant developed lots located in the District; approximately 2,045 of the completed homes were occupied as of that date. See "Current Status of Development."

Status of Land Development/Land Uses in the District

A summary of the approximate land use in the District appears in the following table:

	<u>Type of Land Use</u>	<u>Approximate Acres</u>
	Developed And Improved Acres (a)	646
	Acres Under Development	0
	Additional Developable Acreage (b)	51
	Other Undevelopable Acres (c)	<u>280</u>
	Total Approximate Acres	977
(a)	Includes approximately 186 acres located within platted and improved sections that are used as drainage easements, reserves, or other undevelopable acres.	
(b)	Represents acreage to be developed as Alvin ISD school sites.	
(c)	Includes collector street rights-of-way, pipeline easements, drill sites, drainage easements, District plant sites, a junior-Olympic sized pool, a spray-play pool, a clubhouse with changing rooms and entertainment areas, a hike/bike trail, a playground with swings/picnic pavilions and open spaces.	

Current Status of Development

The approximate status of development in the District as of July 1, 2025, is summarized in the table below:

<u>Subdivision/Section</u>	<u>Acres</u>	<u># Lots</u>	<u>Homes</u>		<u>Vacant Lots</u>
			<u>Completed</u>	<u>Under Construction</u>	
Sterling Lakes at Iowa Colony, Sections 1-12A&B (a)	324	1,023	1,023	0	0
Sterling Lakes at Iowa Colony, Sections 19-21 (b)	60	104	104	0	0
Sterling Lakes West, Sections 1-4 (c)	154	569	569	0	0
Sterling Lakes North, Section 1 (d)	99	211	34	0	177
Sterling Lakes North, Section 2 (e)	24	82	57	5	20
Sterling Lakes North, Section 3 (e)	27	92	35	15	42
Sterling Lakes North, Section 4 (e)	25	95	68	16	11
Sterling Lakes North, Section 5 (e)	51	83	39	11	33
Sterling Lakes North, Section 6 (e)	<u>29</u>	<u>59</u>	<u>58</u>	<u>1</u>	<u>0</u>
SUBTOTAL	794 (f)	2,318	1,987	48	283

- (a) Lots in these sections were developed by the Original Developer. Homes were constructed and marketed by Castlerock Homes, Westin Homes, Triumph Homes, LGI Homes, DR Horton, and Anglia Homes. Homes in these sections were marketed in the \$170,000 - \$500,000 price range.
- (b) Lots in these sections were developed by the Original Developer. Homes in these sections were built by Castlerock Homes, Westin Homes, Anglia Homes and LGI Homes. Homes were marketed in the \$240,000 - \$500,000 price range.
- (c) Lots in Sterling Lakes West, Sections 1-4 were developed by LGI and homes were marketed and constructed by LGI in the \$192,000 - \$235,000 price range.
- (d) Lots in Sterling Lakes North, Section 1 were developed by LGI and homes were marketed and constructed by LGI in the \$345,000 price range.
- (e) Lots in Sterling Lakes North, Sections 2-6 were developed by Astro Sterling Lakes North, LP with homes constructed by TriCoast, Lennar, DR Horton, and Castlerock. Homes in these sections are being marketed in the \$337,990 to \$533,159 price range.
- (f) Includes approximately 186 acres of drainage easements and other undevelopable acreage located within platted/improved subdivisions.

Land Most Recently Developed in the District

LGI completed the development of approximately 99 acres (211 lots) in the District known as Sterling Lakes North, Section 1. According to LGI, home building on such lots began during the second quarter of 2024; homes in this section are being marketed in the \$345,000 price range.

Astro Sterling Lakes North, LP completed the development of approximately 157 acres (411 lots) in the District known as Sterling Lakes North, Sections 2-6, during the second quarter of 2024. According to Astro Sterling Lakes North, LP, lot sale contracts have been entered into with four homebuilders including Lennar, DR Horton, Castlerock, and TriCoast Homes; homes are currently being marketed in the \$337,990 to \$533,159 price range.

Future Development

The District is currently planned primarily as a single-family residential development. Approximately 48 developable acres of land currently within the District are not yet served with water distribution and supply, wastewater collection and treatment or storm drainage facilities; all such acres are owed by Alvin ISD for future school sites. While the Developers anticipate future development of this acreage, as business conditions warrant, there can be no assurances as if, or when, any of such undeveloped land will ultimately be developed. The District anticipates issuing additional bonds to accomplish full development of the District. See "RISK FACTORS." The Engineer has stated that under current development plans (and excluding any costs of converting to surface water), the remaining authorized but unissued unlimited tax bonds (\$21,195,000) will NOT be sufficient to finance the construction of water, wastewater, and storm drainage facilities to complete the District's water and wastewater system for full development of the District. The District plans to hold a bond election in May 2026 asking the voters to authorize the necessary bonds to fund future improvements necessary to serve the District.

Community Facilities

Shopping facilities, including supermarkets, pharmacies, cleaners, restaurants, banking facilities, and other retail and service establishments are located approximately seven miles north of the District along State Highway 288. Police protection for the District is provided by the Brazoria County Sheriff's Department. Fire protection for the District is provided by Iowa Colony Volunteer Fire Department. The nearest medical care facility for District residents is available from The Memorial Emergency Center Urgent Care, approximately five miles north of the District, and the Texas Medical Center, approximately 20 miles north of the District. Numerous other medical facilities are located in the Houston Metropolitan area. The land within the District is located within the boundaries of Alvin ISD, and children within the District attend elementary, junior high and high schools of Alvin ISD located within six to ten miles of the development in the District.

2019 Annexation by Iowa Colony Rebate Agreement

Pursuant to a strategic partnership agreement, the City of Iowa Colony annexed the District for full purposes in April 2019. The District remains in place as a "limited district" under the terms of the SPA, and the District is authorized to conduct all of its normal water, wastewater, drainage, and similar business (including the issuance of debt and the levy of its taxes to service that debt) until the District is dissolved by the City. The City must determine whether to dissolve the District at least as frequently as every ten years. The City will begin to levy its ad valorem taxes on property located within the District beginning in calendar year 2020; as a result, the City and the District have entered into an agreement whereby the City will rebate a portion of its ad valorem taxes to the District for use in the District's debt service fund. Beginning in 2020 (and continuing for a period of 20 years thereafter), the City will rebate to the District 70 percent of its tax levy collected with respect to property in the District, save and except any portion of the City tax used by the City for City debt service. The City rebate will not exceed the amount required to pay the District's annual debt service requirements, minus the amount levied by the District for debt service that year, not to exceed a total (City and District debt service rates) of \$0.80 per \$100 taxable valuation. Consequently, the amount of the City rebate will vary from year to year depending upon (i) the taxable value of property in the District generating the rebate, (ii) the City's tax rate in the applicable year, (iii) the portion of the City's total tax rate attributable to the City's debt service requirements, and (iv) the District's then-current debt service tax rate. The City rebate is not pledged to the payment of the Bonds, but is available for debt service payments. See "THE SYSTEM – Ownership and Operation of the System."

General Fund Operating History:

The Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Upon conveyance of the District's water supply and wastewater treatment facilities to the City, the District no longer collected water and sewer fee revenues from District residents. Similarly, the District no longer incurs costs for maintenance and operation of water supply and wastewater treatment facilities. See "THE DISTRICT – Ownership and Operation of the System."

The information included in the table below relating to the District's water and sewer system operations is provided for information purposes only.

	Fiscal Year Ended June 30 (a)				
REVENUES	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Property taxes	\$1,620,454	\$1,692,220	\$1,537,723	\$1,046,291	\$2,224,698
Water service	\$426,124	\$555,182	\$524,112	\$503,178	\$453,223
Sewer service	\$736,311	\$831,816	\$754,330	\$752,246	\$699,515
Garbage service	--	\$4,820	\$4,820	\$4,820	-
Penalty and interest	\$39,117	\$41,683	\$34,044	\$22,365	\$24,049
Tap connection and inspection fees	\$69,237	\$3,054	\$4,239	\$77,845	\$150,472
Investment income	\$324,985	\$207,280	\$11,648	\$5,304	\$66,060
Other income	<u>\$67,672</u>	<u>\$49,094</u>	<u>\$41,734</u>	<u>\$45,379</u>	<u>\$36,492</u>
TOTAL REVENUES	<u>\$3,283,900</u>	<u>\$3,385,149</u>	<u>\$2,912,650</u>	<u>\$2,457,428</u>	<u>\$3,654,504</u>
EXPENDITURES					
<i>Service operations:</i>					
Purchased services	\$1,128,925	\$939,768	\$914,293	\$804,251	\$630,724
Professional fees	\$281,275	\$192,622	\$153,394	\$132,469	\$159,182
Contracted services	\$638,520	\$817,691	\$821,277	\$496,245	\$459,685
Utilities	\$116,398	\$143,604	\$96,933	\$71,742	\$117,095
Repairs and maintenance	\$205,174	\$217,770	\$211,457	\$258,562	\$254,526
Permit fees	\$13,302	\$12,753	\$3,753	\$3,803	\$7,352
Other expenditures	\$128,695	\$106,331	\$100,833	\$82,303	\$93,680
Tap connections	\$53,247	-	-	\$35,465	\$62,113
Capital Outlay	\$485,203	\$643,546	\$54,869	\$387,400	\$70,317
Annexation Payment	--	-	-	-	\$350,000
Debt service, lease payments	--	\$505,000	-	-	-
TOTAL EXPENDITURES	<u>\$3,050,739</u>	<u>\$3,579,085</u>	<u>\$2,368,809</u>	<u>\$2,272,238</u>	<u>\$2,204,675</u>
Excess of Revenues Over Expenditures	\$233,161	(\$193,936)	\$543,841	\$185,190	\$1,449,829
Other Financing Sources (Uses)					
Interfund transfers out		-	-	-	-
Insurance proceeds		-	-	-	\$9,965
Total other financing sources (uses)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$9,965</u>
Excess of Revenues and Other Financing Over Expenditures and Other Financing Uses	\$233,161	(\$193,936)	\$543,841	\$185,190	\$1,459,794
Fund Balance, Beginning of Year	<u>\$6,358,418</u>	<u>\$6,552,354</u>	<u>\$6,008,513</u>	<u>\$5,823,323</u>	<u>\$4,363,529</u>
Fund Balance, End of Year (b)	<u>\$6,591,579</u>	<u>\$6,358,418</u>	<u>\$6,552,354</u>	<u>\$6,008,513</u>	<u>\$5,823,323</u>

(a) Data is taken from District's audited financial statements. See "APPENDIX A."

(b) As of July 24, 2025, the District had an unaudited cash balance in the General Fund of approximately \$7,031,699. For the fiscal year ending June 30, 2025, the District experienced unaudited General Fund revenues of \$3,319,358 and General Fund operating expenditures of \$4,082,992. Additionally, the District expended \$342,158 of general funds for capital improvements during the fiscal year. Additionally, the District expended approximately \$5,752,390 on one-time non-recurring capital expenditures. For the fiscal year ending June 30, 2026, the District is budgeting General Fund revenues of approximately \$2,126,506 and General Fund operating expenditures of approximately \$683,272. Additionally, the District is budgeting \$4,795,000 for capital improvements during the 2026 fiscal year.

MANAGEMENT OF THE DISTRICT

The District is governed by a board of directors (the "Board") which has control over and management supervision of all affairs of the District. Four of the directors reside in the District; the fifth director of the directors owns a parcel of land in the District subject to a note and deed of trust. A directors' election is held within the District in May in even-numbered years. Directors are elected to serve four-year staggered terms. The current members and officers of the Board, along with their titles on the Board, are listed below.

<u>Name</u>	<u>Title</u>	<u>Expires May</u>
Micah Kreikemeier	President	2026
Douglas Chumley	Vice President	2028
Adrienne Brown	Assistant Secretary	2026
Andrew Yorlano	Assistant Vice President	2026
James Lee, Jr.	Secretary	2028

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

Tax Assessor/Collector – The District's Tax Assessor/Collector is Assessments of the Southwest, Inc., who is employed under an annual contract and represents approximately 200 other utility districts.

Bookkeeper – The District's Bookkeeper is McLennan & Associates, LP, which acts as bookkeeper for approximately 130 other utility districts.

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

Engineer – The District's Engineer is Elevation Land Solutions, Inc. (the "Engineer").

Utility System Operator – The City of Iowa Colony operates the water supply and wastewater system that serves the property located within the boundaries of the District. See "THE SYSTEM."

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

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

DISTRICT INVESTMENT POLICY

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

THE DISTRICT'S DEVELOPER

Role of a Developer

In general, the activities of developers in a municipal utility district such as the District include purchasing the land within a district, designing the streets in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities, and selling improved lots and commercial reserves to builders, other developers or other third parties. In most instances, a developer will be required to pay up to 30% of the cost of financing certain water, wastewater and drainage facilities in the

utility district exclusive of water and sewage treatment plants, unless a waiver from this requirement is requested and obtained from the TCEQ by the District, pursuant to the rules of the TCEQ. In addition, a developer is ordinarily the major taxpayer within a utility district during the property development phase and the developer's inability to pay the taxes assessed on its property within a district would have a materially adverse effect on the revenues of the district. The relative success or failure of a developer to perform development activities within a utility district may have a profound effect on the ability of the district to generate sufficient tax revenues to service and retire all tax bonds issued by the district. While a developer generally commits to pave streets and pay its allocable portion of the costs of utilities to be financed by the utility district through a specific bond issue, a developer is generally under no obligation to a district to undertake development activities with respect to other property that it owns within a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land that the developer owns within a district.

Developers in the District

The developers in the District are Sterling Lakes Iowa Associates; Iowa Colony Sterling Lakes, Ltd.; IC Section 10 and 11, Ltd.; IC Section 12, Ltd.; and IC Section 20, Ltd. (the aforementioned entities are collectively referred to as the "Original Developer") and LGI.

Sterling Lakes Iowa Associates is a Texas joint venture, the managing joint venture of which is Iowa Colony Sterling Lakes 274, Ltd.; the general partner of which is L.T. Management, Inc. The limited partners of Sterling Lakes Iowa Associates are Al P. Brende and LT Partnership, LTD., a Texas limited partnership.

Iowa Colony Sterling Lakes, Ltd. is a Texas limited partnership, the general partner of which is L.T. Management, Inc., a Nevada corporation. The limited partners of Iowa Colony Sterling Lakes Ltd. are Al P. Brende and LT Partnership, LTD., a Texas limited partnership.

IC Section 12 Ltd.; a Texas limited partnership, the general partner of which is Land Tejas Companies, Ltd., a Texas limited partnership. The limited partners of IC Section 12, Ltd. are Al P. Brende and L.T. Partnership, LTD., a Texas limited partnership.

IC Section 10 and 11, Ltd. is a Texas Limited Partnership, the general partner of which is Land Tejas Companies, Ltd., a Texas limited partnership. The limited partners of IC Section 10 and 11, Ltd. are Al P. Brende and L.T. Partnership, LTD., a Texas limited partnership.

IC Section 20, Ltd. is a Texas Limited Partnership, the general partner of which is L.T. Management, Inc., a Nevada corporation. The limited partners of IC Section 20, Ltd. are Al P. Brende and L.T. Partnership, LTD., a Texas limited partnership.

The District annexed approximately 196 additional acres of land contiguous to the northern and western boundaries of the District in 2015. All 196 acres were purchased by LGI who has developed the acreage in the subdivision known as Sterling Lakes West. The Sterling Lakes West subdivision includes approximately 569 single-family lots. All of the lots in Sterling Lakes West were built out during the fourth quarter of 2021; according to LGI, homes were marketed in the \$182,000 - \$235,000 price range.

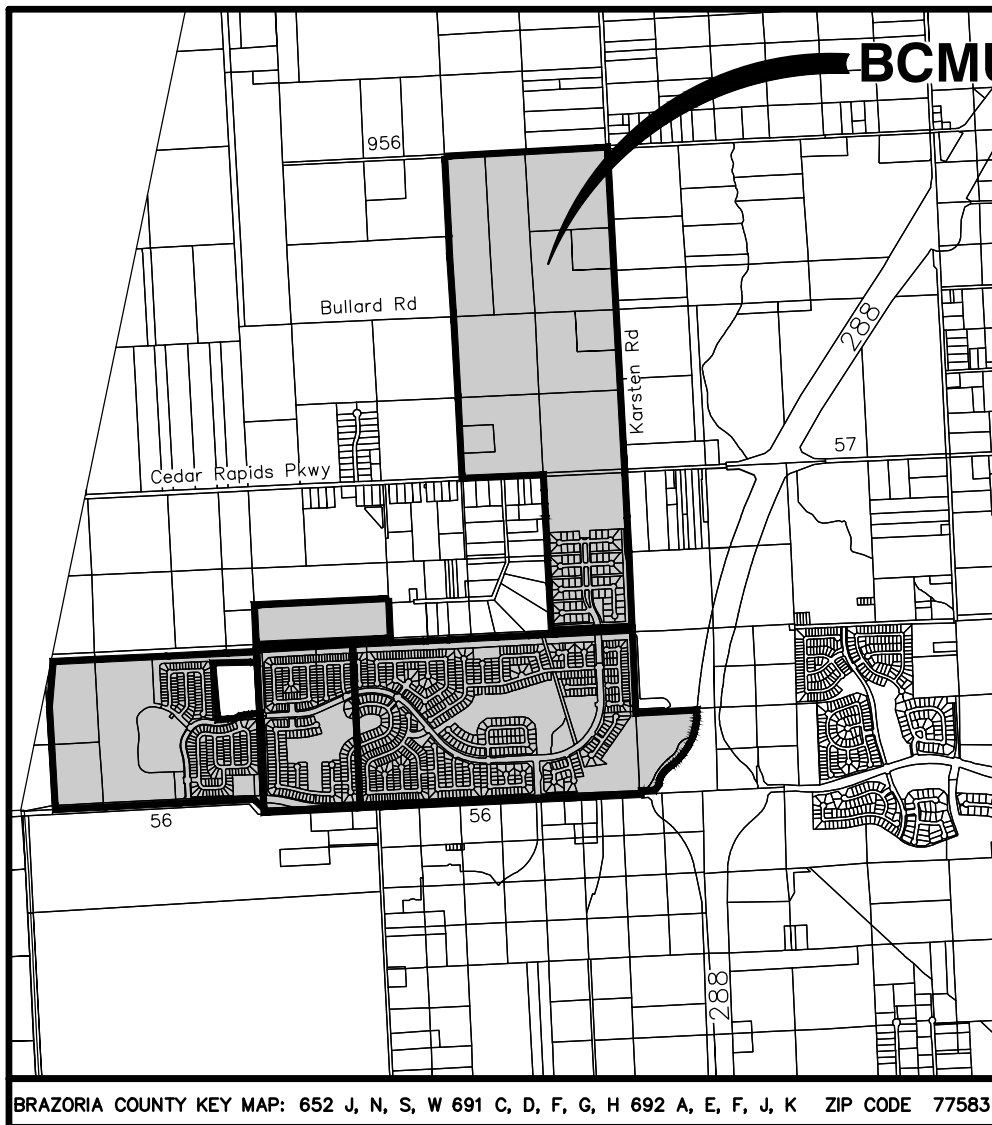
LGI Homes is the developer of approximately 99 acres (211 lots) in the District. According to LGI, home building on such lots began during the second quarter of 2024; homes are currently being marketed in the \$345,000 price range.

In December 2021, the Original Developer sold a portion of its interests to Astro Sterling Lakes North, LP, a Delaware limited partnership created by Mr. Al P. Brende/the Land Tejas Companies and Starwood Land Astro Venture LP. Starwood Land Venture LP is a special purpose entity established solely for the purpose of developing land and marketing developed land within the District. Starwood Land Astro Venture LP has entered into a management agreement with the Land Tejas companies for the purpose of managing the day to day development activities within the District. The Original Developer has assigned its developer financing agreement with the District to Astro Sterling Lakes North, LP. LGI and Astro Sterling Lakes North, LP are collectively referred to as the "Developers."

Astro Sterling Lakes North, LP is the developer of approximately 157 acres (411 lots) in the District known as Sterling Lakes North, Sections 2-6. The land development of these sections was completed in the fourth quarter of 2024; homes are currently being marketed by four homebuilders in the \$337,990 - \$533,159 price range.

Prospective Bond purchasers should note that the prior real estate experience of the Developers should not be construed as an indication that further development within the District will occur, or that construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. See "RISK FACTORS – Economic Factors."

LOCATION MAP



BRAZORIA COUNTY KEY MAP: 652 J, N, S, W 691 C, D, F, G, H 692 A, E, F, J, K ZIP CODE 77583

LOCATION MAP

N.T.S.

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ATTACHMENT 4

**BCMUD 31
BOND APPLICATION NO. 8**

LOCATION MAP



BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 31

THE SYSTEM

Regulation

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

Water Supply

The District conveyed its water facilities to the City of Iowa Colony on March 11, 2024, pursuant to the Facility Conveyance Agreement by and among Brazoria County Municipal Utility District No. 31, Brazoria County Municipal Utility District No. 32, and the City of Iowa Colony, Texas. The District obtains water from one water plant, which is owned, operated and maintained by the City of Iowa Colony. The water plant consists of two water wells with a combined capacity of 1,600 gallons per minute ("gpm"), two ground storage tanks (300,000 gallon and 500,000 gallon), a booster pump capacity of 5,000 gpm, a hydropneumatic tank with a capacity of 50,000 gallons, and related appurtenances. According to the District Engineer, the District has the water supply capacity to serve approximately 3,265 equivalent single-family connections ("ESFCs"). The District currently serves approximately 2,046 ESFCs.

Wastewater Treatment

The District conveyed its wastewater treatment facilities to the City of Iowa Colony on March 11, 2024, pursuant to the Facility Conveyance Agreement by and among Brazoria County Municipal Utility District No. 31, Brazoria County Municipal Utility District No. 32, and the City of Iowa Colony, Texas. The City owns, operates and maintains a 900,000 gpd wastewater treatment facility. The District's existing wastewater treatment plant capacity is capable of serving 3,461 ESFCs; the District is currently serving approximately 2,046 ESFCs.

Storm Drainage Facilities

Land within the District naturally drains northwest to southeast through a series of agricultural ditches to the West Fork of Chocolate Bayou and then to Chocolate Bayou. Both ditches are maintained by Brazoria County Drainage District No. 5. The District has constructed underground storm sewers which discharge into a series of detention ponds providing storm water detention to offset increased rainfall runoff associated with development of land in the District. Additionally, a drainage channel along the northern boundary of the development provides outfall drainage.

The District did not receive any damage to its facilities and there was no flooding of homes in the District during Hurricane Beryl. See "RISK FACTORS – Hurricane Beryl."

Water Distribution, Wastewater Collection and Storm Drainage Facilities

Water distribution, wastewater collection, and storm drainage facilities have been constructed to serve 2,318 lots in the District and 30 acres of mixed-use commercial development.

100-Year Flood Plain

According to Elevation Land Solutions, Inc., the District's Engineer, approximately 252 acres of land in the District lies within the mapped FIS 100-year flood plain. Letters of map revision have been approved by FEMA for areas in the 100-year floodplain that have been developed into lots. None of the existing developed lots in the District are currently in the 100-year flood plain.

DISTRICT DEBT

7/15/2025 Estimated Taxable Valuation	\$626,595,916	(a)
1/1/2025 Certified Taxable Valuation	\$572,000,856	(b)
Direct Debt (See "District Debt")		
Outstanding Bonds (as of September 1, 2025)	\$36,715,000	
The Bonds	<u>\$9,500,000</u>	
Total Direct Debt	\$46,215,000	
Estimated Overlapping Debt	<u>\$41,963,719</u>	
Direct and Estimated Overlapping Debt	\$88,178,719	
Percentage of Direct Debt to:		
7/15/2025 Estimated Taxable Valuation	7.38%	
1/1/2025 Certified Taxable Valuation	8.08%	
(See "District Debt")		
Percentage of Direct and Estimated Overlapping Debt to:		
7/15/2025 Estimated Taxable Valuation	14.07%	
1/1/2025 Certified Taxable Valuation	15.42%	
(See "District Debt")		
2024 Tax Rate Per \$100 of Assessed Value		
Debt Service Tax	\$0.34481	
Maintenance Tax	<u>\$0.41519</u>	
Total 2024 Tax Rate	\$0.76000	
Cash and Temporary Investment Balances		
General Fund as of July 24, 2025	\$7,031,699	
Debt Service Fund	\$2,476,821	(c)

-
- (a) Reflects data supplied by the Brazoria County Appraisal District ("BCAD"). The Estimated Taxable Value as of 7/15/2025 was prepared by BCAD and provided to the District. Such value is not binding on BCAD. The new values (subsequent to January 1, 2025) will not be included on the District's tax roll until the 2025 tax roll is prepared and certified by BCAD during the second half of 2025. See "DISTRICT TAX DATA" and "TAXING PROCEDURES".
- (b) Reflects the 1/1/2025 Certified Taxable Value according to data supplied to the District by BCAD. The figure above includes \$559,179,662 of property in the District that is fully certified and 85% of the \$15,083,758 value of property that is still in the certification process. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."
- (c) Neither Texas law nor the District's Bond Resolution requires that the District maintain any particular balance in the Debt Service Fund. The figure above assumes the \$2,098,331 September 1 debt service payment and includes \$475,000 of capitalized interest to be funded with Series 2025 Bonds and deposited into the District's Debt Service Fund on the day of closing. See "DISTRICT TAX DATA - Tax Adequacy of Tax Revenue."

Estimated Overlapping Debt

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

<u>Taxing Entity</u>	<u>Approximate Outstanding Debt</u>	<u>Estimated Overlapping</u>	
		<u>Overlapping %</u>	<u>Amount</u>
Brazoria County	\$116,970,000	0.99%	\$1,159,710
Alvin Independent School District	\$951,950,000	3.29%	\$31,310,091
Alvin Community College District	\$17,050,000	2.40%	\$408,812
City of Iowa Colony	\$13,110,000	69.30%	<u>\$9,085,107</u>
Total Estimated Overlapping Debt			\$41,963,719
The District (a)			<u>\$46,215,000</u>
Total Direct and Estimated Overlapping Debt			\$88,178,719

(a) Includes the Bonds and the outstanding Bonds.

DISTRICT TAX DATA

Tax Rate and Collections

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

<u>Tax Year</u>	<u>Taxable Valuation</u>	<u>Tax Rate (a)</u>	<u>Tax Levy</u>	<u>Cumulative Collections</u>	<u>Ended 9/30</u>
2024	\$514,850,380	\$0.76	\$3,912,863	98.77% (b)	2025
2023	\$463,401,115	\$0.75	\$3,516,960	99.55%	2024
2022	\$427,611,662	\$0.72	\$3,074,025	99.87%	2023
2021	\$375,813,529	\$0.71	\$2,668,241	99.89%	2022
2020	\$332,728,726	\$0.71	\$2,362,338	99.88%	2021

(a) See "Tax Rate Distribution" herein.

(b) Represents the cumulative collections as of June 30, 2025.

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance and operation of the District and its facilities. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, and any tax bonds that may be issued in the future. The District's voters have authorized a maintenance tax of up to \$1.50 per \$100.00 of assessed valuation at an election held on May 13, 2006. See "Tax Rate Distribution" herein.

Tax Rate Distribution

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Debt Service	\$0.34481	\$0.40126	\$0.32600	\$0.30000	\$0.40000
Maintenance/Operations	<u>\$0.41519</u>	<u>\$0.34874</u>	<u>\$0.39400</u>	<u>\$0.41000</u>	<u>\$0.31000</u>
TOTAL	\$0.76000	\$0.75000	\$0.72000	\$0.71000	\$0.71000

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 20% of the tax to defray the costs of collection. This 20% penalty applies to taxes that either: (i) become delinquent on or after February 1 of a year, but not later than May 1 of that year, and that remain delinquent on April 1 (for personal property) and July 1 (for real property) of the year in which they become delinquent; or (ii) become delinquent on or after June 1, pursuant to the Texas Tax Code.

Principal Taxpayers

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

<u>Property Owner</u>	<u>Property Description</u>	<u>Property Value</u>	<u>% of Total</u>
LGI Homes – Texas LLC	Vacant/Inventory	\$10,851,350	2.11%
H&B Land Holding 2 LLC	Inventory	\$4,650,530	0.90%
Castlerock Communities LLC	Inventory	\$3,744,230	0.73%
SNK Ventures LLC	Commercial	\$1,964,600	0.38%
Sterling Lakes Property Owners Association	Vacant	\$167,742	0.03%
Astro Sterling Lakes North, LP	Land/Inventory	\$1,323,330	0.26%
Alto Asset Company 2	Single-Family	\$1,283,000	0.25%
Homeowner	Single-Family	\$1,053,300	0.20%
Firebird SFE I	Single-Family	\$1,014,000	0.20%
ET-3 LP	Single-Family	<u>\$906,060</u>	<u>0.18%</u>
TOTAL		\$26,958,142	5.24%

Analysis of Tax Base

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

<u>Tax Roll</u>	<u>Type of Property</u>			<u>Gross</u>	<u>Exemptions</u>	<u>Taxable</u>	
	<u>Land</u>	<u>Improvements</u>	<u>Personal</u>				
<u>Year</u>			<u>Property</u>	<u>Valuations</u>		<u>Valuation</u>	
2025						\$572,000,856	(a)
2024	\$128,898,052	\$430,183,774	\$4,777,930	\$563,859,216	\$49,008,836	\$514,850,380	
2023	\$102,315,932	\$428,758,953	\$4,739,430	\$535,814,315	\$66,886,366	\$468,927,949	
2022	\$62,206,955	\$406,953,790	\$4,718,510	\$473,879,255	\$46,931,326	\$426,947,962	
2021	\$59,060,763	\$333,474,914	\$3,958,630	\$396,494,307	\$20,685,778	\$375,808,529	
2020	\$55,033,195	\$291,066,635	\$4,328,320	\$350,428,150	\$17,704,424	\$332,723,726	

- (a) Reflects the 1/1/2025 Certified Taxable Value according to data supplied to the District by BCAD. The figure above includes \$559,179,662 of property in the District that is fully certified and 85% of the \$15,083,758 value of property that is still in the certification process. See "DISTRICT TAX DATA" And "TAXING PROCEDURES."

Estimated Overlapping Taxes

The following table sets forth all 2024 taxes levied by overlapping taxing jurisdictions. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges, or any other levy by entities other than political subdivisions. It should also be noted that the District became a part of the City of Iowa Colony in April 2019, but was not subject to the Iowa Colony taxes until the 2020 tax levy. See "ANNEXATION, STRATEGIC PARTNERSHIP AGREEMENT, AND CONSOLIDATION - 2019 Annexation by Iowa Colony and Rebate Agreement."

<u>Taxing Jurisdiction</u>	<u>2024 Tax Rate per \$100 Assessed Valuation</u>
Brazoria County	\$0.261625
Brazoria County Road and Bridge Fund	\$0.041921
Alvin Independent School District	\$1.170000
Alvin Community College District	\$0.155988
Brazoria County Drainage No. 5 (Iowa Colony Drainage District)	\$0.104079
Brazoria County Emergency Services District No. 3	\$0.077459
City of Iowa Colony	<u>\$0.519209</u>
Overlapping Taxes	\$2.330281
The District	<u>\$0.760300</u>
Total 2024 Direct & Overlapping Tax Rate	\$3.090581

Tax Adequacy of Tax Revenue

The calculations shown below are solely for the purpose of illustration, reflect no net revenues of the System, no transfers of surplus funds from the District's Operating Fund to the Debt Service Fund, and no increase or decrease in assessed valuation over the 7/15/2025 Estimated Taxable Valuation and the 1/1/2025 Certified Valuation. The City and the District have entered into a contract whereby the City is obligated to rebate 70% of the City's O&M tax revenue collected on properties located within the District. The calculations below assume no change in the City's 2024 O&M tax rate of \$0.260478, thereby creating an annual rebate to the District of approximately \$860,000 that would be applied against the District's maximum annual debt service requirements. The calculations utilize a tax rate adequate to service the District's maximum debt service requirements after issuance of the Bonds.

Maximum Annual Debt Service Requirements (2035)\$3,652,811

Requires a \$0.47 Tax Rate on 7/15/2025 Estimated Taxable Valuation of \$626,595,916
assuming a 95% tax collection factor

Requires a \$0.52 Tax Rate on 1/1/2025 Certified Taxable Valuation of \$572,000,856 (a)
assuming a 95% tax collection factor

-
- (a) Reflects the 1/1/2025 Certified Taxable Value according to data supplied to the District by BCAD. The figure above includes \$559,179,662 of property in the District that is fully certified and 85% of the \$15,083,758 value of property that is still in the certification process. See "TAXING PROCEDURES."

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal and interest on the Bonds and any additional bonds payable from taxes that the District has previously or may hereafter issue (see "RISK FACTORS - Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully in this Official Statement under the caption "THE BONDS - Source of and Security for Payment." Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations if authorized by the voters in the District. See "DISTRICT TAX DATA - Maintenance Tax."

Tax Code and County-Wide Appraisal District

The Texas Tax Code (the "Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Tax Code are complex and are not fully summarized here. The Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units in a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Brazoria County Appraisal District (the "Appraisal District") has the responsibility for appraising property for all taxing units within Brazoria County, including the District. Such appraisal values are subject to review and change by the Brazoria County Appraisal Review Board (the "Appraisal Review Board"). The Texas Comptroller of Public Accounts may provide for the administration and enforcement of uniform standards and procedures for appraisal of property.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to, property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares, and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and of certain disabled persons, and travel trailers, to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by 20% of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans, or certain surviving dependents of disabled veterans if requested, but only to the maximum extent of \$5,000 to \$12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to the exemption for the full amount of the residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran is entitled to an exemption for the full value of the veteran's residence homestead to which the disabled veterans' exemption applied including the surviving spouse of a disabled veteran who would have qualified for such exemption if it had been in effect on the date the disabled veteran died. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homesteads in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

Residential Homestead Exemptions

The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to 20% of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the assessor and collector of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. The District has never adopted an order granting a general residential homestead exemption.

Freeport Goods and Goods-in-Transit Exemptions

A "Freeport Exemption" applies to goods, wares, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas that are destined to be forwarded outside of Texas and that are detained in Texas for assembling, storing, manufacturing, processing, or fabricating for fewer than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property that are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating

purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. 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

Brazoria County or Iowa Colony may designate all or part of the area within the District as a reinvestment zone. Thereafter, Iowa Colony, Brazoria County, or 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 10 years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction, including the District, has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

Valuation of Property for Taxation

Generally, property in the District must be appraised by BCAD at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Boards, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on 100% of market value, as such is defined in the Property Tax Code. A residence homestead is required to be appraised solely on the basis of its value as a residence homestead regardless of whether residential use is considered to be the highest and best use of the property.

The Property Tax Code permits land designated for agricultural use, open space, or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business are valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of the agricultural use, open space, or timberland designation or residential real property inventory designation must apply for the designation, and the chief appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use, for open space land, and timberland.

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

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

District and Taxpayer Remedies

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

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

Levy and Collection of Taxes

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

Rollback of Operation and Maintenance Tax Rate

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

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

Developed Districts. Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, may be required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current

year's debt service and contract tax rate plus 1.035 times the previous year's operation and maintenance tax rate plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

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

The District. A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. The Board of Directors designated the District as a Developing District for purposes of setting the 2025 tax rate. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

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

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

Taxpayers for homesteads and small businesses damaged as a direct result of a disaster may pay property taxes on the property in four equal quarterly installments by notice to the District before the delinquency date without penalty or interest. Installments must be completed within six months of the delinquency date, which normally is February 1 but could be delayed because of delayed valuations. Quarterly payments by a substantial number of owners could adversely affect a District's collection of taxes for debt services in the year following a disaster.

District's Rights in the Event of Tax Delinquencies

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effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within six months for commercial property, within two years for residence homesteads and land designated for agricultural use and six months for all other property after the purchaser's deed issued at the foreclosure sale is filed in the county records), or by bankruptcy proceedings that restrict the collection of taxpayer debts. See "RISK FACTORS - Tax Collections."

The Effect of FIRREA on Tax Collections of the District

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

Under FIRREA, real property held by the FDIC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary liens shall attach to such property, (ii) the FDIC shall not be liable for any penalties, interest, or fines, including those arising from the failure to pay any real or personal property tax when due, and (iii) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed.

To the extent the FIRREA provisions are valid and applicable to any property in the District and to the extent that they affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District and may prevent the collection of penalties and interest on such taxes.

ANNEXATION, STRATEGIC PARTNERSHIP AGREEMENT, AND CONSOLIDATION

Chapter 42, Local Government Code provides that, within the limits described therein, the unincorporated area contiguous to the corporate limits of any city comprises that city's extraterritorial jurisdiction. The size of extraterritorial jurisdiction depends in part on the city's population. For the City of Iowa Colony, the extraterritorial jurisdiction consists of all the contiguous unincorporated areas, not a part of any other city limits or city's extraterritorial jurisdiction, within one half mile of the corporate limits of the City of Iowa Colony. With certain exceptions, a city may annex territory only within the confines of its extraterritorial jurisdiction. When a city annexes additional territory, the city's extraterritorial jurisdiction expands in conformity with such annexation.

Strategic Partnership Agreement

Under existing Texas law, since the District lies partially within the full purpose and extraterritorial jurisdiction of the City of Iowa Colony, the District must conform to a City of Iowa Colony consent ordinance. The District has entered into a Strategic Partnership Agreement ("SPA") with the City of Iowa Colony whereby the City of Iowa Colony may annex the District for full purposes with the District remaining in place for an extended period following such annexation. During such period, the District would levy its tax, and be responsible for payment of its bonded indebtedness, including the Bonds, in addition to whatever ad valorem taxes Iowa Colony may impose at such time. The SPA also provides for the provision of various municipal services such as inspection, land use regulation and fire service. The City of Iowa Colony may also opt to dissolve the District following annexation but is not required to do so. In such event, the City would assume any outstanding debt of the District. The District makes no representation regarding the City's intent to dissolve the District or its ability to make debt service payments in such event.

2019 Annexation by Iowa Colony and Rebate Agreement

Pursuant to a strategic partnership agreement, the City of Iowa Colony annexed the District for full purposes in April, 2019. The District remains in place as a "limited district" under the terms of the SPA, and the District is authorized to conduct all of its normal water, wastewater, drainage, and similar business (including the issuance of debt and the levy of its taxes to service that debt) until the District is dissolved by the City. The City must determine whether to dissolve the District at least as frequently as every ten years. The City began to levy its ad valorem taxes on property located within the District beginning in calendar year 2020; as a result, the City and the District have entered into an agreement whereby the City will rebate a portion of its ad valorem taxes to the District for use in the District's debt service fund. Beginning in 2020 (and continuing for a period of 20 years thereafter), the City will rebate to the District 70 percent of its tax levy collected with respect to property in the District, save and except any portion of the City tax used by the City for City debt service, continuing for 20 years thereafter. The City rebate will not exceed the amount required to pay the District's annual debt service requirements, minus the amount levied by the District for debt service that year, not to exceed a total (City and District debt service rates) of \$0.80 per \$100 taxable valuation. Consequently, the amount of the City rebate will vary from year to year depending upon (i) the taxable value of property in the District generating the rebate, (ii) the City's tax rate in the applicable year, (iii) the portion of the City's total tax rate attributable to the City's debt service requirements, and (iv) the District's then-current debt service tax rate.

The City rebate is not pledged to the payment of the Bonds, but is available for debt service payments.

Consolidation

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

THE BONDS

General

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

The Bonds are dated and will bear interest from October 1, 2025, at the per annum rates shown on the cover page hereof. The Bonds are fully registered, serial bonds maturing on September 1 in the years and in the principal amounts set forth on the cover page hereof. Interest on the Bonds is payable March 1, 2026, and each September 1 and March 1 thereafter until the earlier of maturity or redemption. The Record Date on the Bonds is the 15th day of the calendar month next preceding the interest payment date.

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

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

Optional Redemption

The Bonds maturing on or after September 1, 2031, are subject to redemption prior to scheduled maturity at the option of the District, in whole or from time to time in part, on September 1, 2030, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the redemption date. In the event the Bonds are to be redeemed in part, the maturities and principal amounts to be redeemed shall be selected by the District. In the event of redemption of fewer than all of the Bonds of a particular maturity, the Paying Agent/Registrar, on behalf of the District, will select the Bonds of such maturity to be redeemed by lot or by such other customary method as the Paying Agent/Registrar deems fair and appropriate or while the Bonds are in Book-Entry-Only form the portions to be redeemed shall be selected by DTC in accordance with its procedures. Notice of each exercise of the right of redemption will be given at least 30 days prior to the date fixed for redemption by mailing written notice by first class mail to each of the Registered Owners of the Bonds to be redeemed. When the Bonds have been called for redemption, they will become due and payable on the redemption date.

Source of and Security for Payment

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

Defeasance

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

Funds

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

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

Paying Agent/Registrar

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

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

No Arbitrage

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

paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District covenants in the Bond Resolution that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds, and take such other and further actions and follow such procedures, including, without limitation, calculating the yield on the Bonds, as may be that the Bonds shall not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

Registration and Transfer

In the event the Book-Entry-Only System should be discontinued, the Bonds will be transferable only on the Bond Register kept by the Registrar upon surrender and reissuance. The Bonds are exchangeable for an equal principal amount of Bonds of the same maturity and of any authorized denomination upon surrender of the Bonds to be exchanged at the operations office of the Registrar in Houston, Texas. See "BOOK-ENTRY-ONLY SYSTEM" below for a description of the system to be utilized initially in regard to the ownership and transferability of the Bonds. Every Bond presented or surrendered for transfer is required to be duly endorsed, or be accompanied by a written instrument of transfer, in a form satisfactory to the Registrar. Neither the Registrar nor the District is required (1) to transfer or exchange any Bond during the period beginning at the opening of business on a Record Date (defined herein) and ending at the close of business on the next succeeding interest payment date, or (2) to transfer or exchange any Bond selected for redemption in whole or in part within thirty calendar days of the redemption date. No service charge will be made for any transfer or exchange, but the District or the Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Lost, Stolen, or Destroyed Bonds

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

Issuance of Additional Debt

The District may issue additional bonds, with the approval of the TCEQ, necessary to provide and rehabilitate improvements and facilities consistent with the purposes for which the District was created. See "THE DISTRICT--General." The District's voters have authorized the issuance of \$77,000,000 of unlimited tax bonds for the purposes of providing water, sewer, drainage facilities; \$4,000,000 of unlimited tax bonds for firefighting facilities; \$50,000,000 of unlimited tax bonds for refunding purposes; and \$9,700,000 of unlimited tax bonds for recreational facilities and could authorize additional amounts. After the issuance of the Bonds, the District has \$21,195,000 of unlimited tax bonds for water, sewer and drainage facilities; \$4,000,000 for firefighting facilities; \$49,250,000 for refunding purposes; and \$9,700,000 of unlimited tax bonds for recreational facilities that will remain authorized, but unissued. Depending upon the District's future issuance of tax-supported debt and the development of the District's tax base, increases in the District's annual ad valorem tax rate may be required to provide for the payment of principal of and interest on the District's current bonded indebtedness and any future tax-supported debt issued by the District. The Bond Resolution imposes no limitation on the amount of additional parity bonds that may be issued by the District (if authorized by the District's voters and approved by the Board and the TCEQ).

The District currently has one outstanding bond anticipation note. The District is issuing the Bonds in part to pay the interest and cost of issuance expenses on of the outstanding Series 2024 bond anticipation note.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, Maturity Value, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Financial Advisor, and the Underwriter believe the source of such information to be reliable but take no responsibility for the accuracy or completeness thereof.

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

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount or Maturity Value, as the case may be, of such maturity, and will be deposited with DTC.

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

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

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

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

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

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

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

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

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

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

LEGAL MATTERS

Legal Proceedings

Delivery of the Bonds will be accompanied by the unqualified 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 by the District, without 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 Allen Boone Humphries Robinson LLP, 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.

Legal Review

In its capacity as Bond Counsel, Allen Boone Humphries Robinson LLP has reviewed the information appearing in this Official Statement under the captions "CONTINUING DISCLOSURE OF INFORMATION - SEC RULE 15c2-12", "THE DISTRICT – Authority," "TAXING PROCEDURES," "ANNEXATION, STRATEGIC PARTNERSHIP AGREEMENT AND CONSOLIDATION," "THE BONDS," "LEGAL MATTERS - Legal Opinions" (to the extent such section relates to the opinion of Bond Counsel) and " – Legal Review," "TAX MATTERS" and "REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS" solely to determine whether such information fairly summarizes the documents and legal matters referred to therein. Bond Counsel has not, however, independently verified any of the other factual information contained in this Official Statement, nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of any of the other information contained herein. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein, other than the matters discussed immediately above.

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

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

No-Litigation Certificate

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

No Material Adverse Change

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

TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Bonds should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

Tax Exemption

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals.

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

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Resolution pertaining to those sections of the Code that affect the excludability of interest on the Bonds from gross income for federal income tax purposes and, in addition, will rely on representations by the District and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the District and such parties, which Bond Counsel has not independently verified. If the District fails to comply with the covenants in the Bond Resolution or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the date of delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Bond Counsel will express no opinion as to the amount or timing of interest on the Bonds or, except as stated above, any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds. Certain actions may be taken or omitted subject to the terms and conditions set forth in the Bond Resolution upon the advice or with the approving opinion of Bond Counsel. Bond Counsel will express no opinion with respect to Bond Counsel's ability to render an opinion that such actions, if taken or omitted, will not adversely affect the excludability of interest of the Bonds from gross income for federal income tax purposes.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or

become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether 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, regardless of the ultimate outcome of the audit.

Qualified Tax-Exempt Obligations

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as "qualified tax-exempt obligations" and (b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed \$10,000,000.

The District will designate the Bonds as "qualified tax-exempt obligations" and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2025 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2025.

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

Additional Federal Income Tax Considerations

Collateral Tax Consequences – Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences, including but not limited to those noted below. Therefore, prospective purchasers of the Bonds should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

An "applicable corporation" (as defined in section 59(k) of the Code) may be subject to a 15 percent alternative minimum tax imposed under section 55 of the Code on its "adjusted financial statement income" (as defined in section 56A of the Code) for such taxable year. Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation's "adjusted financial statement income," ownership of the Bonds could subject certain corporations to alternative minimum tax consequences.

Ownership of tax-exempt obligations also 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, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax 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.

Prospective purchasers of the Bonds should also be aware that, 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.

Tax Accounting Treatment of Original Issue Premium – If the issue price of any maturity of the Bonds exceeds the stated redemption price payable at maturity of such Bonds, such Bonds (the "Premium Bonds") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

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

Tax Accounting Treatment of Original Issue Discount – If the issue price of any maturity the Bonds is less than the stated redemption price payable at maturity of such Bonds (the “OID Bonds”), the difference between (i) the amount payable at the maturity of each OID Bond, and (ii) the initial offering price to the public of such OID Bond constitutes original issue discount with respect to such OID Bond in the hands of any owner who has purchased such OID Bond in the initial public offering of the Bonds. Generally, 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 OID Bond equal to that portion of the amount of such original issue discount allocable to the period that such OID Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions “TAX MATTERS – Tax Exemption” and “TAX MATTERS – Additional Federal Income Tax Considerations – Collateral Tax Consequences” and “– Tax Legislative Changes” generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

In the event of the redemption, sale or other taxable disposition of such OID Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such OID Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such OID Bond was held by such initial owner) is includable in gross income.

The foregoing discussion assumes that (i) the Underwriter has purchased the Bonds for contemporaneous sale to the public and (ii) all of the OID Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm’s-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the [inside] cover page of this Official Statement. Neither the District nor Bond Counsel has made any investigation or offers any assurance that the OID Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each OID Bond accrues daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner’s basis for such OID Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (i) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (ii) 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 OID Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of OID 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 OID Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such OID Bonds.

Tax Legislative Changes – Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could 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 recently enacted, proposed, pending or future legislation.

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

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

OFFICIAL STATEMENT

Sources of Information

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

Consultants

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

Engineer - The information contained in this Official Statement relating to engineering matters generally and to the description of the System and in particular that information included certain engineering matters included in "USE OF BOND PROCEEDS," "THE DISTRICT – Description;" "– Status of Land Development/Land Uses in the District," and "–Current Status of Development," and "THE SYSTEM" has been provided by Elevation Land Solutions, Inc., and has been included in reliance upon the authority of such firms as experts in the field of civil engineering.

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

Auditor - The financial statements of the District as of June 30, 2024, and for the year then ended, included in this offering document, have been audited by Forvis Mazars, LLP, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the audited financial statements of the District as of June 30, 2024.

Continuing Availability of Financial Information

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

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

Certification as to Official Statement

The Board of the District, acting in its official capacity and in reliance upon the consultants listed above, and certain certificates of representation to be provided to the Board, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading. The information, descriptions and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation of such matters and makes no representation as to the accuracy or completeness thereof.

Updating of Official Statement

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

MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of Brazoria County Municipal Utility District No. 31 as of the date shown on the cover page.

APPENDIX A

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS OF THE DISTRICT

FOR THE FISCAL YEAR ENDED JUNE 30, 2024



Brazoria County Municipal Utility District No. 31 Brazoria County, Texas

Independent Auditor's Report and Financial Statements

June 30, 2024



Brazoria County Municipal Utility District No. 31
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June 30, 2024

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Independent Auditor's Report

Board of Directors
Brazoria County Municipal Utility District No. 31
Brazoria County, Texas

Opinions

We have audited the financial statements of the governmental activities and each major fund of Brazoria County Municipal Utility District No. 31 (the District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of June 30, 2024, and the respective changes in financial position 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 (GAAS). 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 these 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 12 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 GAAS 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 GAAS, 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 schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedules required by the Texas Commission on Environmental Quality listed in the table of contents 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. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Forvis Mazars, LLP

Houston, Texas
November 6, 2024

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. This report also contains supplementary information required by the Governmental Accounting Standards Board and by the District's state oversight agency, the Texas Commission on Environmental Quality (the Commission).

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, sanitary sewer and drainage services. Other activities, such as the provision of recreation facilities and solid waste collection, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets, liabilities, and deferred inflows and outflows of resources of the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's assets, liabilities, and deferred inflows and outflows of resources is labeled as net position and this difference is similar to the total stockholders' equity presented by a commercial enterprise.

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period and expenses are recorded even though they may not have used cash during the current year.

Although the statement of activities looks different from a commercial enterprise's statement of income, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as change in net position, essentially the same thing.

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. 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 or governmental statutes or regulations.

Governmental Funds

Governmental-fund financial statements consist of a balance sheet and a statement of revenues, expenditures and changes in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and water, sewer and drainage systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's assets, liabilities, and deferred inflows and outflows of resources is labeled the fund balance and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

Because the focus of the government-wide and fund financial statements is different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in the notes to financial statements that describes the adjustments to fund balances to arrive at net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in the notes to financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position, as reported in the governmental activities column in the statement of activities.

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to a full understanding of the data found in the government-wide and fund financial statements.

Financial Analysis of the District as a Whole

The District's overall financial position and activities for the past two years are summarized as follows, based on the information included in the government-wide financial statements:

Summary of Net Position

	<u>2024</u>	<u>2023</u>
Current and other assets	\$ 10,103,333	\$ 9,323,687
Capital and lease assets	<u>31,881,379</u>	<u>38,336,294</u>
Total assets	<u>41,984,712</u>	<u>47,659,981</u>
Deferred outflows of resources	<u>273,785</u>	<u>289,892</u>
Total assets and deferred outflows of resources	<u>\$ 42,258,497</u>	<u>\$ 47,949,873</u>
Long-term liabilities	\$ 62,273,650	\$ 46,389,607
Other liabilities	<u>975,094</u>	<u>763,814</u>
Total liabilities	<u>63,248,744</u>	<u>47,153,421</u>

Summary of Net Position (Continued)

	<u>2024</u>	<u>2023</u>
Net position:		
Net investment in capital assets	\$ (7,520,295)	\$ (7,552,454)
Restricted	2,085,891	1,941,377
Unrestricted	<u>(15,555,843)</u>	<u>6,407,529</u>
Total net position	<u><u>\$ (20,990,247)</u></u>	<u><u>\$ 796,452</u></u>

The total net position of the District decreased by \$21,786,699. The majority of the decrease in net position is related to the conveyance of capital assets to another governmental entity for ownership and maintenance. Although the District's investment in its capital and lease assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital and lease assets themselves cannot be used to liquidate these liabilities.

At June 30, 2024, unrestricted net position was \$(15,555,843). This amount was negative because the District has conveyed its water and wastewater facilities to the City of Iowa Colony (the City) per the Facility Conveyance Agreement (the Conveyance Agreement).

Summary of Changes in Net Position

	<u>2024</u>	<u>2023</u>
Revenues:		
Property taxes	\$ 3,513,901	\$ 3,083,891
Tax sharing payments	770,487	1,000,804
Charges for services	1,889,539	1,980,497
Other revenues	<u>757,266</u>	<u>704,765</u>
Total revenues	<u>6,931,193</u>	<u>6,769,957</u>
Expenses:		
Services	2,475,124	2,377,037
Conveyance of capital assets	22,357,692	-
Depreciation and amortization	2,315,622	2,201,958
Debt service	<u>1,569,454</u>	<u>1,359,918</u>
Total expenses	<u>28,717,892</u>	<u>5,938,913</u>
Change in net position	(21,786,699)	831,044
Net position, beginning of year	<u>796,452</u>	<u>(34,592)</u>
Net position, end of year	<u><u>\$ (20,990,247)</u></u>	<u><u>\$ 796,452</u></u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended June 30, 2024, were \$9,374,747, an increase of \$367,312 from the prior year.

The general fund's fund balance increased by \$233,161. This increase was primarily related to property taxes, water and sewer services and tap connection and inspection fees revenues and other and investment income exceeding service operations and capital outlay expenditures.

The joint water plant fund's and the joint wastewater treatment plant fund's fund balances remained the same as all expenditures were billed to the participants.

The debt service fund's fund balance increased by \$514,455 because property taxes and tax sharing payments revenues and proceeds from the sale of the Series 2023 bonds were greater than bond principal and interest requirements.

The capital projects fund's fund balance decreased by \$380,304. This decrease was primarily due to capital outlay expenditures and debt issuance costs exceeding proceeds from the sale of the Series 2023 bonds.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to investment income and purchased services and professional fees expenditures being higher than expected, as well as water and sewer service revenues and contracted services and capital outlay expenditures being lower than expected. The fund balance as of June 30, 2024, was expected to be \$6,463,342 and the actual end-of-year fund balance was \$6,591,579.

Capital and Lease Assets and Related Debt

Capital and Lease Assets

Capital and lease assets held by the District at the end of the current and previous fiscal years are summarized below:

Capital and Lease Assets (Net of Accumulated Depreciation and Amortization)

	<u>2024</u>	<u>2023</u>
Land and improvements	\$ 9,174,286	\$ 7,076,570
Construction in progress	290,002	479,770
Water facilities	-	5,138,811
Wastewater facilities	-	10,430,764
Drainage facilities	20,401,545	12,623,312
Recreational facilities	893,808	343,592
Lease assets - equipment	<u>1,121,738</u>	<u>2,243,475</u>
Total capital and lease assets	<u>\$ 31,881,379</u>	<u>\$ 38,336,294</u>

During the current year, additions to capital and lease assets were as follows:

Construction in progress related to lift station and force main, Cedar Rapids Parkway, Phase 2, and Karsten Boulevard waterline extension	\$ 213,196
Land and improvements, including 7.20-acre site to serve Sterling Lakes West detention channel, 9.3616-acre site to serve Sterling Lakes West detention and amenity, 0.0840-acre site to serve Sterling Lakes West lift station, and clearing and grubbing, Phase 1, for Sterling Lakes North	2,097,716

Drainage facilities to serve Sterling Lakes North, Sections 1-6, Sterling Lakes at Iowa Colony, Sections 7 and 9, Karsten Boulevard North, Phase 1, Meridiana Parkway, Phase 3, Sterling Lakes West, Sections 1 and 2, and Stone Garden Drive and Sterling Lakes West, Section 4	\$ 8,347,182
Amenity improvements, Phase 1	<u>272,005</u>
Total additions to capital and lease assets	<u>\$ 10,930,099</u>

Developers of the District have constructed facilities on behalf of the District under the terms of contracts with the District. The District has agreed to reimburse the developers for these facilities from the proceeds of future bond issues subject to the approval of the Commission. At June 30, 2024, a liability for developer-constructed capital assets of \$21,112,558 was recorded in the government-wide financial statements.

Debt

The changes in the debt position of the District during the fiscal year ended June 30, 2024, are summarized as follows:

Long-term debt payable, beginning of year	\$ 46,389,607
Increases in long-term debt	18,868,192
Decreases in long-term debt	<u>(2,984,149)</u>
Long-term debt payable, end of year	<u>\$ 62,273,650</u>

At June 30, 2024, the District had \$30,695,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District; \$4,000,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving firefighting facilities and equipment; and \$9,700,000 of unlimited tax bonds authorized, but unissued, for the purposes of developing and maintaining recreational facilities.

The District's bonds carry an underlying rating of "BBB+" from Standard & Poor's (S&P). The District's Series 2014, Series 2015A refunding, Series 2018 and Series 2020 bonds carry a rating of "AA" from S&P by virtue of bond insurance issued by Assured Guaranty, Inc. The District's Series 2015, Series 2019 refunding and Series 2023 bonds carry a rating of "AA" from S&P by virtue of bond insurance issued by Build America Mutual Assurance Company.

Other Relevant Factors

Relationship to the City of Iowa Colony

Under existing Texas law, since the District lies wholly within the corporate boundaries of the City, the District must conform to the City ordinance consenting to the inclusion of land within the District.

Strategic Agreement

Effective July 17, 2006, amended September 1, 2012, and November 16, 2020, the District entered into a Strategic Agreement (the Agreement) under which the City annexed a tract of land (the tract) within the boundaries of the District for limited purposes. The District continues to exercise all powers and functions of a municipal utility district as provided by law. As consideration for the District providing services as detailed in the Agreement, the City agrees to remit one-half of all sales and use tax revenues generated within the boundaries of

the tract. As consideration for the sales tax payments and the services provided by the City, the District agrees to continue to provide and develop water, sewer and drainage services within the District in lieu of full-purpose annexation. During the current year, the District did not receive any revenues related to this Agreement.

Effective December 17, 2018, the District entered into an Annexation Agreement with the City to defer the conversion of the limited purpose annexation of the District to a full purpose annexation by the City to a date no earlier than January 2, 2019, to be determined by the City, in order to defer City taxes on the annexation area. The City will still be obligated to provide certain services to the District after annexation and before receiving property taxes from the annexation area, therefore, the Annexation Agreement provides for certain service expense sharing payments from the District to the City to help defray the costs of services. During prior years, the District made two payments of \$350,000 to the City and the City has completed the full purpose annexation.

The Annexation Agreement provides for the City to remit to the District 70% of the maintenance and operations ad valorem property tax received by the City on property in the annexation area. The due dates of the payments shall be the last day of March and August of each year, for tax revenues received by the City at least 10 days before the due date of the payment. The tax sharing payments shall begin on the ad valorem property taxes received by the City from the annexation area for the 2020 tax year and continue for 20 years, totaling 40 semiannual payments, subject to the terms of the Annexation Agreement. During the current year, the District received \$770,487 in tax sharing payments from the City in accordance with the Annexation Agreement.

On July 27, 2023, the Agreement was amended as the District repurchased the tract of land that was previously conveyed to the City for \$250,000.

Contingencies

The developers of the District are constructing facilities within the boundaries of the District. The District has agreed to reimburse the developers for a portion of these costs, plus interest, from the proceeds of future bond sales, to the extent approved by the Commission. The District's engineer has stated that current construction contract amounts are approximately \$10,061,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Conveyance of Facilities

By letter dated October 20, 2021, the City notified the District that it intended to exercise its option to take ownership of the District's water and wastewater system within two years, including operations, billing and maintenance. Per the Facility Conveyance Agreement (the Conveyance Agreement) dated March 11, 2024, the District's water supply and wastewater facilities are to be conveyed to the City for ownership and operation upon the execution and delivery of the Utility Conveyance. Upon the recording of the Utility Conveyance, the City agrees it will operate and maintain the facilities at its sole cost and expense, provided, however, the District will continue to make all payments due under the lease agreement of the wastewater treatment plant. The City will meter and bill customers for water and wastewater service and all revenues for water and wastewater services will be kept by the City.

On May 20, 2024, the District's water and wastewater facilities were conveyed to the City and the City assumed full ownership and operation of the facilities and began metering and billing all customers of the District.

Brazoria County Municipal Utility District No. 31
Statement of Net Position and Governmental Funds Balance Sheet
June 30, 2024

	General Fund	Joint Water Plant Fund	Joint Wastewater Treatment Plant Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets								
Cash	\$ -	\$ 30,262	\$ 123,059	\$ 88,444	\$ 1,337	\$ 243,102	\$ -	\$ 243,102
Short-term investments	6,921,091	-	-	2,600,091	39,565	9,560,747	-	9,560,747
Receivables:								
Property taxes receivable	33,491	-	-	34,828	-	68,319	-	68,319
Interfund receivables	51,377	500	-	5,683	-	57,560	(57,560)	-
Due from participants	-	17,503	44,743	-	-	62,246	-	62,246
Due from others	-	-	-	-	-	-	168,919	168,919
Prepaid expenditures	48,116	-	52,300	-	-	100,416	(100,416)	-
Capital and lease assets (net of accumulated depreciation and amortization):								
Land and improvements	-	-	-	-	-	-	9,174,286	9,174,286
Construction in progress	-	-	-	-	-	-	290,002	290,002
Infrastructure	-	-	-	-	-	-	20,401,545	20,401,545
Recreational	-	-	-	-	-	-	893,808	893,808
Lease asset	-	-	-	-	-	-	1,121,738	1,121,738
Total assets	7,054,075	48,265	220,102	2,729,046	40,902	10,092,390	31,892,322	41,984,712
Deferred Outflows of Resources								
Deferred amount on debt refundings	-	-	-	-	-	-	273,785	273,785
Total assets and deferred outflows of resources	<u>\$ 7,054,075</u>	<u>\$ 48,265</u>	<u>\$ 220,102</u>	<u>\$ 2,729,046</u>	<u>\$ 40,902</u>	<u>\$ 10,092,390</u>	<u>\$ 32,166,107</u>	<u>\$ 42,258,497</u>

Brazoria County Municipal Utility District No. 31
Statement of Net Position and Governmental Funds Balance Sheet
June 30, 2024

(Continued)

	General Fund	Joint Water Plant Fund	Joint Wastewater Treatment Plant Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Liabilities								
Accounts payable	\$ 51,925	\$ 1,790	\$ 100,423	\$ 5,183	\$ 685	\$ 160,006	\$ -	\$ 160,006
Accrued interest payable	-	-	-	-	-	-	431,446	431,446
Operating deposits	-	3,406	4,655	-	-	8,061	-	8,061
Due to others	358,024	-	-	-	-	358,024	-	358,024
Unearned lease revenue	-	-	52,300	-	-	52,300	(48,116)	4,184
Bank overdrafts	13,373	-	-	-	-	13,373	-	13,373
Interfund payables	5,683	6,542	9,195	-	36,140	57,560	(57,560)	-
Long-term liabilities:								
Due within one year	-	-	-	-	-	-	3,763,250	3,763,250
Due after one year	-	-	-	-	-	-	58,510,400	58,510,400
Total liabilities	429,005	11,738	166,573	5,183	36,825	649,324	62,599,420	63,248,744
Deferred Inflows of Resources								
Deferred property tax revenues	33,491	-	-	34,828	-	68,319	(68,319)	-
Fund Balances/Net Position								
Fund balances:								
Nonspendable, prepaid expenditures	48,116	-	52,300	-	-	100,416	(100,416)	-
Restricted:								
Unlimited tax bonds	-	-	-	2,689,035	-	2,689,035	(2,689,035)	-
Water, sewer and drainage	-	-	-	-	4,077	4,077	(4,077)	-
Committed:								
Water production and distribution	-	36,527	-	-	-	36,527	(36,527)	-
Wastewater collection and treatment	-	-	1,229	-	-	1,229	(1,229)	-
Unassigned	6,543,463	-	-	-	-	6,543,463	(6,543,463)	-
Total fund balances	6,591,579	36,527	53,529	2,689,035	4,077	9,374,747	(9,374,747)	-
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,054,075</u>	<u>\$ 48,265</u>	<u>\$ 220,102</u>	<u>\$ 2,729,046</u>	<u>\$ 40,902</u>	<u>\$ 10,092,390</u>		
Net position:								
Net investment in capital assets							(7,520,295)	(7,520,295)
Restricted for plant operations							90,056	90,056
Restricted for debt service							1,991,758	1,991,758
Restricted for capital projects							4,077	4,077
Unrestricted							(15,555,843)	(15,555,843)
Total net position							<u>\$ (20,990,247)</u>	<u>\$ (20,990,247)</u>

Brazoria County Municipal Utility District No. 31
Statement of Activities and Governmental Funds Revenues,
Expenditures and Changes in Fund Balances
Year Ended June 30, 2024

	General Fund	Joint Water Plant Fund	Joint Wastewater Treatment Plant Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues								
Property taxes	\$ 1,620,454	\$ -	\$ -	\$ 1,863,893	\$ -	\$ 3,484,347	\$ 29,554	\$ 3,513,901
Tax sharing payments	-	-	-	770,487	-	770,487	-	770,487
Water service	426,124	542,080	-	-	-	968,204	(374,448)	593,756
Sewer service	736,311	-	1,313,949	-	-	2,050,260	(754,477)	1,295,783
Penalty and interest	39,117	-	-	7,804	-	46,921	(14,002)	32,919
Tap connection and inspection fees	69,237	-	-	-	-	69,237	-	69,237
Investment income	324,985	-	-	77,906	15,628	418,519	-	418,519
Other income	67,672	-	-	-	-	67,672	168,919	236,591
Total revenues	3,283,900	542,080	1,313,949	2,720,090	15,628	7,875,647	(944,454)	6,931,193
Expenditures/Expenses								
Service operations:								
Purchased services	1,128,925	-	-	-	-	1,128,925	(1,128,925)	-
Professional fees	281,275	2,600	2,600	-	-	286,475	63,892	350,367
Contracted services	638,520	38,596	84,313	47,528	-	808,957	-	808,957
Utilities	116,398	49,656	162,516	-	-	328,570	-	328,570
Repairs and maintenance	205,174	130,943	405,938	-	-	742,055	-	742,055
Permit fees	13,302	-	-	-	-	13,302	-	13,302
Other expenditures	128,695	14,011	30,982	4,521	417	178,626	-	178,626
Tap connections	53,247	-	-	-	-	53,247	-	53,247
Capital outlay	485,203	306,274	-	-	3,019,863	3,811,340	(3,811,340)	-
Conveyance of capital assets	-	-	-	-	-	-	22,357,692	22,357,692
Depreciation and amortization	-	-	-	-	-	-	2,315,622	2,315,622
Debt service:								
Principal retirement	-	-	-	1,290,000	-	1,290,000	(1,290,000)	-
Interest and fees	-	-	-	1,200,886	-	1,200,886	148,616	1,349,502
Lease payments	-	-	627,600	-	-	627,600	(627,600)	-
Debt issuance costs	-	-	-	-	219,952	219,952	-	219,952
Total expenditures/expenses	3,050,739	542,080	1,313,949	2,542,935	3,240,232	10,689,935	18,027,957	28,717,892
Excess (Deficiency) of Revenues Over Expenditures	233,161	-	-	177,155	(3,224,604)	(2,814,288)	(18,972,411)	
Other Financing Sources (Uses)								
General obligation bonds issued	-	-	-	337,300	2,942,700	3,280,000	(3,280,000)	
Discount on debt issued	-	-	-	-	(98,400)	(98,400)	98,400	
Total other financing sources	-	-	-	337,300	2,844,300	3,181,600	(3,181,600)	
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	233,161	-	-	514,455	(380,304)	367,312	(367,312)	
Change in Net Position							(21,786,699)	(21,786,699)
Fund Balances/Net Position								
Beginning of year	6,358,418	36,527	53,529	2,174,580	384,381	9,007,435	-	796,452
End of year	\$ 6,591,579	\$ 36,527	\$ 53,529	\$ 2,689,035	\$ 4,077	\$ 9,374,747	\$ -	\$ (20,990,247)

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Brazoria County Municipal Utility District No. 31 (the District) was created by an order of the Texas Commission on Environmental Quality (the Commission), effective September 2, 2005, in accordance with Article XVI, Section 59, of the Texas Constitution and the Texas Water Code. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own and operate water, sewer and drainage facilities and to provide such facilities to the landowners of the District.

The District is governed by a Board of Directors (the Board) consisting of five individuals who are residents or owners of property within the District and are elected by voters within the District. The Board sets the policies of the District. The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America for state and local governments, as defined by the Governmental Accounting Standards Board. The following is a summary of the significant accounting and reporting policies of the District:

Reporting Entity

The accompanying government-wide financial statements present the financial statements of the District. There are no component units that are legally separate entities for which the District is considered to be financially accountable. Accountability is defined as the District's substantive appointment of the voting majority of the component unit's governing board. Furthermore, to be financially accountable, the District must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to, or impose specific financial burdens on, the District.

Government-Wide and Fund Financial Statements

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, wastewater, drainage and other related services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented with a column for adjustments to convert to the government-wide financial statements.

The government-wide financial statements report information on all of the activities of the District. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities generally are financed through taxes, charges for services and intergovernmental revenues. The statement of activities reflects the revenues and expenses of the District.

The fund financial statements provide information about the District's governmental funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is directed to specific activities of the District.

The District presents the following major governmental funds:

General Fund – The general fund is the primary operating fund of the District which accounts for all financial resources not accounted for in another fund. Revenues are derived primarily from property taxes, charges for services and interest income.

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Special Revenue Funds – The special revenue funds account for revenues and expenditures involving specific revenue sources that are legally restricted to expenditures for specified purposes. The primary source of revenue is participant fees. The special revenue funds are the joint water plant fund and the joint wastewater treatment plant fund.

Debt Service Fund – The debt service fund is used to account for financial resources that are restricted, committed or assigned to expenditures for principal and interest related costs, as well as the financial resources being accumulated for future debt service.

Capital Projects Fund – The capital projects fund is used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

Fund Balances – Governmental Funds

The fund balances for the District's governmental funds can be displayed in up to five components:

Nonspendable – Amounts that are not in a spendable form or are required to be maintained intact.

Restricted – Amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed – Amounts that can be used only for the specific purposes determined by resolution of the Board. Commitments may be changed or lifted only by issuance of a resolution by the District's Board.

Assigned – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned – The residual classification for the general fund and includes all amounts not contained in the other classifications.

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Nonexchange transactions, in which the District receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes are levied. Donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as liabilities. Intergovernmental revenues are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted.

Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of governmental funds revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The District considers revenues reported in the governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, charges for services and investment income. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

Deferred Outflows and Inflows of Resources

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period and a deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period.

Interfund Transactions

Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay the amount and if there is the ability to repay the advance on a timely basis. Transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Pension Costs

The District does not participate in a pension plan and, therefore, has no pension costs.

Use of Estimates

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

Investments and Investment Income

Investments in certificates of deposit, U.S. Government and agency securities, and certain pooled funds, which have a remaining maturity of one year or less at the date of purchase, are recorded at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market values.

Investment income includes dividends and interest income and the net change for the year in the fair value of investments carried at fair value. Investment income is credited to the fund in which the investment is recorded.

Property Taxes

An appraisal district annually prepares appraisal records listing all property within the District and the appraised value of each parcel or item as of January 1. Additionally, on January 1, a tax lien attaches to property to secure the payment of all taxes, penalty and interest ultimately imposed for the year on the property. After the District receives its certified appraisal roll from the appraisal district, the rate of taxation is set by the Board of the District based upon the aggregate appraisal value. Taxes are due and payable October 1 or when billed, whichever is later, and become delinquent after January 31 of the following year.

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In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended June 30, 2024, include collections during the current period or within 60 days of year-end related to the 2023 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended June 30, 2024, the 2023 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of \$5,000 or more and an estimated useful life of two years or more. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

Per the Facility Conveyance Agreement (the Conveyance Agreement) dated March 11, 2024, with the City of Iowa Colony (the City) and as of May 20, 2024, the District's water supply and wastewater facilities have been conveyed to the City for ownership.

Capital assets are depreciated using the straight-line method over their estimated useful lives as follows:

	<u>Years</u>
Drainage facilities	10-45
Recreational facilities	10-45

Lease Assets

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Deferred Amount on Debt Refundings

In the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt in a debt refunding is deferred and amortized to interest expense using the effective interest rate method over the remaining life of the old debt or the life of the new debt, whichever is shorter. Such amounts are classified as deferred outflows or inflows of resources.

Debt Issuance Costs

Debt issuance costs, other than prepaid insurance, do not meet the definition of an asset or deferred outflows of resources since the costs are not applicable to a future period and, therefore, are recognized as an expense/ expenditure in the period incurred.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Premiums and discounts on bonds are recognized as a component of long-term liabilities and amortized over the life of the related debt using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize premiums and discounts on bonds during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position/Fund Balances

Fund balances and net position are reported as restricted when constraints placed on them are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

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

Reconciliation of Government-Wide and Fund Financial Statements

Amounts reported for net position of governmental activities in the statement of net position and fund balances in the governmental funds balance sheet are different because:

Capital and lease assets used in governmental activities are not financial resources and are not reported in the funds.	\$ 31,881,379
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	68,319
Prepaid lease expenditures and unearned lease revenue are not reported as assets or liabilities in the statement of net position.	(52,300)
Amounts due from others are not receivable in the current period and are not reported in the funds.	168,919
Deferred amount on debt refundings for governmental activities are not financial resources and are not reported in the funds.	273,785
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	(431,446)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(62,273,650)</u>
Adjustment to fund balances to arrive at net position.	<u><u>\$ (30,364,994)</u></u>

Amounts reported for change in net position of governmental activities in the statement of activities are different from change in fund balances in the governmental funds statement of revenues, expenditures and changes in fund balances because of the following items.

Brazoria County Municipal Utility District No. 31
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June 30, 2024

Change in fund balances.	\$ 367,312
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Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which conveyed capital assets, depreciation and amortization expense and noncapitalized costs exceeded capital outlay expenditures in the current year.	(20,925,866)
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Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	98,400
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Governmental funds report proceeds from the sale of bonds because they provide current financial resources to governmental funds. Principal payments on debt are recorded as expenditures. None of these transactions, however, have any effect on net position.	(1,990,000)
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Governmental funds report lease payments as expenditures. For the statement of activities, these are reported as a reduction of lease liability and interest expense.	627,600
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(148,616)
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Revenues that do not provide current financial resources are not reported as revenues for the funds, but are reported as revenues in the statement of activities and revenues collected in the current year, which have previously been reported in the statement of activities, are reported as revenues in the governmental funds.	184,471
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Change in net position of governmental activities.	<u><u>\$ (21,786,699)</u></u>
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Note 2. Deposits, Investments and Investment Income

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; a surety bond; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Texas; or certain collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.

At June 30, 2024, none of the District's bank balances were exposed to custodial credit risk.

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Notes to Financial Statements
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Investments

The District may legally invest in obligations of the United States or its agencies and instrumentalities, direct obligations of Texas or its agencies or instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, other obligations guaranteed as to principal and interest by the State of Texas or the United States or their agencies and 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, obligations of states, agencies and counties and other political subdivisions with an investment rating not less than “A,” insured or collateralized certificates of deposit, and certain bankers’ acceptances, repurchase agreements, mutual funds, commercial paper, guaranteed investment contracts and investment pools.

The District’s investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in TexPool, an external investment pool that is not registered with the Securities and Exchange Commission. The State Comptroller of Public Accounts of the State of Texas has oversight of TexPool. The District’s investments in TexPool are reported at amortized cost.

At June 30, 2024, the District had the following investments and maturities:

Type	Maturities in Years				
	Amortized Cost	Less Than 1	1-5	6-10	More Than 10
TexPool	\$ 9,560,747	\$ 9,560,747	\$ -	\$ -	\$ -

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District’s investment policy does not allow investments in certain mortgage-backed securities, collateralized mortgage obligations with a final maturity date in excess of 10 years and interest rate indexed collateralized mortgage obligations. The external investment pool is presented as an investment with a maturity of less than one year because it is redeemable in full immediately.

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2024, the District’s investments in TexPool were rated “AAAm” by Standard & Poor’s.

Summary of Carrying Values

The carrying values of deposits and investments shown previously are included in the balance sheet and statement of net position at June 30, 2024, as follows:

Carrying value:	
Deposits	\$ 243,102
Investments	9,560,747
Total	<u>\$ 9,803,849</u>

Investment Income

Investment income of \$418,519 for the year ended June 30, 2024, consisted of interest income.

Brazoria County Municipal Utility District No. 31
Notes to Financial Statements
June 30, 2024

Note 3. Capital and Lease Assets

A summary of changes in capital and lease assets for the year ended June 30, 2024, is presented below:

Governmental Activities	Balances, Beginning of Year	Additions	Retirements/ Reclassifi- cations	Balances, End of Year
Capital assets, non-depreciable:				
Land and improvements	\$ 7,076,570	\$ 2,097,716	\$ -	\$ 9,174,286
Construction in progress	479,770	213,196	(402,964)	290,002
Total capital assets, non-depreciable	7,556,340	2,310,912	(402,964)	9,464,288
Capital and lease assets, depreciable/amortizable:				
Water production and distribution facilities	7,483,737	-	(7,483,737)	-
Wastewater collection and treatment facilities	13,238,557	-	(13,238,557)	-
Drainage facilities	16,816,979	8,347,182	6,868	25,171,029
Recreational facilities	429,491	272,005	348,189	1,049,685
Lease assets - equipment	4,673,664	-	-	4,673,664
Total capital and lease assets, depreciable/amortizable	42,642,428	8,619,187	(20,367,237)	30,894,378
Less accumulated depreciation and amortization:				
Water production and distribution facilities	(2,344,926)	(206,028)	2,550,954	-
Wastewater collection and treatment facilities	(2,807,793)	(342,062)	3,149,855	-
Drainage facilities	(4,193,667)	(575,817)	-	(4,769,484)
Recreational facilities	(85,899)	(69,978)	-	(155,877)
Lease assets - equipment	(2,430,189)	(1,121,737)	-	(3,551,926)
Total accumulated depreciation and amortization	(11,862,474)	(2,315,622)	5,700,809	(8,477,287)
Total governmental activities, net	\$ 38,336,294	\$ 8,614,477	\$ (15,069,392)	\$ 31,881,379

Note 4. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2024, were as follows:

Governmental Activities	Balances, Beginning of Year	Increases	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:					
General obligation bonds	\$ 37,670,000	\$ 3,280,000	\$ 1,290,000	\$ 39,660,000	\$ 1,470,000
Add premium on bonds	6,197	-	294	5,903	-
Less discounts on bonds	728,756	98,400	29,095	798,061	-
	36,947,441	3,181,600	1,261,199	38,867,842	1,470,000
Lease liability	2,800,559	-	507,309	2,293,250	2,293,250
Due to developers	6,641,607	15,686,592	1,215,641	21,112,558	-
Total governmental activities long-term liabilities	\$ 46,389,607	\$ 18,868,192	\$ 2,984,149	\$ 62,273,650	\$ 3,763,250

Brazoria County Municipal Utility District No. 31
Notes to Financial Statements
June 30, 2024

General Obligation Bonds

	Series 2014	Series 2015
Amounts outstanding, June 30, 2024	\$3,675,000	\$4,855,000
Interest rates	2.00% to 4.00%	2.00% to 4.50%
Maturity dates, serially beginning/ending	September 1, 2024/2039	September 1, 2024/2042
Interest payment dates	September 1/ March 1	September 1/ March 1
Callable dates*	September 1, 2021	September 1, 2022
	Refunding Series 2015A	Series 2017
Amounts outstanding, June 30, 2024	\$2,390,000	\$3,845,000
Interest rates	2.00% to 3.75%	3.00% to 5.00%
Maturity dates, serially beginning/ending	September 1, 2024/2035	September 1, 2024/2042
Interest payment dates	September 1/ March 1	September 1/ March 1
Callable dates*	September 1, 2022	September 1, 2022
	Series 2018	Refunding Series 2019
Amounts outstanding, June 30, 2024	\$8,025,000	\$7,040,000
Interest rates	3.00% to 5.50%	3.00%
Maturity dates, serially beginning/ending	September 1, 2024/2043	September 1, 2024/2039
Interest payment dates	September 1/ March 1	September 1/ March 1
Callable dates*	September 1, 2023	September 1, 2024
	Series 2020	Series 2023
Amounts outstanding, June 30, 2024	\$6,550,000	\$3,280,000
Interest rates	2.00% to 4.50%	4.00% to 6.50%
Maturity dates, serially beginning/ending	September 1, 2024/2047	September 1, 2024/2048
Interest payment dates	September 1/ March 1	September 1/ March 1
Callable dates*	September 1, 2025	September 1, 2028

*Or any date thereafter; callable at par plus accrued interest to the date of redemption.

Brazoria County Municipal Utility District No. 31
Notes to Financial Statements
June 30, 2024

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at June 30, 2024:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 1,470,000	\$ 1,270,500	\$ 2,740,500
2026	1,475,000	1,222,544	2,697,544
2027	1,605,000	1,174,037	2,779,037
2028	1,640,000	1,124,440	2,764,440
2029	1,665,000	1,073,383	2,738,383
2030-2034	9,700,000	4,498,591	14,198,591
2035-2039	11,110,000	2,792,345	13,902,345
2040-2044	8,540,000	1,034,787	9,574,787
2045-2049	2,455,000	175,982	2,630,982
Total	<u>\$ 39,660,000</u>	<u>\$ 14,366,609</u>	<u>\$ 54,026,609</u>

The bonds are payable from the proceeds of an ad valorem tax levied upon all property within the District subject to taxation, without limitation as to rate or amount.

Bonds voted:

Water, sewer and drainage facilities	\$ 77,000,000
Recreational facilities	9,700,000
Firefighting facilities	4,000,000

Bond sold:

Water, sewer and drainage facilities	46,305,000
Refunding bonds voted	50,000,000
Refunding bonds authorization used	750,000

Due to Developers

Developers of the District have constructed facilities on behalf of the District. The District is maintaining and operating the facilities and has agreed to reimburse the developers for these construction costs and interest to the extent approved by the Commission from the proceeds of future bond sales. The District's engineer estimates reimbursable costs for completed projects are \$21,112,558. These amounts have been recorded in the financial statements as long-term liabilities.

Lease Liability

The following schedule shows the annual lease requirements to pay principal and interest on the lease liability outstanding at June 30, 2024:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	<u>\$ 2,293,250</u>	<u>\$ 88,982</u>	<u>\$ 2,382,232</u>

Brazoria County Municipal Utility District No. 31
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June 30, 2024

On April 25, 2018, the District entered into a contract to lease a 500,000 gallons-per-day capacity interim wastewater treatment plant. Monthly lease payments of \$52,300 commenced on the first day of the month following substantial completion of installation of the leased equipment, and continue for a term of 60 months. After the initial term, the lease continues on a month-to-month basis, and the monthly payments shall be \$38,600 per month. During a prior year, the equipment was installed and the District began making payments. The District made payments totaling \$627,600 for the leased equipment during the current year.

Note 5. Significant Bond Resolutions and Commission Requirements

- (A) The Bond Resolutions require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended June 30, 2024, the District levied an ad valorem debt service tax at the rate of \$0.40126 per \$100 of assessed valuation, which resulted in a tax levy of \$1,885,577 on the taxable valuation of \$469,914,174 for the 2023 tax year. The interest and principal requirements to be paid from the tax revenues, tax sharing payments and available resources are \$2,727,697 of which \$610,528 has been paid and \$2,117,169 is due September 1, 2024.
- (B) In accordance with the Series 2023 Bond Resolution, a portion of the bond proceeds was deposited into the debt service fund and reserved for the payment of bond interest during the construction period. This bond interest reserve is reduced as the interest is paid.

Bond interest reserve, beginning of year	\$ -
Additions--Interest appropriated from Series 2023 bond proceeds	337,300
Deductions--Appropriation from bond interest paid, Series 2023	<u>36,641</u>
Bond interest reserve, end of year	<u>\$ 300,659</u>

Note 6. Maintenance Taxes

At an election held May 13, 2006, voters authorized a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended June 30, 2024, the District levied an ad valorem maintenance tax at the rate of \$0.34874 per \$100 of assessed valuation, which resulted in a tax levy of \$1,638,779 on the taxable valuation of \$469,914,174 for the 2023 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Note 7. Joint Facilities/Cost Sharing Agreement

The District and Brazoria County Municipal Utility District No. 32 (District No. 32) entered into a Joint Facilities/Cost Sharing Agreement (Joint Agreement) on October 27, 2016, for the financing and operation of joint water supply and sewage treatment plant facilities to serve the areas within both districts. Operation and maintenance costs will be allocated to each district on a monthly basis based on the actual costs of operating and maintaining the facilities. Fixed expenditures will be billed based on the pro rata share of each district in each of the facilities and variable expenditures will be billed based on the total number of active equivalent single-family connections (ESFCs) of each district as a percentage of the total ESFCs of both districts served by the facilities.

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Notes to Financial Statements
June 30, 2024

During the current year, the District and the City entered into the Conveyance Agreement dated March 11, 2024, and on May 20, 2024, the District's water supply and wastewater facilities were conveyed to the City for ownership and operation. The City agrees it will operate and maintain the facilities at its sole cost and expense, provided, however, the District will continue to make all payments due under the lease agreement of the wastewater treatment plant. Per the Conveyance Agreement, the District assigned to the City its rights, obligations and responsibilities under the Joint Agreement, and until the City assumes ownership of all of District No. 32's water and wastewater facilities, District No. 32 will remain responsible for its pro-rata share of the operating costs of the joint facilities per the Joint Agreement.

Transactions for the current year are summarized as follows:

Joint Water Plant

<u>Participants</u>	<u>Capacity</u>	
The District	66.30 %	
District No. 32	33.70	
Total	100.00 %	

	<u>The District</u>	<u>District No. 32</u>	<u>Total</u>
Receivable (payable), beginning of year	\$ (21)	\$ 3,825	\$ 3,804
Participant billings	374,448	167,632	542,080
Collections	(380,969)	(153,954)	(534,923)
Receivable (payable), end of year	<u>\$ (6,542)</u>	<u>\$ 17,503</u>	<u>\$ 10,961</u>

Joint Wastewater Treatment Plant

<u>District</u>	<u>Capacity</u>	
The District	66.60 %	
District No. 32	33.40	
Total	100.00 %	

	<u>The District</u>	<u>District No. 32</u>	<u>Total</u>
Receivable (payable), beginning of year	\$ (20,609)	\$ 31,807	\$ 11,198
Participant billings	754,477	559,472	1,313,949
Collections	(742,563)	(546,536)	(1,289,099)
Receivable (payable), end of year	<u>\$ (8,695)</u>	<u>\$ 44,743</u>	<u>\$ 36,048</u>

Note 8. Strategic Agreement

Effective July 17, 2006, amended September 1, 2012 and November 16, 2020, the District entered into a Strategic Agreement (the Agreement) with the City whereby the City may annex any commercial portion of the District from time to time for the purpose of levy and collection of the City's sales and use taxes. The District would continue to exercise all the powers of a municipal utility district in the area of limited purpose annexation as provided by law. The City will keep all of the sales and use taxes collected under the Agreement. In addition, the Agreement provides for the provision of fire, police, garbage and building regulation within the District. Under the terms of the amended Agreement, the City agreed that it would not annex the District for full purposes until the population of the City and the District combined reaches 5,000.

Effective December 17, 2018, the District entered into an Annexation Agreement with the City to defer the conversion of the limited purpose annexation of the District to a full purpose annexation by the City to a date no earlier than January 2, 2019, to be determined by the City, in order to defer City taxes on the annexation area. The City will still be obligated to provide certain services to the District after annexation and before receiving property taxes from the annexation area, therefore, the Annexation Agreement provides for certain service expense sharing payments from the District to the City to help defray the costs of services. During prior years, the District made two payments of \$350,000 to the City and the City has completed the full purpose annexation.

The Annexation Agreement provides for the City to remit to the District 70% of the maintenance and operations ad valorem property tax received by the City on property in the annexation area. The due dates of the payments shall be the last day of March and August of each year, for tax revenues received by the City at least 10 days before the due date of the payment. The tax sharing payments shall begin on the ad valorem property taxes received by the City from the annexation area for the 2020 tax year and continue for 20 years, totaling 40 semiannual payments, subject to the terms of the Annexation Agreement. During the current year, the District received \$770,487 in tax sharing payments from the City in accordance with the Annexation Agreement.

On July 27, 2023, the Agreement was amended as the District repurchased the tract of land that was previously conveyed to the City for \$250,000.

Note 9. 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 natural disasters for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past three fiscal years.

Note 10. Contingencies

The developers of the District are constructing facilities within the boundaries of the District. The District has agreed to reimburse the developers for a portion of these costs, plus interest, from the proceeds of future bond sales, to the extent approved by the Commission. The District's engineer has stated that current construction contract amounts are approximately \$10,061,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Note 11. Conveyance of Facilities

By letter dated October 20, 2021, the City notified the District that it intended to exercise its option to take ownership of the District's water and wastewater system within two years, including operations, billing and maintenance. Per the Conveyance Agreement dated March 11, 2024, the District's water supply and wastewater facilities are to be conveyed to the City for ownership and operation upon the execution and delivery of the Utility Conveyance. Upon the recording of the Utility Conveyance, the City agrees it will operate and maintain the facilities at its sole cost and expense, provided, however, the District will continue to make all payments due under the lease agreement of the wastewater treatment plant. The City will meter and bill customers for water and wastewater service and all revenues for water and wastewater services will be kept by the City.

On May 20, 2024, the District's water and wastewater facilities were conveyed to the City and the City assumed full ownership and operation of the facilities and began metering and billing all customers of the District.

Required Supplementary Information

Brazoria County Municipal Utility District No. 31
Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2024

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ 1,752,729	\$ 1,616,065	\$ 1,620,454	\$ 4,389
Water service	490,200	490,200	426,124	(64,076)
Sewer service	783,000	783,000	736,311	(46,689)
Penalty and interest	30,000	30,000	39,117	9,117
Tap connection and inspection fees	103,320	103,320	69,237	(34,083)
Investment income	18,000	18,000	324,985	306,985
Other income	45,024	45,024	67,672	22,648
Total revenues	<u>3,222,273</u>	<u>3,085,609</u>	<u>3,283,900</u>	<u>198,291</u>
Expenditures				
Service operations:				
Purchased services	951,825	951,825	1,128,925	(177,100)
Professional fees	179,950	179,950	281,275	(101,325)
Contracted services	766,467	766,467	638,520	127,947
Utilities	95,580	95,580	116,398	(20,818)
Repairs and maintenance	224,256	224,256	205,174	19,082
Permit fees	5,000	5,000	13,302	(8,302)
Other expenditures	160,526	160,526	128,695	31,831
Tap connections	47,081	47,081	53,247	(6,166)
Capital outlay	550,000	550,000	485,203	64,797
Total expenditures	<u>2,980,685</u>	<u>2,980,685</u>	<u>3,050,739</u>	<u>(70,054)</u>
Excess of Revenues Over Expenditures	241,588	104,924	233,161	128,237
Fund Balance, Beginning of Year	<u>6,358,418</u>	<u>6,358,418</u>	<u>6,358,418</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 6,600,006</u>	<u>\$ 6,463,342</u>	<u>\$ 6,591,579</u>	<u>\$ 128,237</u>

Brazoria County Municipal Utility District No. 31
Budgetary Comparison Schedule – Joint Water Plant Fund
Year Ended June 30, 2024

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Water service	\$ 263,582	\$ 542,080	\$ 278,498
Expenditures			
Service operations:			
Regional water fee	9,000	-	9,000
Professional fees	52,400	2,600	49,800
Contracted services	44,462	38,596	5,866
Utilities	50,000	49,656	344
Repairs and maintenance	94,760	130,943	(36,183)
Other expenditures	12,960	14,011	(1,051)
Capital outlay	-	306,274	(306,274)
Total expenditures	263,582	542,080	(278,498)
Excess of Revenues Over Expenditures	-	-	-
Fund Balance, Beginning of Year	36,527	36,527	-
Fund Balance, End of Year	\$ 36,527	\$ 36,527	\$ -

Brazoria County Municipal Utility District No. 31
Budgetary Comparison Schedule – Joint Wastewater Treatment Plant Fund
Year Ended June 30, 2024

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Sewer service	\$ 1,317,923	\$ 1,313,949	\$ (3,974)
Expenditures			
Service operations:			
Professional fees	21,700	2,600	19,100
Contracted services	88,720	84,313	4,407
Utilities	120,000	162,516	(42,516)
Repairs and maintenance	432,524	405,938	26,586
Other expenditures	27,379	30,982	(3,603)
Debt service, lease payments	627,600	627,600	-
Total expenditures	1,317,923	1,313,949	3,974
Excess of Revenues Over Expenditures	-	-	-
Fund Balance, Beginning of Year	53,529	53,529	-
Fund Balance, End of Year	\$ 53,529	\$ 53,529	\$ -

Budgets and Budgetary Accounting

Annual operating budgets are prepared for the general, joint water plant and joint wastewater treatment plant funds by the District's consultants. The budgets reflect resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budgets prior to the start of its fiscal year. The budgets are not a spending limitation (a legally restricted appropriation). The original budget of the general fund was amended and the original budgets of the joint water plant and joint wastewater treatment plant funds were not amended during fiscal 2024.

The District prepares its annual operating budgets on a basis consistent with accounting principles generally accepted in the United States of America. The Budgetary Comparison Schedules - General Fund, Joint Water Plant Fund and Joint Wastewater Treatment Plant Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Supplementary Information

Brazoria County Municipal Utility District No. 31
Other Schedules Included Within This Report
June 30, 2024

(Schedules included are checked or explanatory notes provided for omitted schedules.)

- [X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 12-25
- [X] Schedule of Services
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedule of Long-Term Debt Service Requirements by Years
- [X] Changes in Long-Term Bonded Debt
- [X] Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund –
Five Years
- [X] Board Members, Key Personnel and Consultants

Brazoria County Municipal Utility District No. 31
Schedule of Services
Year Ended June 30, 2024

1. Services provided by the District:

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

Brazoria County Municipal Utility District No. 31
Schedule of General Fund Expenditures
Year Ended June 30, 2024

Personnel (including benefits)		\$	-
Professional Fees			
Auditing	\$	24,000	
Legal		173,977	
Engineering		81,198	
Financial advisor		2,100	281,275
Purchased Services for Resale			
Bulk water and wastewater service purchases			1,128,925
Regional Water Authority			-
Contracted Services			
Bookkeeping		42,534	
General manager		-	
Appraisal district		-	
Tax collector		-	
Security		-	
Other contracted services		62,836	105,370
Utilities			116,398
Repairs and Maintenance			205,174
Administrative Expenditures			
Directors' fees		14,128	
Office supplies		46,484	
Insurance		8,416	
Other administrative expenditures		59,667	128,695
Capital Outlay			
Capitalized assets		485,203	
Expenditures not capitalized		-	485,203
Tap Connection Expenditures			53,247
Solid Waste Disposal			533,150
Lease Payments			-
Parks and Recreation			-
Other Expenditures			13,302
Total expenditures		\$	<u>3,050,739</u>

Brazoria County Municipal Utility District No. 31
Schedule of Temporary Investments
June 30, 2024

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund				
TexPool	5.32%	Demand	\$ 6,921,091	\$ -
Debt Service Fund				
TexPool	5.32%	Demand	2,600,091	-
Capital Projects Fund				
TexPool	5.32%	Demand	39,565	-
Totals			<u>\$ 9,560,747</u>	<u>\$ -</u>

Brazoria County Municipal Utility District No. 31
Analysis of Taxes Levied and Receivable
Year Ended June 30, 2024

	Maintenance Taxes	Debt Service Taxes
Receivable, Beginning of Year	\$ 20,896	\$ 17,869
Additions and corrections to prior years' taxes	(5,730)	(4,725)
Adjusted receivable, beginning of year	15,166	13,144
2023 Original Tax Levy	1,570,087	1,806,540
Additions and corrections	68,692	79,037
Adjusted tax levy	1,638,779	1,885,577
Total to be accounted for	1,653,945	1,898,721
Tax collections: Current year	(1,618,552)	(1,862,304)
Prior years	(1,902)	(1,589)
Receivable, end of year	<u>\$ 33,491</u>	<u>\$ 34,828</u>
Receivable, by Years		
2023	\$ 20,227	\$ 23,273
2022	3,032	2,509
2021	1,800	1,316
2020	1,273	1,643
2019	3,004	1,818
2018	2,633	2,309
2017	897	868
2016	104	281
2015	122	313
2014	156	289
2013	243	209
Receivable, end of year	<u>\$ 33,491</u>	<u>\$ 34,828</u>

Brazoria County Municipal Utility District No. 31
Analysis of Taxes Levied and Receivable
Year Ended June 30, 2024

(Continued)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Property Valuations				
Land	\$ 102,315,932	\$ 62,206,988	\$ 59,060,763	\$ 55,033,195
Improvements	428,758,953	406,953,790	333,474,914	291,066,635
Personal property	4,739,430	4,718,510	3,958,630	4,328,320
Exemptions	<u>(65,900,141)</u>	<u>(45,379,158)</u>	<u>(20,454,380)</u>	<u>(17,214,555)</u>
Total property valuations	<u>\$ 469,914,174</u>	<u>\$ 428,500,130</u>	<u>\$ 376,039,927</u>	<u>\$ 333,213,595</u>
Tax Rates per \$100 Valuation				
Debt service tax rates	\$ 0.40126	\$ 0.32600	\$ 0.30000	\$ 0.40000
Maintenance tax rates*	<u>0.34874</u>	<u>0.39400</u>	<u>0.41000</u>	<u>0.31000</u>
Total tax rates per \$100 valuation	<u>\$ 0.75000</u>	<u>\$ 0.72000</u>	<u>\$ 0.71000</u>	<u>\$ 0.71000</u>
Tax Levy	<u>\$ 3,524,356</u>	<u>\$ 3,085,201</u>	<u>\$ 2,669,883</u>	<u>\$ 2,365,816</u>
Percent of Taxes Collected to Taxes Levied**	<u>99%</u>	<u>99%</u>	<u>99%</u>	<u>99%</u>

*Maximum tax rate approved by voters: \$1.50 on May 13, 2006

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

Brazoria County Municipal Utility District No. 31
Schedule of Long-Term Debt Service Requirements by Years
June 30, 2024

Due During Fiscal Years Ending June 30	Series 2014		
	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 150,000	\$ 127,625	\$ 277,625
2026	150,000	123,125	273,125
2027	175,000	118,250	293,250
2028	175,000	112,890	287,890
2029	175,000	107,421	282,421
2030	200,000	101,313	301,313
2031	200,000	94,563	294,563
2032	225,000	87,250	312,250
2033	225,000	79,375	304,375
2034	250,000	71,063	321,063
2035	250,000	62,313	312,313
2036	275,000	52,953	327,953
2037	275,000	42,984	317,984
2038	300,000	32,000	332,000
2039	300,000	20,000	320,000
2040	350,000	7,000	357,000
Totals	<u>\$ 3,675,000</u>	<u>\$ 1,240,125</u>	<u>\$ 4,915,125</u>

Brazoria County Municipal Utility District No. 31
Schedule of Long-Term Debt Service Requirements by Years
June 30, 2024

(Continued)

Due During Fiscal Years Ending June 30	Series 2015		
	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 175,000	\$ 167,781	\$ 342,781
2026	175,000	163,188	338,188
2027	175,000	158,156	333,156
2028	200,000	152,531	352,531
2029	200,000	146,531	346,531
2030	200,000	140,406	340,406
2031	225,000	133,625	358,625
2032	225,000	126,172	351,172
2033	225,000	118,438	343,438
2034	250,000	110,125	360,125
2035	250,000	101,375	351,375
2036	275,000	92,016	367,016
2037	275,000	82,047	357,047
2038	300,000	71,437	371,437
2039	300,000	60,187	360,187
2040	325,000	48,469	373,469
2041	330,000	36,187	366,187
2042	375,000	22,500	397,500
2043	375,000	7,500	382,500
Totals	<u>\$ 4,855,000</u>	<u>\$ 1,938,671</u>	<u>\$ 6,793,671</u>

Brazoria County Municipal Utility District No. 31
Schedule of Long-Term Debt Service Requirements by Years
June 30, 2024

(Continued)

Due During Fiscal Years Ending June 30	Refunding Series 2015A		
	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 160,000	\$ 76,900	\$ 236,900
2026	165,000	72,837	237,837
2027	170,000	68,225	238,225
2028	180,000	62,975	242,975
2029	185,000	57,269	242,269
2030	195,000	51,094	246,094
2031	200,000	44,425	244,425
2032	210,000	37,250	247,250
2033	220,000	29,725	249,725
2034	225,000	21,938	246,938
2035	235,000	13,594	248,594
2036	245,000	4,594	249,594
Totals	<u>\$ 2,390,000</u>	<u>\$ 540,826</u>	<u>\$ 2,930,826</u>

Brazoria County Municipal Utility District No. 31
Schedule of Long-Term Debt Service Requirements by Years
June 30, 2024

(Continued)

Due During Fiscal Years Ending June 30	Series 2017		
	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 150,000	\$ 138,925	\$ 288,925
2026	150,000	134,425	284,425
2027	150,000	129,925	279,925
2028	150,000	125,238	275,238
2029	175,000	119,956	294,956
2030	175,000	114,050	289,050
2031	175,000	107,925	282,925
2032	175,000	101,800	276,800
2033	200,000	95,237	295,237
2034	200,000	87,988	287,988
2035	200,000	80,487	280,487
2036	200,000	72,988	272,988
2037	225,000	65,019	290,019
2038	225,000	56,300	281,300
2039	225,000	47,300	272,300
2040	250,000	37,800	287,800
2041	250,000	27,800	277,800
2042	275,000	17,300	292,300
2043	295,000	5,900	300,900
Totals	<u>\$ 3,845,000</u>	<u>\$ 1,566,363</u>	<u>\$ 5,411,363</u>

Brazoria County Municipal Utility District No. 31
Schedule of Long-Term Debt Service Requirements by Years
June 30, 2024

(Continued)

Due During Fiscal Years Ending June 30	Series 2018		
	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 275,000	\$ 267,375	\$ 542,375
2026	275,000	259,125	534,125
2027	300,000	250,500	550,500
2028	300,000	241,500	541,500
2029	300,000	232,500	532,500
2030	325,000	223,125	548,125
2031	350,000	213,000	563,000
2032	350,000	202,281	552,281
2033	375,000	190,953	565,953
2034	375,000	179,000	554,000
2035	400,000	166,156	566,156
2036	425,000	151,969	576,969
2037	425,000	137,094	562,094
2038	450,000	121,781	571,781
2039	450,000	106,031	556,031
2040	475,000	89,547	564,547
2041	500,000	71,875	571,875
2042	550,000	52,500	602,500
2043	550,000	31,875	581,875
2044	575,000	10,781	585,781
Totals	<u>\$ 8,025,000</u>	<u>\$ 3,198,968</u>	<u>\$ 11,223,968</u>

Brazoria County Municipal Utility District No. 31
Schedule of Long-Term Debt Service Requirements by Years
June 30, 2024

(Continued)

Due During Fiscal Years Ending June 30	Refunding Series 2019		
	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 310,000	\$ 206,550	\$ 516,550
2026	310,000	197,250	507,250
2027	360,000	187,200	547,200
2028	360,000	176,400	536,400
2029	355,000	165,675	520,675
2030	405,000	154,275	559,275
2031	400,000	142,200	542,200
2032	420,000	129,900	549,900
2033	440,000	117,000	557,000
2034	435,000	103,875	538,875
2035	505,000	89,775	594,775
2036	500,000	74,700	574,700
2037	515,000	59,475	574,475
2038	535,000	43,725	578,725
2039	575,000	27,075	602,075
2040	615,000	9,225	624,225
Totals	<u>\$ 7,040,000</u>	<u>\$ 1,884,300</u>	<u>\$ 8,924,300</u>

Brazoria County Municipal Utility District No. 31
Schedule of Long-Term Debt Service Requirements by Years
June 30, 2024

(Continued)

Due During Fiscal Years Ending June 30	Series 2020		
	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 175,000	\$ 141,219	\$ 316,219
2026	175,000	133,344	308,344
2027	200,000	127,406	327,406
2028	200,000	123,406	323,406
2029	200,000	119,406	319,406
2030	225,000	115,156	340,156
2031	225,000	110,656	335,656
2032	225,000	106,156	331,156
2033	225,000	101,656	326,656
2034	250,000	96,906	346,906
2035	250,000	91,906	341,906
2036	250,000	86,906	336,906
2037	275,000	81,656	356,656
2038	275,000	76,156	351,156
2039	300,000	70,406	370,406
2040	300,000	64,406	364,406
2041	300,000	58,406	358,406
2042	325,000	51,953	376,953
2043	350,000	44,781	394,781
2044	350,000	37,125	387,125
2045	375,000	28,969	403,969
2046	350,000	20,813	370,813
2047	375,000	12,656	387,656
2048	375,000	4,219	379,219
Totals	<u>\$ 6,550,000</u>	<u>\$ 1,905,669</u>	<u>\$ 8,455,669</u>

Brazoria County Municipal Utility District No. 31
Schedule of Long-Term Debt Service Requirements by Years
June 30, 2024

(Continued)

Due During Fiscal Years Ending June 30	Series 2023		
	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 75,000	\$ 144,125	\$ 219,125
2026	75,000	139,250	214,250
2027	75,000	134,375	209,375
2028	75,000	129,500	204,500
2029	75,000	124,625	199,625
2030	75,000	119,938	194,938
2031	100,000	115,688	215,688
2032	100,000	111,688	211,688
2033	100,000	107,688	207,688
2034	100,000	103,688	203,688
2035	100,000	99,688	199,688
2036	125,000	95,188	220,188
2037	125,000	90,188	215,188
2038	125,000	85,188	210,188
2039	150,000	79,688	229,688
2040	150,000	73,687	223,687
2041	150,000	67,593	217,593
2042	175,000	60,890	235,890
2043	175,000	53,562	228,562
2044	175,000	46,125	221,125
2045	175,000	38,687	213,687
2046	200,000	30,718	230,718
2047	200,000	22,093	222,093
2048	200,000	13,343	213,343
2049	205,000	4,484	209,484
Totals	<u>\$ 3,280,000</u>	<u>\$ 2,091,687</u>	<u>\$ 5,371,687</u>

Brazoria County Municipal Utility District No. 31
Schedule of Long-Term Debt Service Requirements by Years
June 30, 2024

(Continued)

Due During Fiscal Years Ending June 30	Annual Requirements For All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2025	\$ 1,470,000	\$ 1,270,500	\$ 2,740,500
2026	1,475,000	1,222,544	2,697,544
2027	1,605,000	1,174,037	2,779,037
2028	1,640,000	1,124,440	2,764,440
2029	1,665,000	1,073,383	2,738,383
2030	1,800,000	1,019,357	2,819,357
2031	1,875,000	962,082	2,837,082
2032	1,930,000	902,497	2,832,497
2033	2,010,000	840,072	2,850,072
2034	2,085,000	774,583	2,859,583
2035	2,190,000	705,294	2,895,294
2036	2,295,000	631,314	2,926,314
2037	2,115,000	558,463	2,673,463
2038	2,210,000	486,587	2,696,587
2039	2,300,000	410,687	2,710,687
2040	2,465,000	330,134	2,795,134
2041	1,530,000	261,861	1,791,861
2042	1,700,000	205,143	1,905,143
2043	1,745,000	143,618	1,888,618
2044	1,100,000	94,031	1,194,031
2045	550,000	67,656	617,656
2046	550,000	51,531	601,531
2047	575,000	34,749	609,749
2048	575,000	17,562	592,562
2049	205,000	4,484	209,484
Totals	<u>\$ 39,660,000</u>	<u>\$ 14,366,609</u>	<u>\$ 54,026,609</u>

Brazoria County Municipal Utility District No. 31
Changes in Long-Term Bonded Debt
Year Ended June 30, 2024

	Bond			
	Series 2014	Series 2015	Refunding Series 2015A	Series 2017
Interest rates	2.00% to 4.00%	2.00% to 4.50%	2.00% to 3.75%	3.00% to 5.00%
Dates interest payable	September 1/ March 1	September 1/ March 1	September 1/ March 1	September 1/ March 1
Maturity dates	September 1, 2024/2039	September 1, 2024/2042	September 1, 2024/2035	September 1, 2024/2042
Bonds outstanding, beginning of current year	\$ 3,825,000	\$ 5,005,000	\$ 2,545,000	\$ 3,970,000
Bonds sold during current year	-	-	-	-
Retirements, principal	150,000	150,000	155,000	125,000
Bonds outstanding, end of current year	<u>\$ 3,675,000</u>	<u>\$ 4,855,000</u>	<u>\$ 2,390,000</u>	<u>\$ 3,845,000</u>
Interest paid during current year	<u>\$ 132,125</u>	<u>\$ 171,844</u>	<u>\$ 80,644</u>	<u>\$ 143,050</u>

Paying agent's name and address:

Series 2014 - Amegy Bank National Association, Houston, Texas

Series 2015 - Amegy Bank National Association, Houston, Texas

Series 2015A - Amegy Bank National Association, Houston, Texas

Series 2017 - Amegy Bank National Association, Houston, Texas

Series 2018 - ZB, National Association, dba Amegy Bank, Houston, Texas

Series 2019 - Zions Bancorporation, National Association, Houston, Texas

Series 2020 - Zions Bancorporation, National Association, dba Amegy Bank, Houston, Texas

Series 2023 - Zions Bancorporation, National Association, dba Amegy Bank, Houston, Texas

Bond authority:

	Tax Bonds	Firefighting Bonds	Recreational Bonds	Refunding Bonds
Amount authorized by voters	\$ 77,000,000	\$ 4,000,000	\$ 9,700,000	\$ 50,000,000
Amount of authorization issued	\$ 46,305,000	\$ -	\$ -	\$ 750,000
Remaining authorization to be issued	<u>\$ 30,695,000</u>	<u>\$ 4,000,000</u>	<u>\$ 9,700,000</u>	<u>\$ 49,250,000</u>

Debt service fund cash and temporary investment balances as of June 30, 2024: \$ 2,688,535

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 2,161,064

Issues

Series 2018	Refunding Series 2019	Series 2020	Series 2023	Totals
3.00% to 5.50%	3.00%	2.00% to 4.50%	4.00% to 6.50%	
September 1/ March 1	September 1/ March 1	September 1/ March 1	September 1/ March 1	
September 1, 2024/2043	September 1, 2024/2039	September 1, 2024/2047	September 1, 2024/2048	
\$ 8,275,000	\$ 7,325,000	\$ 6,725,000	\$ -	\$ 37,670,000
-	-	-	3,280,000	3,280,000
250,000	285,000	175,000	-	1,290,000
<u>\$ 8,025,000</u>	<u>\$ 7,040,000</u>	<u>\$ 6,550,000</u>	<u>\$ 3,280,000</u>	<u>\$ 39,660,000</u>
<u>\$ 275,250</u>	<u>\$ 215,475</u>	<u>\$ 149,094</u>	<u>\$ 36,641</u>	<u>\$ 1,204,123</u>

Brazoria County Municipal Utility District No. 31
Comparative Schedule of Revenues and Expenditures – General Fund
Five Years Ended June 30,

	Amounts				
	2024	2023	2022	2021	2020
General Fund					
Revenues					
Property taxes	\$ 1,620,454	\$ 1,692,220	\$ 1,537,723	\$ 1,046,291	\$ 2,224,693
Water service	426,124	555,182	524,112	503,178	453,223
Sewer service	736,311	831,816	754,330	752,246	699,515
Garbage service	-	4,820	4,820	4,820	-
Penalty and interest	39,117	41,683	34,044	22,365	24,049
Tap connection and inspection fees	69,237	3,054	4,239	77,845	150,472
Investment income	324,985	207,280	11,648	5,304	66,060
Other income	67,672	49,094	41,734	45,379	36,492
Total revenues	3,283,900	3,385,149	2,912,650	2,457,428	3,654,504
Expenditures					
Service operations:					
Purchased services	1,128,925	939,768	914,293	804,251	630,724
Professional fees	281,275	192,622	158,394	132,469	159,182
Contracted services	638,520	817,691	821,277	496,245	459,686
Utilities	116,398	143,604	96,933	71,742	117,095
Repairs and maintenance	205,174	217,770	218,457	258,562	254,526
Permit fees	13,302	12,753	3,753	3,803	7,352
Other expenditures	128,695	106,331	100,833	82,303	93,680
Tap connections	53,247	-	-	35,463	62,113
Capital outlay	485,203	643,546	54,869	387,400	70,317
Annexation payment	-	-	-	-	350,000
Debt service, lease payments	-	505,000	-	-	-
Total expenditures	3,050,739	3,579,085	2,368,809	2,272,238	2,204,675
Excess (Deficiency) of Revenues Over Expenditures	233,161	(193,936)	543,841	185,190	1,449,829
Other Financing Sources					
Insurance proceeds	-	-	-	-	9,965
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	233,161	(193,936)	543,841	185,190	1,459,794
Fund Balance, Beginning of Year	6,358,418	6,552,354	6,008,513	5,823,323	4,363,529
Fund Balance, End of Year	\$ 6,591,579	\$ 6,358,418	\$ 6,552,354	\$ 6,008,513	\$ 5,823,323
Total Active Retail Water Connections	N/A *	1,696	1,698	1,699	1,618
Total Active Retail Wastewater Connections	N/A *	1,678	1,681	1,664	1,600

*During the current year, the District conveyed its water and wastewater facilities, including all retail water and wastewater connections, to the City of Iowa Colony.

Percent of Fund Total Revenues				
2024	2023	2022	2021	2020
49.3 %	50.0 %	52.8 %	42.6 %	60.9 %
13.0	16.4	18.0	20.5	12.4
22.4	24.6	25.9	30.6	19.1
-	0.1	0.2	0.2	-
1.2	1.2	1.2	0.9	0.7
2.1	0.1	0.1	3.2	4.1
9.9	6.1	0.4	0.2	1.8
2.1	1.5	1.4	1.8	1.0
100.0	100.0	100.0	100.0	100.0
34.4	27.8	31.4	32.7	17.3
8.6	5.7	5.4	5.4	4.4
19.4	24.2	28.2	20.2	12.6
3.5	4.2	3.3	2.9	3.2
6.3	6.4	7.5	10.5	6.9
0.4	0.4	0.1	0.2	0.2
3.9	3.1	3.5	3.4	2.5
1.6	-	-	1.4	1.7
14.8	19.0	1.9	15.8	1.9
-	-	-	-	9.6
-	14.9	-	-	-
92.9	105.7	81.3	92.5	60.3
7.1 %	(5.7) %	18.7 %	7.5 %	39.7 %

Brazoria County Municipal Utility District No. 31
Comparative Schedule of Revenues and Expenditures – Debt Service Fund
Five Years Ended June 30,

	Amounts				
	2024	2023	2022	2021	2020
Debt Service Fund					
Revenues					
Property taxes	\$ 1,863,893	\$ 1,398,926	\$ 1,129,536	\$ 1,333,561	\$ 1,351,474
Tax sharing payment	770,487	1,000,804	1,098,218	1,000,618	-
Penalty and interest	7,804	14,460	13,829	14,263	11,758
Investment income	77,906	51,552	2,646	1,534	32,200
Total revenues	<u>2,720,090</u>	<u>2,465,742</u>	<u>2,244,229</u>	<u>2,349,976</u>	<u>1,395,432</u>
Expenditures					
Current:					
Contracted services	47,528	39,517	41,755	34,694	43,353
Other expenditures	4,521	7,646	9,331	12,866	3,416
Debt service:					
Principal retirement	1,290,000	1,260,000	1,125,000	1,170,000	760,000
Interest and fees	1,200,886	1,209,400	1,248,403	1,279,572	1,071,994
Debt issuance costs	-	-	-	-	273,104
Debt defeasance	-	-	-	-	8,000
Total expenditures	<u>2,542,935</u>	<u>2,516,563</u>	<u>2,424,489</u>	<u>2,497,132</u>	<u>2,159,867</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>177,155</u>	<u>(50,821)</u>	<u>(180,260)</u>	<u>(147,156)</u>	<u>(764,435)</u>
Other Financing Sources (Uses)					
General obligation bonds issued	337,300	-	-	-	7,740,000
Premium on debt issued	-	-	-	-	7,364
Deposit with escrow agent	-	-	-	-	(7,471,154)
Total other financing sources	<u>337,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>276,210</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>514,455</u>	<u>(50,821)</u>	<u>(180,260)</u>	<u>(147,156)</u>	<u>(488,225)</u>
Fund Balance, Beginning of Year	<u>2,174,580</u>	<u>2,225,401</u>	<u>2,405,661</u>	<u>2,552,817</u>	<u>3,041,042</u>
Fund Balance, End of Year	<u>\$ 2,689,035</u>	<u>\$ 2,174,580</u>	<u>\$ 2,225,401</u>	<u>\$ 2,405,661</u>	<u>\$ 2,552,817</u>

Percent of Fund Total Revenues				
2024	2023	2022	2021	2020
68.5 %	56.7 %	50.3 %	56.7 %	96.9 %
28.3	40.6	49.0	42.6	-
0.3	0.6	0.6	0.6	0.8
2.9	2.1	0.1	0.1	2.3
100.0	100.0	100.0	100.0	100.0
1.8	1.6	1.9	1.5	3.1
0.2	0.3	0.4	0.5	0.2
47.4	51.1	50.1	49.8	54.5
44.1	49.1	55.6	54.5	76.8
-	-	-	-	19.6
-	-	-	-	0.6
93.5	102.1	108.0	106.3	154.8
6.5 %	(2.1) %	(8.0) %	(6.3) %	(54.8) %

Brazoria County Municipal Utility District No. 31
Board Members, Key Personnel and Consultants
Year Ended June 30, 2024

Complete District mailing address:	Brazoria County Municipal Utility District No. 31 Allen Boone Humphries Robinson LLP 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):	May 23, 2024
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

<u>Board Members</u>	<u>Term of Office Elected & Expires</u>	<u>Fees*</u>	<u>Expense Reimbursements</u>	<u>Title at Year-End</u>
Micah Kreikemeier	Elected 05/22- 05/26	\$ 2,723	\$ 1,909	President
Douglas M. Chumley	Elected 05/24- 05/28	4,128	249	Vice President
James E. Lee, Jr.	Elected 05/24- 05/28	2,723	281	Secretary
Andrew Yorlano	Elected 05/22- 05/26	4,554	3,292	Assistant Vice President
Rashawn Clark-El	Elected 05/22- 03/24	-	-	Disqualified

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

Brazoria County Municipal Utility District No. 31
Board Members, Key Personnel and Consultants
Year Ended June 30, 2024

(Continued)

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Allen Boone Humphries Robinson LLP	11/29/05	\$ 100,736 199,605	Bond Counsel General Counsel
Assessments of the Southwest, Inc.	02/02/06	25,054	Tax Assessor/ Collector
Brazoria County Appraisal District	Legislative Action	25,258	Appraiser
Elevation Land Solutions	10/27/16	256,251	Engineer
Forvis Mazars, LLP	06/28/07	46,600	Auditor
The GMS Group, L.L.C.	08/26/10	69,225	Financial Advisor
McLennan & Associates, LP	02/02/06	96,196	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	04/04/07	1,687	Delinquent Tax Attorney
Quiddity Engineering, LLC	01/26/17	27,554	Engineer
Si Environmental, LLC	07/20/12	746,901	Former Operator
Investment Officer			
Jorge Diaz	02/23/17	N/A	Bookkeeper

APPENDIX B

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

(To be included in the Official Statement, if applicable)