

**AUSTIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 1**  
**(Austin County, Texas)**

**PRELIMINARY OFFICIAL STATEMENT**

**DATED: JULY 9, 2025**

**\$5,000,000**  
**UNLIMITED TAX ROAD BONDS,**  
**SERIES 2025**

**BONDS BIDS TO BE SUBMITTED BY: 9:30 A.M., CENTRAL TIME**  
**WEDNESDAY, AUGUST 13, 2025**

**BONDS TO BE AWARDED: 12:00 P.M., CENTRAL TIME**  
**WEDNESDAY, AUGUST 13, 2025**

PRELIMINARY OFFICIAL STATEMENT DATED JULY 9, 2025

*This Preliminary Official Statement is subject to completion and amendment, as provided in the Official Notice of Sale, and is intended for the solicitation of initial bids to purchase the Bonds (hereinafter defined). Upon the sale of the Bonds, the Official Statement will be completed and delivered to the Initial Purchaser (hereinafter defined).*

**IN THE OPINION OF BOND COUNSEL, HEREINAFTER DEFINED, UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS, AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION, THE BONDS ARE VALID OBLIGATIONS OF THE DISTRICT, AND INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND IS NOT INCLUDED IN THE ALTERNATIVE MINIMUM TAXABLE INCOME OF INDIVIDUALS; HOWEVER, SUCH INTEREST IS TAKEN INTO ACCOUNT IN DETERMINING THE ANNUAL ADJUSTED FINANCIAL STATEMENT INCOME OF APPLICABLE CORPORATIONS FOR THE PURPOSE OF DETERMINING THE ALTERNATIVE MINIMUM TAX IMPOSED ON CORPORATIONS. SEE “LEGAL MATTERS” AND “TAX MATTERS” HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.**

The Bonds will be designated as “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS – Qualified Tax-Exempt Obligations.”

**NEW ISSUE – Book Entry Only**

AUSTIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 1  
(A political subdivision of the State of Texas, located within Austin County, Texas)

**\$5,000,000**  
**Unlimited Tax Road Bonds,**  
**Series 2025**

**Dated: September 1, 2025**

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

**Interest Accrues from Delivery Date**

The \$5,000,000 Unlimited Tax Road Bonds, Series 2025 (the “Bonds”) are solely obligations of the Austin County Municipal Utility District No. 1 (the “District”) and are not obligations of the State of Texas, Austin County, Texas, the City of Sealy, Texas, or any political subdivision or entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; Austin County, Texas, the City of Sealy, Texas, nor any entity other than the District is pledged to the payment of the principal of or the interest on the Bonds.

Principal of the Bonds is payable upon presentation at the principal payment office of the paying agent/registrar, initially, Zions Bancorporation, National Association, Houston, Texas (the “Paying Agent/Registrar”). The Bonds are dated September 1, 2025, and interest on the Bonds accrues from the date of their initial delivery, currently scheduled for September 10, 2025 (the “Delivery Date”). Interest is payable March 1, 2026, and on each September 1 and March 1 thereafter (each an “Interest Payment Date”) until the earlier of maturity or redemption. Interest on the Bonds will be payable by check dated as of the Interest Payment Date and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each Interest Payment Date. The Bonds are fully registered bonds in principal denominations of \$5,000 or any integral multiple thereof.

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

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

The Bonds constitute the initial series of unlimited tax road bonds issued by the District for the purpose of acquiring and/or constructing a road system (the “Road System”) to serve the District, and, when issued, will constitute valid and binding obligations of the District payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. See “THE BONDS – Source of Payment.” Investment in the Bonds is subject to special risk factors as described herein. Prospective purchasers should review this entire Preliminary Official Statement, including particularly the section of this Preliminary Official Statement entitled “INVESTMENT CONSIDERATIONS,” before making an investment decision. See “INVESTMENT CONSIDERATIONS.”

The Bonds are offered, when, as and if issued by the District to the winning bidder of the Bonds (the “Initial Purchaser”), subject, among other things, to the approval of the Attorney General of Texas and of Coats Rose, P.C., Houston, Texas, Bond Counsel. Certain legal matters will be passed on for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, as Disclosure Counsel. This Preliminary Official Statement and the information contained herein are subject to completion and amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful under the securities laws of such jurisdictions. Delivery of the Bonds through the facilities of DTC is expected on or about September 10, 2025.

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

## \$5,000,000 Unlimited Tax Road Bonds, Series 2025

Maturity September 1 <sup>(d)</sup>	Principal Amount	Interest Rate	Initial Reoffering Yield <sup>(a)</sup>	CUSIP No. <sup>(b)</sup>	Maturity September 1 <sup>(d)</sup>	Principal Amount	Interest Rate	Initial Reoffering Yield <sup>(a)</sup>	CUSIP No. <sup>(b)</sup>
2027	\$105,000	—%	—%	—	2039 <sup>(c)</sup>	\$200,000	—%	—%	—
2028	110,000	—%	—%	—	2040 <sup>(c)</sup>	210,000	—%	—%	—
2029	115,000	—%	—%	—	2041 <sup>(c)</sup>	225,000	—%	—%	—
2030	125,000	—%	—%	—	2042 <sup>(c)</sup>	235,000	—%	—%	—
2031	130,000	—%	—%	—	2043 <sup>(c)</sup>	250,000	—%	—%	—
2032 <sup>(c)</sup>	140,000	—%	—%	—	2044 <sup>(c)</sup>	260,000	—%	—%	—
2033 <sup>(c)</sup>	145,000	—%	—%	—	2045 <sup>(c)</sup>	275,000	—%	—%	—
2034 <sup>(c)</sup>	155,000	—%	—%	—	2046 <sup>(c)</sup>	290,000	—%	—%	—
2035 <sup>(c)</sup>	160,000	—%	—%	—	2047 <sup>(c)</sup>	305,000	—%	—%	—
2036 <sup>(c)</sup>	170,000	—%	—%	—	2048 <sup>(c)</sup>	325,000	—%	—%	—
2037 <sup>(c)</sup>	180,000	—%	—%	—	2049 <sup>(c)</sup>	340,000	—%	—%	—
2038 <sup>(c)</sup>	190,000	—%	—%	—	2050 <sup>(c)</sup>	360,000	—%	—%	—

<sup>(a)</sup> The initial reoffering yield has been provided by the Initial Purchaser and represents the initial offering price to the public of a substantial amount of the Bonds for each maturity. Such initial reoffering yield may be changed for subsequent purchasers. The initial reoffering yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date.

<sup>(b)</sup> CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed on behalf of the American Bankers Association by FactSet Research Systems Inc. and are included solely for the convenience of the owners of the Bonds. None of the District, Financial Advisor (herein defined) or Initial Purchaser shall be responsible for the selection or the correctness of the CUSIP numbers.

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

<sup>(d)</sup> The Initial Purchaser may designate one or more maturities as term bonds. See accompanying “Official Notice of Sale” and “Official Bid Form.”

## USE OF INFORMATION IN OFFICIAL STATEMENT

*For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission ("SEC"), as amended, and in effect on the date of this Preliminary Official Statement, this document 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 information permitted by SEC Rule 15c2-12.*

*This document, when further supplemented by adding additional information specifying the interest rates and certain other information relating to the Bonds shall constitute a "final official statement" of the District with respect to the Bonds, as such term is defined in SEC 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 or the Initial Purchaser.

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

All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Coats Rose, P.C. ("Bond Counsel") for further information.

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

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

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

References to 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 final official statement for any purposes.

## TABLE OF CONTENTS

<b>USE OF INFORMATION IN OFFICIAL STATEMENT.....</b>	<b>I</b>	<b>Defeasance.....</b>	<b>19</b>
<b>SALE AND DISTRIBUTION OF THE BONDS.....</b>	<b>3</b>	<b>Legal Investment and Eligibility to Secure Public Funds in Texas .....</b>	<b>19</b>
Award of the Bonds .....	3	<b>Bondholders' Remedies.....</b>	<b>19</b>
Prices and Marketability .....	3	<b>Bankruptcy Limitation to Bondholders' Rights .....</b>	<b>20</b>
Securities Laws .....	3	<b>Use and Distribution of Bond Proceeds .....</b>	<b>21</b>
<b>OFFICIAL STATEMENT SUMMARY .....</b>	<b>4</b>	<b>THE DISTRICT .....</b>	<b>21</b>
<b>INTRODUCTION .....</b>	<b>8</b>	Authority .....	21
<b>RELATIONSHIP AMONG THE PARTIES .....</b>	<b>8</b>	Description .....	22
<b>INVESTMENT CONSIDERATIONS .....</b>	<b>8</b>	Management of the District .....	22
General .....	8	Investment Policy .....	22
Factors Affecting Taxable Values and Tax Payment.....	9	Consultants.....	22
Dependence on the Oil and Gas Industry.....	9	<b>DEVELOPMENT OF THE DISTRICT .....</b>	<b>23</b>
Competitive Nature of Residential Housing Market .....	9	Status of Development within the District.....	23
Tax Collection and Foreclosure Remedies .....	10	Homebuilder within the District .....	23
Bondholders' Remedies.....	10	<b>PHOTOGRAPHS OF THE DISTRICT .....</b>	<b>24</b>
Bankruptcy Limitation to Bondholders' Rights .....	10	<b>PRINCIPAL LANDOWNER/DEVELOPER .....</b>	<b>28</b>
Marketability .....	11	Role of the Developer .....	28
Future Debt .....	11	The Developer and Principal Landowner.....	28
Continuing Compliance with Certain Covenants .....	11	<b>THE UTILITY SYSTEM.....</b>	<b>29</b>
Approval of the Bonds.....	11	General .....	29
Changes in Tax Legislation.....	11	Description of the System .....	29
Environmental Regulations .....	11	<b>THE ROAD SYSTEM.....</b>	<b>29</b>
Severe Weather Events .....	13	<b>GENERAL FUND OPERATING STATEMENT.....</b>	<b>30</b>
Potential Impact of Natural Disaster .....	13	<b>DISTRICT DEBT .....</b>	<b>31</b>
Specific Flood Type Risks .....	13	Debt Service Requirement Schedule.....	32
National Weather Service Atlas 14 Rainfall Study.....	13	Direct and Estimated Overlapping Debt Statement.....	33
2025 Legislative Session .....	14	Debt Ratios.....	33
Reappraisal of Property .....	14	<b>TAXING PROCEDURES.....</b>	<b>33</b>
<b>THE BONDS.....</b>	<b>14</b>	Authority to Levy Taxes .....	33
General .....	14	Property Tax Code and County-Wide Appraisal District.....	33
Book-Entry-Only System.....	14	Property Subject to Taxation by the District.....	34
Use of Certain Terms in Other Sections of this Official Statement .....	16	Tax Abatement .....	35
Successor Paying Agent/Registrar .....	16	Valuation of Property for Taxation .....	35
Registration, Transfer and Exchange.....	16	District and Taxpayer Remedies .....	36
Redemption of the Bonds .....	17	Levy and Collection of Taxes.....	36
Replacement of Bonds .....	17	Rollback of Operation and Maintenance Tax Rate.....	37
Authority for Issuance .....	17	District's Rights in the Event of Tax Delinquencies.....	37
Source of Payment.....	17	<b>TAX DATA .....</b>	<b>38</b>
Issuance of Additional Debt.....	18	General .....	38
Consolidation .....	18	Tax Rate Limitation .....	38
No Arbitrage .....	18	Debt Service Taxes .....	38

Maintenance Taxes .....	38
Tax Exemption .....	39
Additional Penalties .....	39
Historical Tax Collections .....	39
Tax Rate Distribution .....	39
Analysis of Tax Base .....	39
Principal Taxpayers .....	40
Estimated Overlapping Taxes .....	41
<b>LEGAL MATTERS .....</b>	<b>41</b>
Legal Opinions .....	41
No-Litigation Certificate .....	41
No Material Adverse Change .....	41
<b>TAX MATTERS .....</b>	<b>42</b>
Tax Exemption .....	42
Federal Income Tax Accounting	
Treatment of Original Issue	
Discount .....	42
Collateral Federal Income Tax	
Consequences .....	43
Qualified Tax-Exempt Obligations .....	43
<b>CONTINUING DISCLOSURE OF</b>	
<b>INFORMATION .....</b>	<b>44</b>
Annual Reports .....	44
Event Notices .....	44
Availability of Information from	
EMMA .....	45
Limitations and Amendments .....	45
Compliance with Prior Undertaking .....	45
<b>OFFICIAL STATEMENT .....</b>	<b>46</b>
General .....	46
Experts .....	46
Financial Advisor .....	46
Bond Counsel .....	46
Certification as to Official Statement .....	46
Updating of Official Statement .....	47
<b>CONCLUDING STATEMENT .....</b>	<b>48</b>
<b>APPENDIX A .....</b>	<b>49</b>

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

### **Award of the Bonds**

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

No assurance can be given that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchaser. The District has no control over the price at which the Bonds are subsequently sold, and the initial yields at which the Bonds are priced and reoffered are established by and are the sole responsibility of the Initial Purchaser.

### **Prices and Marketability**

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

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

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial reoffering prices, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

### **Securities Laws**

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

### **Municipal Bond Guaranty Insurance and Ratings**

An application has not been made for either a commitment to issue a policy of municipal bond guaranty insurance or a municipal bond rating on the Bonds. Furthermore, it is not expected that the District would have been successful in receiving an investment grade rating on the Bonds.

## OFFICIAL STATEMENT SUMMARY

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

### THE BONDS

The District.....	Austin County Municipal Utility District No. 1 (the “District”), a political subdivision of the State of Texas located in Austin County, Texas. See “THE DISTRICT.”
The Bonds.....	The District is issuing \$5,000,000 Unlimited Tax Road Bonds, Series 2025 (the “Bonds”). The Bonds are dated September 1, 2025 and mature on September 1 in the years and amounts set forth on the inside cover page hereof. Interest accrues from the date of the initial delivery of the Bonds at the rates per annum set forth on the inside cover page hereof and is payable on March 1, 2026, and on each September 1 and March 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity. See “THE BONDS.”
Redemption .....	Bonds maturing on and after September 1, 2032, are subject to redemption, in whole or from time to time in part, at the option of the District on September 1, 2031, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See “THE BONDS – Redemption of the Bonds.”
Book-Entry-Only System .....	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC (as defined herein), pursuant to the Book-Entry-Only System described herein (see “THE BONDS - Book-Entry-Only System”).
Source of Payment.....	Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied upon all taxable property within the District without legal limitation as to rate or amount. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Austin County, Texas (the “County”), the City of Sealy, Texas (the “City”), or any entity other than the District. See “THE BONDS - Source of Payment.”
Qualified Tax-Exempt Obligations.....	The Bonds will be designated as “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS –Qualified Tax-Exempt Obligations.”
Payment Record.....	The Bonds are the District’s first issuance of unlimited tax bonds.
Authority for Issuance .....	<p>The Bonds constitute the initial series of unlimited tax road bonds issued by the District for the purpose of acquiring and/or constructing a road system to serve the District (the “Road System”).</p> <p>Voters in the District have authorized a total of \$53,000,000 in principal amount of unlimited tax bonds for the purpose of acquiring and/or constructing water, sewer, and drainage facilities to serve the District (the “Utility System”) and \$79,500,000 in principal amount of unlimited tax bonds for refunding such bonds; \$48,000,000 in principal amount of unlimited tax bonds for the purpose of acquiring</p>

and/or constructing the Road System and \$72,000,000 in principal amount of unlimited tax bonds for refunding such bonds.

Following the issuance of the Bonds: \$53,000,000 principal amount of unlimited tax bonds for the purpose of acquiring and/or constructing the Utility System and \$79,500,000 in principal amount of unlimited tax bonds for refunding such bonds; \$43,000,000 principal amount of unlimited tax bonds for the purpose of acquiring and/or constructing the Road System and \$72,000,000 in principal amount of unlimited tax bonds for refunding such bonds will remain authorized and unissued.

The Bonds are issued pursuant to the order of the District’s Board of Directors authorizing the issuance of the Bonds (the “Bond Order”); an election held on November 2, 2021; and (i) Article III, Section 52 of the Texas Constitution, (ii) Chapter 7913A of the Texas Special District Local Laws Code, as a municipal utility district created under and essential to accomplish the purposes of Section 59, Article XVI and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. See “THE BONDS – Authority for Issuance” and “THE BONDS – Issuance of Additional Debt.”

Use of Bond Proceeds.....	A portion of the proceeds from the sale of the Bonds will be used to reimburse the Developer (herein defined) for the construction costs set out under “THE BONDS – Use and Distribution of Bond Proceeds.” In addition, a portion of the proceeds from the sale of the Bonds will be used to pay developer interest, capitalized interest (12 months) and other certain costs associated with the issuance of the Bonds. See “THE BONDS – Use and Distribution of Bond Proceeds.”
Municipal Bond Insurance and Ratings.....	An application has not been made for either a commitment to issue a policy of municipal bond guaranty insurance or a municipal bond rating on the Bonds. Furthermore, it is not expected that the District would have been successful in an investment grade rating on the Bonds. See “MUNICIPAL BOND GUARANTY INSURANCE AND RATINGS.”
Bond Counsel .....	Coats Rose, P.C., Houston, Texas.
Disclosure Counsel .....	Orrick, Herrington & Sutcliffe LLP, Houston, Texas.
Financial Advisor .....	Tierra Financial Advisors, LLC, Arlington, Texas (“Tierra”). Tierra is a wholly-owned subsidiary of D.R. Horton Inc., the primary developer of land in the District. See “RELATIONSHIP AMONG THE PARTIES” herein.

#### THE DISTRICT

Description .....	The District was created by House Bill No. 4627, 87th Texas Legislature, Regular Session, codified as Chapter 7913A, Texas Special District Local Laws Code, as a municipal utility district created under and essential to accomplish the purposes of Section 59, Article XVI, and Section 52, Article III of the Texas Constitution, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts.
Location.....	The District is 156.66 acres located in the western Houston metropolitan area, approximately 58.7 miles west of downtown

Houston and approximately 1.6 miles southwest of the intersection of Hwy 36 and FM 3013. The District is in the San Felipe De Austin Town Tract, Abstract No. 5, Austin County, Texas. This property lies wholly within the corporate limits of the City of Sealy Texas.

Developer and Principal Landowner ..... The developer and a principal land-owner of the land within the District is D.R. Horton-Texas, Ltd. (the “Developer”), a Texas limited partnership. The Developer is wholly owned by D.R. Horton, Inc. (“D.R. Horton”), a Delaware corporation and publicly held company, the stock of which is listed on the New York Stock Exchange under the ticker symbol “DHL.” See “PRINCIPAL LANDOWNER/DEVELOPER.”

Development within the District..... The District is being developed as Westward Pointe, a single family residential community. Development in the District currently includes 221 single-family residential lots on approximately 44.3 acres. At ultimate build-out, the District will contain a total of 459 single-family residential lots. As of June 1, 2025, the District consisted of 212 completed homes, 0 homes under construction, and 9 vacant developed lots.

In addition to the development described above, the Developer constructed a recreation center, which has a pool, restrooms and open spaces on approximately 3.0 acres in the District. The District includes approximately 46.4 developable acres that have not been provided with water distribution, sanitary sewer and storm drainage facilities. The remainder of the District is comprised of approximately 42.7 acres of street right-of-way, easements, drainage, floodway, open spaces and utility sites, including the 3.0 acres devoted to the recreation center. See “DEVELOPMENT OF THE DISTRICT – Status of Development within the District.”

Homebuilder ..... D.R. Horton is currently building single-family homes in the District. Homes in the District range in price from approximately \$299,000 to \$325,000 and in size from approximately 1,156 to over 2,439 square feet. See “DEVELOPMENT OF THE DISTRICT – Homebuilders within the District.”

### INVESTMENT CONSIDERATIONS

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

*[Remainder of this page intentionally left blank.]*

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

2025 Assessed Valuation	\$	54,337,782 <sup>(a)</sup>
Estimated Assessed Valuation as of May 1, 2025	\$	55,069,062 <sup>(b)</sup>
Direct Debt:		
The Bonds	\$	5,000,000
Total	\$	5,000,000
Estimated Overlapping Debt	\$	3,768,774 <sup>(c)</sup>
Total Direct and Estimated Overlapping Debt	\$	8,768,774 <sup>(c)</sup>
Direct Debt Ratio:		
As a percentage of 2025 Assessed Valuation		9.14%
As a percentage of Estimated Assessed Valuation as of May 1, 2025		9.08%
Direct and Estimated Overlapping Debt Ratio:		
As a percentage of 2025 Assessed Valuation		16.04%
As a percentage of Estimated Assessed Valuation as of May 1, 2025		15.92%
Road System Debt Service Fund (as of as of July 9, 2025)	\$	275,000 <sup>(d)</sup>
Road System Capital Projects Fund (as of July 9, 2025)		-
Operating Fund (as of July 9, 2025)	\$	258,218
2024 Tax Rate:		
Utility System Debt Service	\$	-
Road System Debt Service	\$	-
Maintenance & Operations	\$	0.930
Total	\$	0.930 <sup>(e)</sup>
Estimated Average Annual Debt Service Requirements on the Bonds (2026 - 2050)	\$	375,423 <sup>(f)</sup>
Estimated Maximum Annual Debt Service Requirements on the Bonds (2032)	\$	382,825 <sup>(f)</sup>
Road System Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Estimated Average Annual Debt Service Requirement on the Bonds (2026 - 2050):		
Based on 2025 Assessed Valuation at 95% Collections	\$	0.73
Based on Estimated Assessed Valuation as of May 1, 2025, at 95% Collections	\$	0.72
Road System Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Estimated Maximum Annual Debt Service Requirement on the Bonds (2032):		
Based on 2025 Assessed Valuation at 95% Collections	\$	0.74
Based on Estimated Assessed Valuation as of May 1, 2025, at 95% Collections	\$	0.74

<sup>(a)</sup> Represents the assessed valuation of all taxable property in the District as of January 1, 2025, provided by the Austin Central Appraisal District (the "Appraisal District"). See "TAX DATA" and "TAXING PROCEDURES."

<sup>(b)</sup> Provided by the Appraisal District for information purposes only. This amount is an estimate of the taxable value of all taxable property located within the District as of January 1, 2025, and includes an estimate of additional taxable value resulting from the construction of taxable improvements from January 1, 2025, to May 1, 2025. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."

<sup>(c)</sup> See "DISTRICT DEBT – Direct and Estimated Overlapping Debt Statement."

<sup>(d)</sup> Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund (defined herein). The funds in the Road System Debt Service Fund are pledged only to pay the debt service on the Bonds, and any other bonds issued for the purpose of acquiring or constructing the Road System. Upon the issuance of the Bonds, 12 months of capitalized interest will be deposited into the Road System Debt Service Fund.

<sup>(e)</sup> See "TAX DATA – Tax Rate Calculations."

<sup>(f)</sup> Debt Service on the Bonds is estimated at an average interest rate of 5.50%. See "DISTRICT DEBT – Estimated Road System Debt Service Requirement Schedule."

**OFFICIAL STATEMENT**  
**relating to**  
**AUSTIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 1**  
(A Political Subdivision of the State of Texas, located within Austin County, Texas)  
**\$5,000,000**  
**Unlimited Tax Road Bonds,**  
**Series 2025**

**INTRODUCTION**

This Official Statement provides certain information in connection with the issuance by Austin County Municipal Utility District No. 1 (the “District”) of its \$5,000,000 Unlimited Tax Road Bonds, Series 2025 (the “Bonds”).

The Bonds are issued pursuant to (i) Article III, Section 52 of the Texas Constitution, (ii) Chapter 7913A of the Texas Special District Local Laws Code, as a municipal utility district created under and essential to accomplish the purposes of Section 59, Article XVI, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts, (iii) an order (the “Bond Order”) adopted by the Board of Directors of the District on the date of the sale of the Bonds, and (iv) an election held within the District on November 2, 2021.

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

Included in this Official Statement are descriptions of the Bonds and certain information about the District and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the District at Coats Rose, P.C., 9 Greenway Plaza, Suite 1000, Houston, Texas 77046 or during the offering period from the District’s Financial Advisor, Tierra Financial Advisors, LLC, Attn: Chris Prugar, 6744 Horton Vista Drive, Richmond, Texas 77407 upon payment of reasonable copying, mailing and handling charges.

**RELATIONSHIP AMONG THE PARTIES**

Tierra Financial Advisors, LLC, serves as financial advisor to the District (the “Financial Advisor”) and is a wholly owned subsidiary of D.R. Horton Inc. (“D.R. Horton”), the primary developer of land in the District (the “Developer”). The District was created in 2021 at the request of D.R. Horton to facilitate development in the District, and D.R. Horton currently owns approximately 2.35% of the of the total taxable assessed value of property in the District. See “DEVELOPMENT OF THE DISTRICT,” “PRINCIPAL LANDOWNER/DEVELOPER” and “TAX DATA – Principal Taxpayers.” A portion of the proceeds of the Bonds will be used to reimburse D.R. Horton for expenditures incurred in connection with the development of infrastructure in the District. See “THE BONDS – Use and Distribution of Bond Proceeds.” No employees of D.R. Horton are members of the Board of the District and the Financial Advisor is subject to federal laws and regulations that require it to disclose, manage and mitigate conflicts of interest consistent with its fiduciary duties to the District.

**INVESTMENT CONSIDERATIONS**

**General**

The Bonds, which are obligations of the District and not of the State of Texas; Austin County (the “County”), Texas; the City of Sealy, Texas (the “City”); or any political subdivision other than the District, will be secured by a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. Therefore, the ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below. See “DEVELOPMENT OF THE DISTRICT,” “TAX DATA,” and “TAXING PROCEDURES.”

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

**Economic Factors:** The rate of development within the District is directly related to the vitality of the residential housing industry in the Houston, Texas metropolitan area. New residential housing construction can be significantly affected by factors such as general economic activity, interest rates, credit availability, energy costs, construction costs, the level of unemployment, and consumer demand. Decreased levels of home construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development or home construction in the District.

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

**Dependence on Principal Taxpayers and the Developer:** The top ten principal taxpayers represent \$6,224,383 or 16.35% of the 2025 Assessed Valuation, which represents ownership as of January 1, 2024. The Developer owns approximately \$2,854,480 or 7.50% of the 2025 Assessed Valuation of property located within the District. If these or other principal taxpayers were to default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds would be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or to sell tax anticipation notes. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its debt service fund. See, "TAX DATA – Principal Taxpayers" and "TAXING PROCEDURES – Levy and Collection of Taxes."

**Maximum Impact on District Tax Rates:** Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2025 Assessed Valuation is \$54,337,782 and the Estimated Assessed Valuation as of May 1, 2025, is \$55,069,062. See "TAX DATA."

After issuance of the Bonds, the estimated maximum annual debt service requirement on the Bonds will be \$382,825 (2032) and the estimated average annual debt service requirement on the Bonds will be \$375,423 (2026-2050). Assuming no decrease from the 2025 Assessed Valuation, tax rates of \$0.73 and \$0.72 per \$100 of assessed valuation at 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. Assuming no decrease from the Estimated Assessed Valuation as of May 1, 2025, tax rates of \$0.74 and \$0.72 per \$100 of assessed valuation at 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively.

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners. In 2024, the District adopted a maintenance tax of \$0.93 per \$100 of assessed valuation.

## **Dependence on the Oil and Gas Industry**

The volatility in oil prices in the U.S. and globally may lead to adverse conditions in the oil and gas industry, including but not limited to reduced revenues, declines in capital and operating expenditures, business failures, and layoffs of workers. The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values 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.

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

The residential housing industry in the Houston and Sealy, Texas area is very competitive, and the District can give no assurance that the building programs which are planned by any homebuilder(s) will be continued or completed. The respective competitive position of the homebuilders listed herein and any other developer or homebuilder(s) which might attempt future home building or development projects in the District, the sale of developed lots or in the

construction and sale of single-family residential units, are affected by most of the factors discussed in this section, and such competitive positions are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

### **Tax Collection and Foreclosure Remedies**

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (d) the taxpayer's right to redeem the property within two years of foreclosure for residential homestead and agricultural use property and within six (6) months of foreclosure for other property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding.

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

### **Bondholders' Remedies**

In the event of default in the payment of principal of or interest on the Bonds, the registered holders of the Bonds ("Bondholders") have a right to seek a writ of mandamus requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Order does not provide for remedies to protect and enforce the interests of the Bondholders. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Based on recent Texas court decisions, it is unclear whether, §49.066, Texas Water Code, effectively waives governmental immunity of a municipal utility district for suits for money damages. Even if the Bondholders could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Bondholders cannot themselves foreclose on property within the District or sell property of the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Bondholders would have to initiate and finance the legal process to enforce their remedies. SEE "THE BONDS – Bondholders' Remedies and Bankruptcy Limitation to Bondholders' Rights."

### **Bankruptcy Limitation to Bondholders' Rights**

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

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

If the District decides in the future to proceed voluntarily under the federal Bankruptcy Code, the District could develop and file a plan for the adjustment of its debts. If such a plan was confirmed by the bankruptcy court, it could, among other things, affect the Beneficial Owners by reducing or eliminating the interest rate or the principal amount,

modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Beneficial Owners' claims against the District.

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

### **Marketability**

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

### **Future Debt**

Following the issuance of the Bonds, \$53,000,000 principal amount of unlimited tax bonds for the purpose of acquiring and/or constructing the Utility System to serve the District and \$79,500,000 in principal amount of unlimited tax bonds for refunding such bonds; \$43,000,000 principal amount of unlimited tax bonds for the purpose of acquiring and/or constructing the Road System and \$72,000,000 in principal amount of unlimited tax bonds for refunding such bonds will remain authorized and unissued. The District also has the right to issue certain other additional bonds and other obligations, as described in the Bond Order. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

Following the reimbursement with the proceeds of the Bonds, the District will owe the Developer approximately \$13.1 million for expenditures to construct the Utility System and \$2.9 million for expenditures to construct the Road System. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-to-property-valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

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

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

### **Approval of the Bonds**

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

### **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.

### **Environmental Regulations**

Wastewater treatment and water supply facilities are subject to stringent and complex environmental laws and regulations. Facilities must comply with environmental laws at the federal, state, and local levels. These laws and regulations can restrict or prohibit certain activities that affect the environment in many ways such as:

- Requiring permits for construction and operation of water supply wells and wastewater treatment facilities;
- Restricting the manner in which wastes are released into the air, water, or soils;
- Restricting or regulating the use of wetlands or other property;

- Requiring remedial action to prevent or mitigate pollution; and
- Imposing substantial liabilities for pollution resulting from facility operations.

Compliance with environmental laws and regulations can increase the cost of planning, designing, constructing, and operating water production and wastewater treatment facilities. Sanctions against a water 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 as to future compliance of and the ability to operate the District's water supply, wastewater treatment, and drainage facilities. Environmental laws and regulations can also impact an area's ability to grow and develop. The following is a discussion of certain environmental concerns that relate to the District. It should be noted that changes in environmental laws and regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

*Water Supply & Discharge Issues.* Water supply and discharge regulations that the District may be required to comply with involve: (1) public water supply systems, (2) wastewater discharges from treatment facilities, (3) storm water discharges, and (4) wetlands dredge and fill activities. Each of these is addressed below:

Pursuant to the federal Safe Drinking Water Act ("SDWA") and the Environmental Protection Agency'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 Environmental Protection Agency (the "EPA") has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), with an effective date of March 5, 2018, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain nonstormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the federal 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 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.

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 also obtain a permit from the United States Army Corps of Engineers ("USACE") if operations of the District require that wetlands be filled, dredged, or otherwise altered.

On May 25, 2023, the Supreme Court of the United States issued its decision in *Sackett v EPA*, which clarified the definition of "waters of the United States" and significantly restricted the reach of 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 continuous surface connection.

While the *Sackett* decision 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 permitting restrictions and requirements, including additional requirements, in the future.

Operations of the District are also potentially subject to stormwater discharge permitting requirements as set forth under the CWA and regulations implementing the CWA. The TCEQ adopted by reference the vast majority of the EPA regulations relating to stormwater discharges and currently has issued a general permit for stormwater discharges associated with industrial activities and two general permits for stormwater discharges associated with construction activities and municipal separate stormwater systems. The District may also be required to develop and implement stormwater pollution prevention plans and stormwater management plans. The District could incur substantial costs to develop and implement such 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. Failure to comply with these requirements may result in the imposition of administrative, civil, and criminal penalties as well as injunctive relief under the CWA or the Texas Water Code.

## **Severe Weather Events**

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

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

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

## **Potential Impact of Natural Disaster**

The District could be impacted by a natural disaster such as wide-spread fires, earthquakes, or weather events such as hurricanes, tornados, tropical storms, or other severe weather events that could produce high winds, heavy rains, hail, and flooding. In the event that a natural disaster should damage or destroy improvements and personal property in the District, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed value of the District or an increase in the District’s tax rates.

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

## **Specific Flood Type Risks**

The District may be subject to the following flood risks:

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

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

## **National Weather Service Atlas 14 Rainfall Study**

The National Weather Service recently completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States (“Atlas 14”). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties and consequently leaving less developable property within the District. 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.

## **2025 Legislative Session**

The 89th Regular Legislative Session convened on January 14, 2025, and concluded on June 2, 2025. The Legislature considered H.B. 5437 relating to the validation of the creation of and certain acts of the District, which was filed without the Governor's signature and became effective immediately on June 20, 2025. The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor of Texas (the "Governor") may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. During this time, the Legislature may enact laws that materially change current laws affecting ad valorem tax matters, including rollback elections for maintenance tax increases, and other matters which could adversely affect the marketability or market value of the Bonds. On June 23, 2025, the Governor called a special session to begin on July 21, 2025, which will end no later than August 20, 2025. The agenda released by the Governor for the special session includes, in part, "legislation reducing the property tax burden on Texans and legislation imposing spending limits on entities authorized to impose property taxes." The District can make no representations or predictions regarding any actions the Texas Legislature may take or the effect of any such actions.

## **Reappraisal of Property**

On November 5, 2019, a Texas Constitutional amendment, effective January 1, 2020, passed and the prior process that gave local taxing jurisdictions the option to request a reappraisal following a disaster was repealed and replaced with an exemption for qualified property that is in a Governor-declared disaster area and at least 15% damaged. Qualified property includes tangible personal property, improvements to real property, and manufactured homes. Eligible individuals must apply within a specified time frame and, if the disaster occurs after taxes are levied, the taxing unit must take action to authorize the exemption. The amount of the exemption is determined by the percentage level of damage and is prorated based on the date of the disaster. The applicable appraisal district must perform a damage assessment and assign a percentage rating to determine the amount of the exemption. Any exemption granted under the new provisions expires the first year the property is reappraised.

## **THE BONDS**

### **General**

The following is a description of certain terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order of the Board of Directors of the District (the "Board") authorizing the issuance of the Bonds. Copies of the Bond Order may be obtained from the District upon request and payment of the costs for duplication thereof. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

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

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

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

*The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the*

*Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.*

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

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

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s

consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or 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 securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) 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, Bond certificates are required to be printed and delivered.

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

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

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

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

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

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

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

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

opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning fifteen (15) calendar days prior to, and ending on the date of the mailing of notice of redemption, or where such redemption is scheduled to occur within thirty (30) calendar days. No service charge will be made for any transfer or exchange, but the District or Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

### **Redemption of the Bonds**

The Bonds maturing on September 1, 2032, and thereafter are subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2031, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Bondholder of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by such random method as the Paying Agent/Registrar deems fair and appropriate in integral multiples of \$5,000 within any one maturity. The Bondholder of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

### **Replacement of Bonds**

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

### **Authority for Issuance**

The District's voters have authorized the District's issuance of \$53,000,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing Utility System and \$79,500,000 in principal amount of unlimited tax bonds for refunding such bonds; \$48,000,000 in principal amount of unlimited tax bonds for the purpose of acquiring and/or constructing a road system to serve the District (the "Road System") and \$72,000,000 in principal amount of unlimited tax bonds for refunding such bonds.

Following the issuance of the Bonds: \$53,000,000 principal amount of unlimited tax bonds for the purpose of acquiring and/or constructing the Utility System to serve the District and \$79,500,000 in principal amount of unlimited tax bonds for refunding such bonds; \$43,000,000 principal amount of unlimited tax bonds for the purpose of acquiring and/or constructing the Road System and \$72,000,000 in principal amount of unlimited tax bonds for refunding such bonds will remain authorized and unissued.

The Bonds are issued pursuant to (i) Article III, Section 52 of the Texas Constitution, (ii) Chapter 7913A of the Texas Special District Local Laws Code, as a municipal utility district created under and essential to accomplish the purposes of Section 59, Article XVI, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts, (iii) the Bond Order, and (iv) an election held within the District on November 2, 2021.

### **Source of Payment**

The Bonds are 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 located within the District. In the Bond Order, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, and certain fees. Tax proceeds, after deduction for collection costs, will be placed in the Road System Debt Service Fund and used solely to pay principal of and interest on the Bonds, and additional bonds payable from taxes which may be issued.

The Bonds are obligations solely of the District and are not the obligations of the State of Texas, Austin County, Texas, the City of Sealy, Texas, or any entity other than the District.

### **Issuance of Additional Debt**

The District may issue additional bonds with the approval of the TCEQ (with respect to the bonds for the Utility System) necessary to provide improvements and facilities consistent with the purposes for which the District was created. The District's voters have authorized the District's issuance of \$53,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System and \$79,500,000 in principal amount of unlimited tax bonds for refunding purposes; and \$48,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System and \$72,000,000 in principal amount of unlimited tax bonds for refunding purposes.

The Bonds represent the initial series of bonds issued by the District for the purpose of acquiring or constructing the Road System. After issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: \$53,000,000 for the Utility System; and \$43,000,000 for the Road System. The District may also issue any additional bonds as may hereafter be approved by both the Board of Directors and voters of the District as well as certain additional bonds, revenue bonds, special project bonds, and other obligations as described in the Bond Order. The Bond Order imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and, in the case of bonds for the Utility System or for parks and recreation, approved by the TCEQ).

Following the reimbursement with the proceeds of the Bonds, the District will owe the Developer approximately \$13.1 million for expenditures to construct the Utility System and \$2.9 million for expenditures to construct the Road System.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the park bond application for the issuance of bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. The District has not considered the preparation of a parks bond application at this time. If the District does issue park bonds, the principal amount of bonds sold by the District to construct park and recreational facilities is limited to one percent of the District's certified taxable assessed valuation, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may be issued in an amount not to exceed three percent of the value of the taxable property in the District.

The District may issue any additional unlimited tax bonds in the current calendar year.

### **Consolidation**

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

### **No Arbitrage**

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

## **Defeasance**

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

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

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

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

- (a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic.
- (b) A district's bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any unmatured interest coupons attached to them.

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

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

## **Bondholders' Remedies**

The Bond Order contains a covenant that while any part of the Bonds is outstanding, there shall be assessed, levied, and collected an annual ad valorem tax, without legal limit as to rate or amount, on all taxable property within the District, sufficient to pay principal of and interest on the Bonds and any additional tax bonds when due and to pay the expenses necessary in collecting taxes. Texas law and the Bond Order provide that in the event that the District defaults

in the payment of the principal of or interest on any of the Bonds when due, fails to make debt service payments, or defaults in the observance or performance of any of the covenants, conditions, or obligations set forth in the Bond Order, any Bondholder shall be entitled at any time to a writ of mandamus from a court of competent jurisdiction compelling and requiring the Board to observe and perform any covenant, obligation, or condition prescribed by the Bond Order. Such right is in addition to all other rights the Bondholders may be provided by the laws of the State of Texas.

Except for mandamus, the Bond Order does not specifically provide for remedies to a Bondholder in the event of a District default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the Bondholders. There is no acceleration of maturity of the Bonds in the event of default. Consequently, the remedy of mandamus is a remedy which may have to be relied upon from year to year by the Bondholders. Even if the Bondholders could obtain a judgment against the District, such judgment could not be enforced by direct levy and execution against the District's property. Further, the Bondholders cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Certain traditional legal remedies also may be unavailable. The enforceability of the rights and remedies of the Bondholders may be further limited by federal bankruptcy laws, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. See "Bankruptcy Limitation to Bondholders' Rights" below.

#### **Bankruptcy Limitation to Bondholders' Rights**

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

*[Remainder of this page intentionally left blank.]*

## Use and Distribution of Bond Proceeds

A portion of the proceeds from the sale of the Bonds will be used for the construction costs set out below. In addition, a portion of the proceeds from the Bonds will be used to pay developer interest, twelve (12) months of capitalized interest on the Bonds and certain other costs associated with the issuance of the Bonds.

### Construction Costs

#### A. Developer Contribution Items

1.	Westward Pointe Section 1	\$	1,865,837
2.	Westward Pointe Section 2		1,239,748
3.	Engineering Fees		251,553
4.	Testing Fees		40,714
5.	Land Acquisition		332,267
6.	Land Carrying Costs		81,210
7.	Reports		18,375
8.	Survey		<u>8,903</u>
<b>Total Construction Costs</b>		<b>\$</b>	<b>3,838,607</b>

### Non-Construction Costs

1.	Legal Fees	\$	90,000
2.	Fiscal Agent Fees		50,000
3.	Interest Costs		
	a. Capitalized Interest (1 year @ 5.50%)		275,000
	b. Developer Interest (up to 5 years @ 5.50%)		567,141
4.	Bond Discount (2%)		100,000
5.	Bond Issuance Expenses		54,252
6.	Bond Application Costs		20,000
7.	Attorney General's Fee		<u>5,000</u>
<b>Total Non-Construction Costs</b>		<b>\$</b>	<b>1,161,393</b>
<b>Total Bond Issue Requirement</b>		<b>\$</b>	<b>5,000,000</b>

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

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

## THE DISTRICT

### Authority

The District was created by House Bill No. 4627, Acts of the 87<sup>th</sup> Texas Legislature, Regular Session, codified as Chapter 7913A, Texas Special District Local Laws Code, as a municipal utility district created under and essential to accomplish the purposes of Section 59, Article XVI, and section 52, Article III of the Texas Constitution, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, and other general laws of the State of Texas.

applicable to municipal utility districts. The District, which lies wholly within the corporate limits of the City, is subject to the continuing supervisory jurisdiction of the TCEQ.

The District is empowered, among other things, to finance, purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; the control and diversion of storm water; and roads located inside its boundaries. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may also provide solid waste disposal and collection services. Additionally, the District may, subject to certain limitations, develop and finance recreational facilities.

The District is required to observe certain requirements of the City, including submittal of all plans and specifications for Utility System and Road System improvements to the City for approval, compliance with applicable City standards and specifications, allowance of City inspections of Utility System and Road System improvements, and submittal of “as-built” drawings of such improvements upon completion.

### **Description**

The District is 156.66 acres located in the western Houston metropolitan area, approximately 58.7 miles west of downtown Houston and approximately 1.6 miles southwest of the intersection of Hwy 36 and FM 3013. The District is in the San Felipe De Austin Town Tract, Abstract No. 5, Austin County, Texas. This property lies wholly within the City of Sealy Texas.

### **Management of the District**

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

Name	Position	Term Expires May
Carol Woodridge	President	2026
Jason Scholtz	Vice President	2026
Heather Rose Senning	Secretary	2028
Olga Alvarado	Asst. Secretary	2026
Vacant	Asst. Secretary	-

### **Investment Policy**

The District has adopted an Investment Policy (the “Policy”) as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (the “PFI Act”). The District’s goal is to preserve principal and maintain liquidity in a diversified portfolio while securing a competitive yield on its portfolio. Funds of the District are to be invested only in accordance with the Policy. The Policy states that the funds of the District may be invested in short term obligations of the U.S. or its agencies or instrumentalities, in certificates of deposits insured by the Federal Deposit Insurance Corporation and secured by collateral authorized by the PFI Act, and in TexPool and TexStar, which are public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate, the inclusion of long-term securities or derivative products in the portfolio.

### **Consultants**

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

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

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

*Financial Advisor:* Tierra Financial Advisors, LLC is engaged as financial advisor to the District in connection with the issuance of the Bonds. The Financial Advisor’s fee for services rendered with respect to the sale of the Bonds is

contingent upon the issuance and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement. Tierra Financial Advisors, LLC is a wholly owned subsidiary of D.R. Horton. See “RELATIONSHIP AMONG THE PARTIES” herein.

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

*Bookkeeper:* The District’s bookkeeper is L&S District Services, LLC (the “Bookkeeper”).

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

*Engineer:* The District’s engineer is DHI Engineering, LLC. (the “Engineer”).

## **DEVELOPMENT OF THE DISTRICT**

### **Status of Development within the District**

The District is being developed as Westward Pointe, a single family residential community. Development in the District currently includes 221 single-family residential lots on approximately 44.3 acres. At ultimate build-out, the District will contain a total of 459 single-family residential lots. As of June 1, 2025, the District consisted of 212 completed homes, 0 homes under construction, and 9 vacant developed lots.

In addition to the development described above, the Developer constructed a recreation center, which has a pool, restrooms and open spaces on approximately 3.0 acres in the District. The District includes approximately 46.4 developable acres that have not been provided with water distribution, sanitary sewer and storm drainage facilities. The remainder of the District is comprised of approximately 42.7 acres of street right-of-way, easements, drainage, floodway, open spaces and utility sites, including the 3.0 acres devoted to the recreation center. See “DEVELOPMENT OF THE DISTRICT – Status of Development within the District.”

### **Homebuilder within the District**

D.R. Horton is currently building single-family homes in the District. Homes in the District range in price from approximately \$299,000 to \$325,000 and in size from approximately 1,156 to over 2,439 square feet. See “PRINCIPAL LANDOWNER/DEVELOPER.”

*[Remainder of this page intentionally left blank.]*

## PHOTOGRAPHS OF THE DISTRICT

Photos taken in June 2025



## PHOTOGRAPHS TAKEN IN THE DISTRICT

Photos taken in June 2025

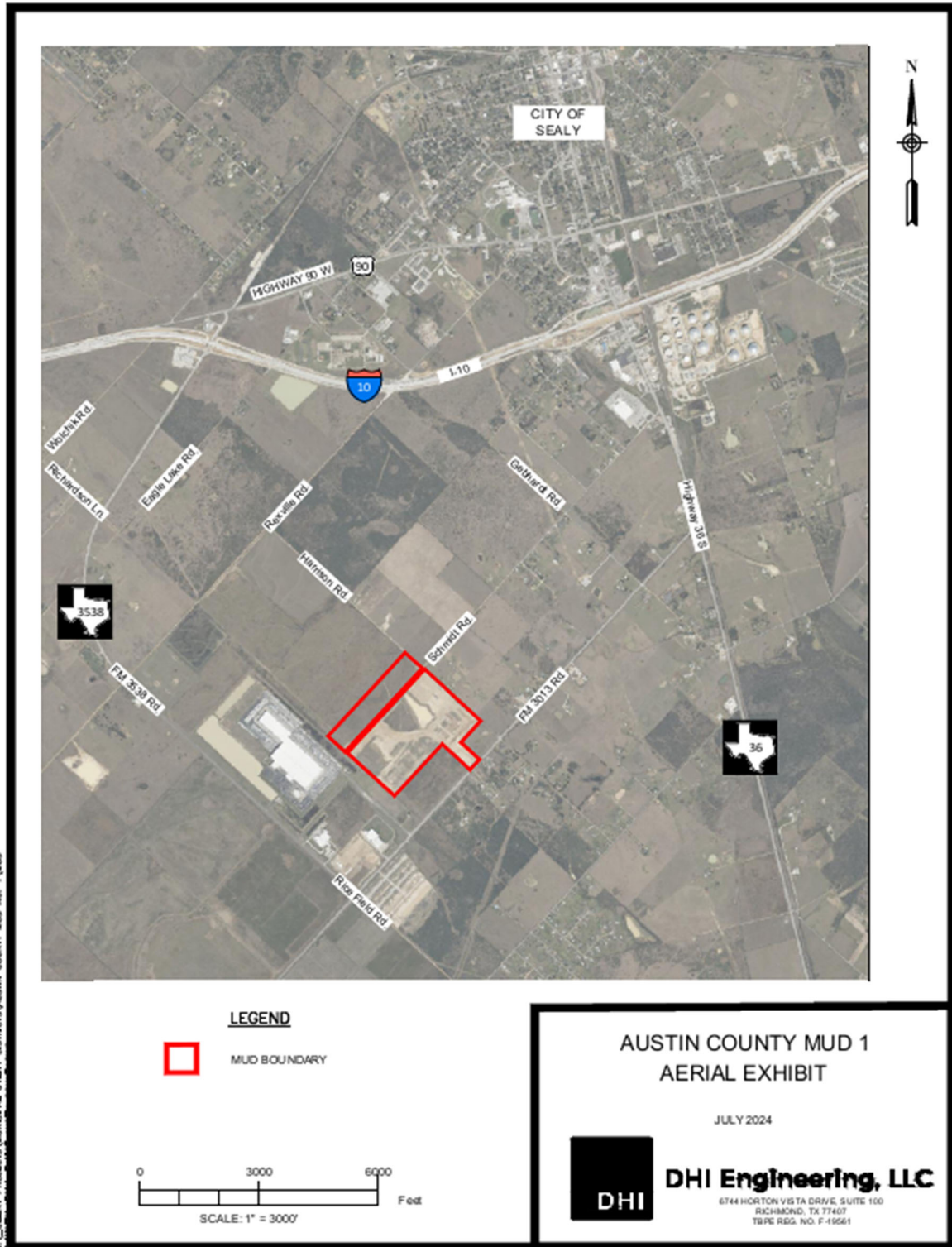


## PHOTOGRAPHS TAKEN IN THE DISTRICT

Photos taken in June 2025



# AERIAL MAP



## **PRINCIPAL LANDOWNER/DEVELOPER**

### **Role of the Developer**

In general, the activities of a developer in a municipal utility district such as the District include purchasing the land within the District, designing the subdivision, designing the utilities and streets to be constructed in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, wastewater, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone, and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. In most instances, the developer will be required to pay up to thirty percent (30%) of the cost of constructing certain of the water, wastewater, and drainage facilities in a municipal utility district pursuant to the rules of the TCEQ. The relative success or failure of a developer to perform such activities in development of the property within a municipal utility district may have a profound effect on the security of the unlimited tax bonds issued by a district. A developer is generally under no obligation to a district to develop the property which it owns in a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which it owns within a district. In addition, a developer is ordinarily a major taxpayer within a municipal utility district during the development phase of the property.

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

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

### **The Developer and Principal Landowner**

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

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

## **THE UTILITY SYSTEM**

### **General**

The water, wastewater, drainage, and paving facilities, the purchase, acquisition, and construction of which have been financed by the Developer, have been designed in accordance with accepted engineering practices and the recommendation of certain governmental agencies having regulatory or supervisory jurisdiction over construction and operation of such facilities, including among others, the TCEQ. According to the Engineer, the design of all such facilities has been approved by all governmental agencies, which have jurisdiction over the District.

### **Description of the System**

#### **- Water Supply and Distribution -**

As outlined in the Development Agreement between DR Horton – Texas, Ltd. and the City of Sealy, dated March 31, 2021, (the “Development Agreement”), the City of Sealy will own and operate all facilities and water distribution systems to provide water service to the residents in the District. The City of Sealy will provide water capacity to not exceed 475-single family homes, amenity center, trails, and irrigation of open space.

#### **- Wastewater Treatment and Conveyance System -**

As outlined in the Development Agreement, the City of Sealy will own and operate all facilities and wastewater collection systems to provide wastewater service to the residents in the District.

#### **- Drainage -**

Stormwater drainage from the District discharges into a detention pond through a storm sewer system. The detention pond is pumped into an existing culvert crossing which consists of 5-24” Reinforced Concrete Pipes at Farm to Market Road (FM) 3013.

## **THE ROAD SYSTEM**

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

*[Remainder of this page intentionally left blank.]*

## GENERAL FUND OPERATING STATEMENT

The following is a summary of the District's general fund activity for the fiscal years ended October 31, 2023 and October 31, 2024. For the period November 1, 2024 ended June 30, 2025, the unaudited summary has been prepared by the District's bookkeeper. Reference is made to such statements for further and more complete information. See "APPENDIX A – Financial Statements of the District."

### General Fund Revenues, Expenditures and Changes in Fund Balance

	11/1/2024 – 6/30/2025 <sup>(a)</sup>	2024	2023
<b>Revenues:</b>			
Property Taxes	\$ 309,000	\$ 129,427	\$ 12,187
Penalties and Interest	-	2,228	746
Miscellaneous	-	686	17
Investment	3,184	389	49
<b>TOTAL REVENUES</b>	<b>\$ 312,184</b>	<b>\$ 132,730</b>	<b>\$ 12,999</b>
<b>Expenditures:</b>			
Operating and administrative			
Professional Fees	\$ 29,973	\$ 34,619	\$ 14,276
Contracted Services	32,061	19,515	10,221
Repairs & Maintenance	1,241	2,056	-
Utilities	8,396	7,000	-
Administrative	4,282	15,619	7,239
Other	244	722	652
Depreciation	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>\$ 76,198</b>	<b>\$ 79,531</b>	<b>\$ 32,388</b>
Excess (Deficiency) of Revenues Over Expenditures	<b>\$ 235,987</b>	<b>\$ 53,199</b>	<b>\$ (19,389)</b>
Other Financing Sources (Uses)			
Developer Advances	\$ -	\$ 9,000	\$ 24,000
Transfers to Other Governments	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (Uses)</b>	<b>\$ -</b>	<b>\$ 9,000</b>	<b>\$ 24,000</b>
Net Change in Fund Balance	<b>\$ 235,987</b>	<b>\$ 62,199</b>	<b>\$ 4,611</b>
Fund Balance (Beginning of Year)	<b>\$ 67,290</b>	<b>\$ 5,091</b>	<b>\$ 480</b>
Fund Balance (End of Year)	<b>\$ 303,277</b>	<b>\$ 67,290</b>	<b>\$ 5,091</b>

<sup>(a)</sup> Unaudited. From the District's bookkeeper.

*[Remainder of this page intentionally left blank.]*

## DISTRICT DEBT

2025 Assessed Valuation	\$ 54,337,782 <sup>(a)</sup>
Estimated Assessed Valuation as of May 1, 2025	\$ 55,069,062 <sup>(b)</sup>
Direct Debt:	
The Bonds	<u>\$ 5,000,000</u>
Total	<u>\$ 5,000,000</u>
Estimated Overlapping Debt	<u>\$ 3,768,774<sup>(c)</sup></u>
Total Direct and Estimated Overlapping Debt	<u>\$ 8,768,774<sup>(c)</sup></u>
Direct Debt Ratio:	
As a percentage of 2025 Assessed Valuation	9.14%
As a percentage of Estimated Assessed Valuation as of May 1, 2025	9.08%
Direct and Estimated Overlapping Debt Ratio:	
As a percentage of 2025 Assessed Valuation	16.04%
As a percentage of Estimated Assessed Valuation as of May 1, 2025	15.92%
Road System Debt Service Fund (as of as of July 9, 2025)	\$ 275,000 <sup>(d)</sup>
Road System Capital Projects Fund (as of July 9, 2025)	-
Operating Fund (as of July 9, 2025)	\$ 258,218
2024 Tax Rate:	
Utility System Debt Service	\$ -
Road System Debt Service	\$ -
Maintenance & Operations	<u>\$ 0.930</u>
Total	<u>\$ 0.930<sup>(e)</sup></u>
Estimated Average Annual Debt Service Requirements on the Bonds (2026 - 2050)	\$ 375,423 <sup>(f)</sup>
Estimated Maximum Annual Debt Service Requirements on the Bonds (2032)	\$ 382,825 <sup>(f)</sup>
Road System Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay	
Estimated Average Annual Debt Service Requirement on the Bonds (2026 - 2050):	
Based on 2025 Assessed Valuation at 95% Collections	\$ 0.73
Based on Estimated Assessed Valuation as of May 1, 2025 as of May 1, 2025, at 95% Collections	\$ 0.72
Road System Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay	
Estimated Maximum Annual Debt Service Requirement on the Bonds (2032):	
Based on 2025 Assessed Valuation at 95% Collections	\$ 0.74
Based on Estimated Assessed Valuation as of May 1, 2025, at 95% Collections	\$ 0.74

<sup>(a)</sup> Represents the assessed valuation of all taxable property in the District as of January 1, 2025, provided by the Austin Central Appraisal District (the "Appraisal District"). See "TAX DATA" and "TAXING PROCEDURES."

<sup>(b)</sup> Provided by the Appraisal District for information purposes only. This amount is an estimate of the taxable value of all taxable property located within the District as of January 1, 2025, and includes an estimate of additional taxable value resulting from the construction of taxable improvements from January 1, 2025, to May 1, 2025. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."

<sup>(c)</sup> See "DISTRICT DEBT – Direct and Estimated Overlapping Debt Statement."

<sup>(d)</sup> Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund (defined herein). The funds in the Road System Debt Service Fund are pledged only to pay the debt service on the Bonds, and any other bonds issued for the purpose of acquiring or constructing the Road System. Upon the issuance of the Bonds, 12 months of capitalized interest will be deposited into the Road System Debt Service Fund.

<sup>(e)</sup> See "TAX DATA – Tax Rate Calculations."

<sup>(f)</sup> Debt Service on the Bonds is estimated at an average interest rate of 5.50%. See "DISTRICT DEBT – Estimated Road System Debt Service Requirement Schedule."

### Debt Service Requirement Schedule

The following schedule sets forth the estimated principal and interest requirements on the Bonds, assuming an interest rate of 5.50%. The Bonds are the District's first bond issuance.

Year Ending 12/31	Principal	Interest	Debt Service	Total Debt Service
2026	\$ -	\$ 262,778	\$ 262,778	\$ 262,778
2027	105,000	275,000	380,000	380,000
2028	110,000	269,225	379,225	379,225
2029	115,000	263,175	378,175	378,175
2030	125,000	256,850	381,850	381,850
2031	130,000	249,975	379,975	379,975
2032	140,000	242,825	382,825	382,825
2033	145,000	235,125	380,125	380,125
2034	155,000	227,150	382,150	382,150
2035	160,000	218,625	378,625	378,625
2036	170,000	209,825	379,825	379,825
2037	180,000	200,475	380,475	380,475
2038	190,000	190,575	380,575	380,575
2039	200,000	180,125	380,125	380,125
2040	210,000	169,125	379,125	379,125
2041	225,000	157,575	382,575	382,575
2042	235,000	145,200	380,200	380,200
2043	250,000	132,275	382,275	382,275
2044	260,000	118,525	378,525	378,525
2045	275,000	104,225	379,225	379,225
2046	290,000	89,100	379,100	379,100
2047	305,000	73,150	378,150	378,150
2048	325,000	56,375	381,375	381,375
2049	340,000	38,500	378,500	378,500
2050	360,000	19,800	379,800	379,800
Total	\$5,000,000	\$4,385,578	\$9,385,578	\$9,385,578

Estimated Average Annual Debt Service Requirement on the Bonds (2026 - 2050) \$375,423

Estimated Maximum Annual Debt Service Requirement on the Bonds (2032) \$382,825

*[Remainder of this page intentionally left blank.]*

## Direct and Estimated Overlapping Debt Statement

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

<b>Austin County</b>			
Taxing Jurisdiction	Outstanding Debt June 1, 2025 <sup>(b)</sup>	Overlapping	
		Percent	Amount
Austin County	\$ 21,755,000	1.04%	\$ 225,756
City of Sealy	59,460,000	4.08%	2,427,886
Sealy ISD	40,955,000	2.72%	<u>1,115,131</u>
Total Estimated Overlapping Debt			\$ 3,768,774
District Debt <sup>(a)</sup>			<u>5,000,000</u>
Total Direct & Estimated Overlapping Debt <sup>(a)</sup>			8,768,774

<sup>(a)</sup> Includes the Bonds.

<sup>(b)</sup> Source: Texas MAC.

## Debt Ratios

Ratio of Combined Direct Debt:

As a Percentage of 2025 Assessed Valuation..... 9.14%

As a percentage of Estimated Assessed Valuation as of May 1, 2025 ..... 9.08%

Ratio of Direct and Estimated Overlapping Debt:

As a Percentage of 2025 Assessed Valuation..... 16.04%

As a percentage of Estimated Assessed Valuation as of May 1, 2025 ..... 15.92%

## TAXING PROCEDURES

### Authority to Levy Taxes

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

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

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

The Property Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the Austin County Appraisal District (the "Appraisal District"). The Appraisal District has the responsibility of appraising property for all taxing units within Austin County, including the District. Such appraisal values will be subject to review and change by the Austin County Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll, as approved by the Appraisal Review Board, will be used by the District in establishing its tax rolls and tax rate.

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

**General:** Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board of the District. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of one hundred percent (100%) is entitled to an exemption for the full value of the veteran's residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization at no cost to the veteran. This exemption applies to a residence homestead that was donated by a charitable organization at some cost to such veterans. The surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

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

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

**Freeport Goods and Goods-in-Transit Exemption:** Freeport goods are goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas and other petroleum products, which have been acquired or

brought into the state for assembling, storing, manufacturing, repair, maintenance, processing or fabricating purposes, or used to repair or maintain aircraft of a certified air carrier, and shipped out of the state within one hundred seventy-five (175) days. Freeport goods are exempt from taxation by the District. Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of “goods-in-transit.” “Goods-in-transit” is defined by a provision of the Tax Code, which is effective for tax year 2016 and prior applicable years, as personal property acquired or imported into Texas and transported to another location in the State or outside the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory. For tax year 2016 and subsequent years, such Goods-in-Transit Exemption is limited to tangible personal property acquired in or imported into Texas for storage purposes and which is stored under a contract of bailment by a public warehouse operator at one or more warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. The Tax Code provision permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. The District has taken action to tax Goods-in-Transit. A taxpayer may receive only one of the Freeport exemptions or the goods-in-transit exemptions for items of personal property.

### **Tax Abatement**

Austin County, Texas, may designate all or part of the area within the District as a reinvestment zone. Thereafter, Austin County, Texas, and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. At this time, Austin County, Texas, has not designated any of the area within the District as a reinvestment zone.

### **Valuation of Property for Taxation**

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

The Property Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land’s capacity to produce agricultural or timber products rather than at its fair market value. The Property Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Code to act on each claimant’s right to the designation individually. A claimant may waive the special valuation as to taxation by one political subdivision while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use and taxes for the previous five years for open space land and timberland.

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

extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses to formally include such values on its appraisal roll.

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% 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.

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

### **District and Taxpayer Remedies**

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

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

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

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional twenty percent (20%) penalty for collection costs. A delinquent tax on personal property incurs an additional twenty percent (20%) penalty, 60 days after the date the taxes become delinquent (April 1). For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split

payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected.

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

Chapter 49 of the Texas Water Code classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as “Special Taxing Units.” Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as “Developed Districts.” Districts that do not meet either of the classifications previously discussed are classified herein as “Developing Districts.” The impact each classification has on the ability of a district to increase its maintenance and operations is described for each classification below. Debt service 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, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year’s debt service and contract tax rate plus 1.08 times the previous year’s maintenance and operations tax rate.

#### *Developed Districts*

Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year’s debt service and contract tax rate plus 1.035 times the previous year’s maintenance and operations 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 or the President (herein defined), 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 maintenance and operations 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 maintenance and operations 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 maintenance and operations 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 on an annual basis, at the time a district sets its 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. For the 2024 tax year, the Board declared the District to be a Developing District.

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

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District’s tax lien is on a parity with tax liens

of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceeding which restrict the collection of taxpayer debts. See “INVESTMENT CONSIDERATIONS – Tax Collection and Foreclosure Proceedings” and “– Bondholders’ Remedies.”

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

## **TAX DATA**

### **General**

Taxable property within the District is subject to the assessment, levy and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (and any future tax-supported bonds which may be issued from time to time as authorized). Taxes are levied by the District each year against the District’s assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District’s tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, in an unlimited amount, for operation and maintenance purposes. In 2024, the District levied a maintenance tax of \$0.93 per \$100 of assessed value.

### **Tax Rate Limitation**

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

### **Debt Service Taxes**

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. In 2021-2024, the District did not levy a tax rate for payment of debt service; however, the District anticipates levying such tax rate in 2025.

### **Maintenance Taxes**

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District’s improvements if such maintenance tax is authorized by vote of the District’s electors. The Board is authorized by the District’s voters to levy such maintenance tax in an amount not to exceed \$1.50 per \$100 of assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future. In 2024, the District levied a maintenance tax of \$0.93 per \$100.

## Tax Exemption

As discussed in the section entitled “TAXING PROCEDURES” herein, certain property in the District may be exempt from taxation by the District. For 2024, the District has not granted a residential homestead exemption for individuals disabled and/or 65 years of age or older. See “Analysis of Tax Base” below.

## Additional Penalties

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

## Historical Tax Collections

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

Tax Year	Assessed Valuation	Tax Rate/ \$100	Adjusted Levy	% Collected Current Year	Calendar Year 9/30	Collected
2021	\$ 896,180	0.93	\$ 8,334	100.00	2022	100.00%
2022	1,310,466	0.93	12,187	100.00	2023	100.00
2023	15,836,119	0.93	147,276	89.21	2024	89.21
2024	38,061,497	0.93	353,972	96.20	2025	96.20
2025	54,337,782	TBD	TBD	N/A	2026	N/A

## Tax Rate Distribution

The following table sets out the components of the District’s tax levy for the 2021-2024 tax years.

	2024	2023	2022	2021
Utility System Debt Service	\$ -	\$ -	\$ -	\$ -
Road System Debt Service	-	-	-	-
Maintenance & Operations	0.930	0.930	0.930	0.930
Total	\$ 0.930	\$ 0.930	\$ 0.930	\$ 0.930

## Analysis of Tax Base

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

Type of Property	2025 Assessed Valuation	2024 Assessed Valuation	2023 Assessed Valuation	2022 Assessed Valuation
Land	\$ 12,658,448	\$ 8,896,760	\$6,393,290	\$1,310,466
Improvements	49,360,718	32,058,446	9,609,625	-
Personal Property	234,087	26,105	15,000	-
Exemptions	(7,915,471)	(2,919,814)	(200,720)	-
Total	\$54,337,782	\$38,061,497	\$15,817,195	\$1,310,466

## Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values as of January 1, 2025:

Taxpayer	Type of Property	Assessed Valuation 2025 Tax Roll	Percent of District 2025 Value
D.R. Horton -Texas LTD <sup>(a)</sup>	Commercial/Inventory	\$ 1,278,255	2.35%
Westward Pointe Res. Community Inc.	Commercial	838,596	1.54%
Individual	Single-Family	363,346	0.67%
Individual	Single-Family	356,863	0.66%
D&A Realty Group LLC	Single-Family	356,863	0.66%
Individual	Single-Family	350,266	0.64%
Individual	Single-Family	347,098	0.64%
Individual	Single-Family	341,440	0.63%
Individual	Single-Family	340,033	0.63%
Individual	Single-Family	340,033	0.63%
<b>Total</b>		<b>\$ 4,912,793</b>	<b>9.04%</b>

<sup>(a)</sup> See "PRINCIPAL LANDOWNER/DEVELOPER."

## Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Assessed Valuation which would be required to meet certain debt service requirements on the Bonds if no growth in the District's tax base occurs beyond the 2025 Assessed Valuation (\$54,678,750) or the Estimated Assessed Valuation as of May 1, 2025 (\$55,069,062). The calculations assume collection of 95% of taxes levied, the sale of the Bonds but not the sale of any additional bonds.

Road System Average Annual Debt Service Requirements (2026 - 2050) .....	\$375,423
Tax Rate of \$0.73 on the 2025 Assessed Valuation produces .....	\$379,197
Tax Rate of \$0.72 on the Estimated Assessed Valuation, as of May 1, 2025.....	\$376,672
 Road System Maximum Annual Debt Service Requirements (2032) .....	 \$382,825
Tax Rate of \$0.74 on the 2025 Assessed Valuation produces .....	\$384,392
Tax Rate of \$0.74 on the Estimated Assessed Valuation, as of May 1, 2025.....	\$387,136

*[Remainder of this page intentionally left blank.]*

## Estimated Overlapping Taxes

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

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

<b>Taxing Jurisdiction</b>	<b>2024 Tax Rate Per \$100 of Assessed Value</b>
The District	\$ 0.93000
Sealy ISD	0.66690
Austin County	0.36300
City of Sealy	0.31090
Austin County ESD #2	0.09578
Spc Rd & Bridge	0.07800
Farm/Market Road	0.07600
<b>Total Tax Rate for the District</b>	<b>\$ 2.52059</b>

## LEGAL MATTERS

### Legal Opinions

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

### No-Litigation Certificate

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

### No Material Adverse Change

The obligations of the Initial Purchaser to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District subsequent to the date of

sale from that set forth or contemplated in the Official Statement, as it may have been supplemented or amended through the date of sale.

## **TAX MATTERS**

### **Tax Exemption**

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

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

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

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

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

### **Federal Income Tax Accounting Treatment of Original Issue Discount**

The initial public offering price to be paid for one or more maturities of the Bonds is less than the principal amount thereof or one or more periods for the payment of interest on the Bonds is not equal to the accrual period or be in excess of one year (the “Original Issue Discount Bonds”). In such event, the difference between (i) the “stated redemption price at maturity” of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The “stated redemption price at maturity” means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

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

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

### **Collateral Federal Income Tax Consequences**

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

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

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

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

### **Qualified Tax-Exempt Obligations**

Section 265 of the Code provides, in general, that interest expense incurred to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner thereof. In addition, interest expense incurred by certain owners that are "financial institutions" within the meaning of such section and which is allocable to tax-exempt obligations acquired after August 7, 1986, is completely disallowed as a deduction for taxable years beginning after December 31, 1986. Section 265(b) of the Code provides an exception to this rule for interest expense incurred by financial institutions and allocable to tax-exempt obligations (other than private activity bonds) which are designated by an issuer, such as the District, as "qualified tax-exempt obligations." An issue may be designated as "qualified tax-exempt obligations" only where the amount of such issue, when added to all other tax-exempt obligations (other than private

activity bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed \$10,000,000. The District, pursuant to the Bond Order, will designate the Bonds “qualified tax-exempt obligations.”

### **CONTINUING DISCLOSURE OF INFORMATION**

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) of the United States Securities and Exchange Commission (“SEC”) regarding the District’s continuing disclosure obligations because the District does not have more than \$10,000,000 in aggregate amount of bonds outstanding, and no person is committed by contract or other agreement with respect to payment of the bonds. As required by Rule 15c2-12, and 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, audited financial statements and timely notice of specified material events, in an electronic format as prescribed by the Municipal Securities Rulemaking Board (“MSRB”). The MSRB has established the Electronic Municipal Market Access (“EMMA”) system for such purpose.

#### **Annual Reports**

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings “DISTRICT DEBT” (excluding the information contained under the subheading “Direct and Estimated Overlapping Debt Statement), “TAX DATA,” and “APPENDIX A.” The District will update and provide this information within six months after the end of each of its fiscal years ending in and after October 31, 2024.

Any information so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six-month period, and audited financial statements when and if the audit report becomes available. The District’s current fiscal year end is October 31. Accordingly, it must provide updated information by the last day in April in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

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

#### **Event Notices**

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of SEC Rule 15c212; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or

substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The terms “material” and “financial obligation” when used in this paragraph shall have the meanings ascribed to them under federal securities laws. Neither the Bonds nor the Bond Order make any provision for debt service reserves or liquidity enhancement. The term “financial obligation” when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term “financial obligation” does not include municipal securities for which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

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

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

#### **Limitations and Amendments**

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

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District, but only if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the SEC Rule 15c2-12, taking into account any amendments or interpretations of SEC Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any qualified professional unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided. The District may also amend or repeal its continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the SEC Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of such SEC Rule 15c2-12 are invalid, and the District also may amend its continuing disclosure agreement in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

#### **Compliance with Prior Undertaking**

The District has not previously made a continuing disclosure agreement in accordance with SEC Rule 15c2-12 since this is the District’s first issue of bonds.

## **OFFICIAL STATEMENT**

### **General**

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

### **Experts**

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

The information contained in this Official Statement relating to development of the District and, in particular, that development information included in the sections captioned "DEVELOPMENT OF THE DISTRICT – Status of Development within the District" and "PRINCIPAL LANDOWNER/DEVELOPER" has been provided by the Developer and has been included herein in reliance upon the authority of said firm as an expert in the field of property development.

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

### **Financial Advisor**

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

### **Bond Counsel**

Coats Rose, P.C. is employed as Bond Counsel for the District and has reviewed the information appearing in this Official Statement under the captions "THE BONDS," "THE DISTRICT—General," "TAXING PROCEDURES," "LEGAL MATTERS," AND "CONTINUING DISCLOSURE OF INFORMATION." Bond Counsel has reviewed the information under the aforementioned sections solely to determine whether such information fairly summarizes the law or documents referred to in such sections. Bond Counsel has not independently verified other factual information contained in this Official Statement nor conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon the limited participation of such firm as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

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

The District, acting by and through its Board in its official capacity and in reliance upon the experts listed above, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements, and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, descriptions, and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable,

but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof.

**Updating of Official Statement**

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

*[Remainder of this page intentionally left blank.]*

### CONCLUDING STATEMENT

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

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

/s/ \_\_\_\_\_  
President, Board of Directors  
Austin County Municipal Utility District No. 1

ATTEST:  
/s/ \_\_\_\_\_  
Secretary, Board of Directors  
Austin County Municipal Utility District No. 1

APPENDIX A  
FINANCIAL STATEMENTS OF THE DISTRICT

**AUSTIN COUNTY MUNICIPAL  
UTILITY DISTRICT NO. 1**

**AUSTIN COUNTY, TEXAS**

**FINANCIAL REPORT**

**October 31, 2024**



## Table of Contents

	<u>Schedule</u>	<u>Page</u>
Independent Auditor's Report		1
Management's Discussion and Analysis		7
<b>BASIC FINANCIAL STATEMENTS</b>		
Statement of Net Position and Governmental Funds Balance Sheet		14
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances		15
Notes to Financial Statements		17
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>		
Budgetary Comparison Schedule – General Fund		28
Notes to Required Supplementary Information		29
<b>TEXAS SUPPLEMENTARY INFORMATION</b>		
Services and Rates	TSI-1	32
General Fund Expenditures	TSI-2	34
Investments	TSI-3	N/A
Taxes Levied and Receivable	TSI-4	35
Long-Term Debt Service Requirements by Years	TSI-5	N/A
Change in Long-Term Bonded Debt	TSI-6	N/A
Comparative Schedule of Revenues and Expenditures – General Fund	TSI-7a	36
Comparative Schedule of Revenues and Expenditures – Debt Service Fund	TSI-7b	N/A
Board Members, Key Personnel and Consultants	TSI-8	38



# **McGRATH & CO., PLLC**

*Certified Public Accountants*

2900 North Loop West, Suite 880

Houston, Texas 77092

## **Independent Auditor's Report**

Board of Directors

Austin County Municipal Utility District No. 1

Austin County, Texas

### **Opinions**

We have audited the accompanying financial statements of the governmental activities and General Fund of Austin County Municipal Utility District No. 1 (the "District"), as of and for the year ended October 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and General Fund of Austin County Municipal Utility District No. 1, as of October 31, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

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

### **Responsibilities of Management for the Financial Statements**

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

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

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

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

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

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

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

## **Required Supplementary Information**

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

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

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

**Supplementary Information**

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

*McGuath & Co, P.C.*

Houston, Texas  
March 5, 2025

*(This page intentionally left blank)*

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

*(This page intentionally left blank)*

***Austin County Municipal Utility District No. 1  
Management's Discussion and Analysis  
October 31, 2024***

## **Using this Annual Report**

Within this section of the financial report of Austin County Municipal Utility District No. 1 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended October 31, 2024. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

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

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

## **Overview of the Financial Statements**

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

## **Government-Wide Financial Statements**

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

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

***Austin County Municipal Utility District No. 1  
Management's Discussion and Analysis  
October 31, 2024***

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

**Fund Financial Statements**

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

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

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

The District's net position at October 31, 2024, was negative \$9,598,587. The District's net position is negative because the District incurs debt to construct infrastructure and public road facilities which it conveys to other governmental entities. Additionally, the District relies on advances from its developer to fund operating costs. A comparative summary of the District's overall financial position, as of October 31, 2024 and 2023, is as follows:

	2024	2023
Current and other assets	\$ 469,315	\$ 155,248
Capital assets	4,121,584	
Total assets	<u>4,590,899</u>	<u>155,248</u>
Current liabilities	14,971	3,057
Long-term liabilities	13,806,763	9,562,985
Total liabilities	<u>13,821,734</u>	<u>9,566,042</u>
Total deferred inflows of resources	<u>367,752</u>	<u>147,100</u>
Net position		
Net investment in capital assets	(68,131)	
Unrestricted	(9,530,456)	(9,557,894)
Total net position - Unrestricted	<u>\$ (9,598,587)</u>	<u>\$ (9,557,894)</u>

***Austin County Municipal Utility District No. 1  
Management's Discussion and Analysis  
October 31, 2024***

The total net position of the District decreased during the current fiscal year by \$40,693. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2024	2023
Revenues		
Property taxes, penalties and interest	\$ 150,919	\$ 12,933
Other	1,075	66
Total revenues	<u>151,994</u>	<u>12,999</u>
Expenses		
Current service operations	79,531	32,388
Depreciation	68,131	
Total expenses	<u>147,662</u>	<u>32,388</u>
Change in net position before other item	4,332	(19,389)
Other item		
Transfers to other governments	<u>(45,025)</u>	<u>(2,498,318)</u>
Change in net position	(40,693)	(2,517,707)
Net position, beginning of year	(9,557,894)	(7,040,187)
Net position, end of year	<u>\$ (9,598,587)</u>	<u>\$ (9,557,894)</u>

**Financial Analysis of the District's General Fund**

Fund balance in the District's General Fund, as of October 31, 2024, was \$67,290. A comparative summary of the General Fund's financial position as of October 31, 2024 and 2023, is as follows:

	2024	2023
Total assets	<u>\$ 469,315</u>	<u>\$ 155,248</u>
Total liabilities	\$ 15,009	\$ 3,057
Total deferred inflows	387,016	147,100
Total fund balance	67,290	5,091
Total liabilities, deferred inflows and fund balance	<u>\$ 469,315</u>	<u>\$ 155,248</u>

***Austin County Municipal Utility District No. 1  
Management's Discussion and Analysis  
October 31, 2024***

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

	2024	2023
Total revenues	\$ 132,730	\$ 12,999
Total expenditures	(79,531)	(32,388)
Revenues over/(under) expenditures	53,199	(19,389)
Other changes in fund balance	9,000	24,000
Net change in fund balance	\$ 62,199	\$ 4,611

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy and developer advances. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. The 2023 levy was recognized as revenues in the 2024 fiscal year, while the 2022 levy was recognized in the 2023 fiscal year (to the extent that these amounts were collected). Property tax revenues increased from prior year because assessed values increased from prior year.
- The District's developer advances funds to the District as needed to pay operating costs.

### **General Fund Budgetary Highlights**

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$62,199 greater than budgeted. The *Budgetary Comparison Schedule* on page 28 of this report provides variance information per financial statement line item.

### **Capital Assets**

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

***Austin County Municipal Utility District No. 1  
Management's Discussion and Analysis  
October 31, 2024***

Capital assets held by the District at October 31, 2024, is summarized as follows:

Land and improvements	<u>\$ 1,464,477</u>
Capital assets being depreciated	
Infrastructure	2,725,238
Less accumulated depreciation	<u>(68,131)</u>
Depreciable capital assets, net	<u>2,657,107</u>
Capital assets, net	<u><u>\$ 4,121,584</u></u>

The District did not have any capital assets to report as of October 31, 2023. Capital asset additions for the current year include the Westward Pointe Detention Basin, Phases 1 and 2.

The District and the City of Sealy (the "City") have entered into an agreement which obligates the District to construct water, wastewater, certain storm drainage, and road improvements to serve the District and, when completed, to convey title to the facilities to the City. Detention facilities and certain other capital assets are retained by the District (see Note 10). Consequently, these projects are not recorded as capital assets on the District's financial statements, but are recorded as transfers to other governments upon completion of construction. For the year ended October 31, 2024, capital assets in the amount of \$45,025 have been completed and recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 9.

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

As of October 31, 2024, the District owes approximately \$13,806,725 to its developer for completed projects and operating advances. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 6, the District has an additional commitment in the amount of \$3,735,114 for projects under construction by the developer. As noted, the District will owe its developer for these projects upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

At October 31, 2024, the District had \$53,000,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and \$79,500,000 for the refunding of such bonds; and \$48,000,000 for road improvements and \$72,000,000 for the refunding of such bonds.

***Austin County Municipal Utility District No. 1  
Management's Discussion and Analysis  
October 31, 2024***

**Next Year's Budget**

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

	<u>2024 Actual</u>	<u>2025 Budget</u>
Total revenues	\$ 132,730	\$ 360,400
Total expenditures	<u>(79,531)</u>	<u>(132,104)</u>
Revenues over expenditures	53,199	228,296
Other changes in fund balance	<u>9,000</u>	<u></u>
Net change in fund balance	62,199	228,296
Beginning fund balance	<u>5,091</u>	<u>67,290</u>
Ending fund balance	<u><u>\$ 67,290</u></u>	<u><u>\$ 295,586</u></u>

## **Basic Financial Statements**

***Austin County Municipal Utility District No. 1***  
***Statement of Net Position and Governmental Fund Balance Sheet***  
***October 31, 2024***

	General Fund	Adjustments	Statement of Net Position
<b>Assets</b>			
Cash	\$ 82,299	\$ -	\$ 82,299
Taxes receivable	387,016		387,016
Capital assets not being depreciated		1,464,477	1,464,477
Capital assets, net		2,657,107	2,657,107
Total Assets	<u>\$ 469,315</u>	<u>4,121,584</u>	<u>4,590,899</u>
<b>Liabilities</b>			
Accounts payable	\$ 11,946		11,946
Other payables	38		38
Construction advance	3,025		3,025
Due to developer		13,806,725	13,806,725
Total Liabilities	<u>15,009</u>	<u>13,806,725</u>	<u>13,821,734</u>
<b>Deferred Inflows of Resources</b>			
Deferred property taxes	<u>387,016</u>	<u>(19,264)</u>	<u>367,752</u>
<b>Fund Balances/Net Position</b>			
<b>Fund Balances</b>			
Unassigned	<u>67,290</u>	<u>(67,290)</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 469,315</u>		
<b>Net Position</b>			
Net investment in capital assets		(68,131)	(68,131)
Unrestricted		(9,530,456)	(9,530,456)
Total Net Position		<u>\$ (9,598,587)</u>	<u>\$ (9,598,587)</u>

See notes to basic financial statements.

***Austin County Municipal Utility District No. 1***

***Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended October 31, 2024***

	General Fund	Adjustments	Statement of Activities
<b>Revenues</b>			
Property taxes	\$ 129,427	\$ 17,673	\$ 147,100
Penalties and interest	2,228	1,591	3,819
Miscellaneous	686		686
Investment earnings	389		389
Total Revenues	<u>132,730</u>	<u>19,264</u>	<u>151,994</u>
<b>Expenditures/Expenses</b>			
Operating and administrative			
Professional fees	34,619		34,619
Contracted services	19,515		19,515
Repairs and maintenance	2,056		2,056
Utilities	7,000		7,000
Administrative	15,619		15,619
Other	722		722
Depreciation		68,131	68,131
Total Expenditures/Expenses	<u>79,531</u>	<u>68,131</u>	<u>147,662</u>
<b>Revenues Over Expenditures/Expenses</b>	53,199	(48,867)	4,332
<b>Other Financing Sources</b>			
Developer advances	9,000	(9,000)	
<b>Other Items</b>			
Transfers to other governments		(45,025)	(45,025)
<b>Net Change in Fund Balances</b>	62,199	(62,199)	
<b>Change in Net Position</b>		(40,693)	(40,693)
Fund Balance/Net Position			
Beginning of the year	5,091	(9,562,985)	(9,557,894)
<b>End of the year</b>	<u>\$ 67,290</u>	<u>\$ (9,665,877)</u>	<u>\$ (9,598,587)</u>

See notes to basic financial statements.

*(This page intentionally left blank)*

***Austin County Municipal Utility District No. 1***  
***Notes to Financial Statements***  
***October 31, 2024***

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

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

**Creation**

The District was organized, created and established pursuant to House Bill No. 4627, in the 87th Regular Session of the Texas Legislature, codified as Chapter 7913A, Special District Local Laws Code (the “Act”), under Article III, Section 52 and Article XVI, Section 59 of the Texas Constitution and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on June 21, 2021.

The District is responsible for providing water, sewer and drainage facilities and road improvements within the District. As further discussed in Note 9, the District transfers certain facilities to other governmental entities for operation and maintenance upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

**Reporting Entity**

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

**Government-Wide and Fund Financial Statements**

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

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. The District uses only a General Fund to account for its operations. The District’s principal financial resources are property taxes and developer advances. Expenditures include costs associated with the daily operations of the District.

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

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

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

**Measurement Focus and Basis of Accounting**

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

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

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

**Use of Restricted Resources**

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

**Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At October 31, 2024, an allowance for uncollectible accounts was not considered necessary.

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

**Capital Assets**

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost that exceeds the capitalization threshold for the asset class and an estimated useful life in excess of one year. Capital assets that individually are below the capitalization threshold but, in the aggregate, are above the threshold are capitalized. Subsequent replacements of these assets that do not exceed the threshold are not capitalized. The District's capitalization threshold for infrastructure assets is \$50,000.

Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciable capital assets, which primarily consist of storm drainage facilities, are depreciated using the straight-line method over an estimated useful life of 45 years. The District's detention facilities are considered improvements to land and are non-depreciable.

**Deferred Inflows and Outflows of Financial Resources**

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

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

Deferred inflows of financial resources at the government-wide level consist of the 2024 property tax levy, which was levied to finance the 2025 fiscal year.

**Net Position – Governmental Activities**

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

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

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

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

Unrestricted – resources not included in the other components.

**Fund Balances – Governmental Funds**

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District does not have any restricted fund balances.

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

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

Unassigned - all other spendable amounts in the General Fund.

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

**Use of Estimates**

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

***Austin County Municipal Utility District No. 1***  
***Notes to Financial Statements***  
***October 31, 2024***

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

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

Total fund balance, governmental funds	\$	67,290
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	\$	4,189,715
Less accumulated depreciation		<u>(68,131)</u>
Change due to capital assets		4,121,584
Amounts due to the District's developer for prefunded construction and operating advances are recorded as a liability in the <i>Statement of Net Position</i> .		
		(13,806,725)
Deferred inflows in the fund statements consist of the unavailable portion of property taxes. In the <i>Statement of Net Position</i> , deferred inflows consist of the entire 2024 property tax levy.		
Fund level deferred property taxes		387,016
Government wide level deferred property taxes		<u>(367,752)</u>
		19,264
Total net position - governmental activities	\$	<u><u>(9,598,587)</u></u>

***Austin County Municipal Utility District No. 1***  
***Notes to Financial Statements***  
***October 31, 2024***

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

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

Net change in fund balances - total governmental funds	\$ 62,199
--	-----------

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the <i>Statement of Activities</i> when earned. The difference is for property taxes and penalties and interest.	19,264
--	--------

Financial reporting for capital assets varies significantly between the fund statements and the government wide statements. Reporting at the fund level focuses on the impact of transactions on financial resources (i.e., cash), while reporting at the government level seeks to allocate the cost of the acquisition of capital assets over their useful lives and to measure the economic impact of developer financing of capital assets used by the District or conveyed to other governmental entities. Differences during the current year are for the following:

Transfers to other governments	\$ (45,025)	
Depreciation/amortization expense	(68,131)	
	(113,156)	

Amounts received from the District's developer for operating advances provide financial resources at the fund level, but are recorded as a liability in the <i>Statement of Net Position</i> .	(9,000)
--	---------

Change in net position of governmental activities	\$ (40,693)
---	-------------

**Note 3 – Implementation of New Accounting Guidance**

During the current fiscal year, the District implemented GASB Implementation Guide (“GASBIG”) 2021-1, Question 5.1, which requires the capitalization of the acquisition of a group of individual capital assets whose individual acquisition costs are less than the capitalization threshold when the cost of the acquisition of the assets in the aggregate is significant. This new guidance had no effect on the District’s financial statements during the current fiscal year.

## **Note 4 – Deposits and Investments**

### **Deposit Custodial Credit Risk**

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

### **Investments**

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

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

***Austin County Municipal Utility District No. 1***  
***Notes to Financial Statements***  
***October 31, 2024***

**Note 5 – Capital Assets**

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

	Beginning Balances	Additions	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ -	\$ 1,464,477	\$ 1,464,477
Capital assets being depreciated			
Infrastructure		2,725,238	2,725,238
Less accumulated depreciation		(68,131)	(68,131)
Subtotal depreciable capital assets, net	-	2,657,107	2,657,107
Capital assets, net	\$ -	\$ 4,121,584	\$ 4,121,584

Depreciation expense for the current fiscal year was \$68,131.

**Note 6 – Due to Developers**

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

The District's developer has also advanced funds to the District for operating expenses.

Changes in the estimated amounts due to developers during the year are as follows:

Due to developer, beginning of year	\$ 9,562,985
Developer funded construction	4,234,740
Operating advances from developer	9,000
Due to developer, end of year	<u>\$ 13,806,725</u>

***Austin County Municipal Utility District No. 1***  
***Notes to Financial Statements***  
***October 31, 2024***

**Note 6 – Due to Developers (continued)**

In addition, the District will owe its developer approximately \$3,735,114, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District’s auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	Contract Amount	Percent Complete
Harris Road - drainage and paving	\$ 1,824,047	98.7%
Westward Pointe Sanitary Lift Station - drainage and paving	1,911,067	99.4%
	\$ 3,735,114	

**Note 7 – Long-Term Debt**

At October 31, 2024, the District had authorized but unissued bonds in the amount of \$53,000,000 for water, sewer and drainage facilities and \$79,500,000 for the refunding of such bonds; and \$48,000,000 for road improvements and \$72,000,000 for the refunding of such bonds.

**Note 8 – Property Taxes**

On November 12, 2021, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.00 per \$100 of assessed value and for use in financing the operation and maintenance of road facilities limited to \$1.00 per \$100 of assessed value.

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

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2024 fiscal year was financed through the 2023 tax levy, pursuant to which the District levied property taxes of \$0.93 per \$100 of assessed value, all of which was allocated to maintenance and operations. The resulting tax levy was \$147,100 on the adjusted taxable value of \$15,817,195.

Property taxes levied each October are intended to finance the next fiscal year and are, therefore, not considered available for the District’s use during the current fiscal year. On the government-wide *Statement of Net Position*, the full 2024 tax levy of \$367,752 is reported as deferred inflows. These amounts will be recognized as revenue in 2025.

***Austin County Municipal Utility District No. 1***  
***Notes to Financial Statements***  
***October 31, 2024***

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

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

Current year taxes receivable	\$ 367,752
Prior years taxes receivable	17,673
	<hr/> 385,425
Penalty and interest receivable	1,591
Property taxes receivable	<hr/> <u>\$ 387,016</u>

**Note 9 – Transfers to Other Governments**

In accordance with an agreement between the District and the City of Sealy (the “City”), the District transfers all of its water, sewer, drainage and road facilities to the City (see Note 10). Accordingly, the District does not record these capital assets in the *Statement of Net Position*, but instead reports the completed projects as transfers to other governments on the *Statement of Activities*. The estimated cost of each project is recorded as a transfer to other government upon completion of construction. This cost is trued-up when the developer is subsequently reimbursed. For the year ended October 31, 2024, the District reported transfers to other governments in the amount of \$45,025 for projects completed and transferred to the City.

**Note 10 – Development and Annexation Agreement**

On March 30, 2021, D.R. Horton, L.P. (the “Developer”) entered into a Development and Annexation Agreement (the “Agreement”) with the City of Sealy (the “City”), as subsequently amended on October 4, 2022, for construction and extension of water distribution lines and sanitary collection systems to serve the District. The term of the agreement is forty years. As the system is acquired or constructed, the District shall transfer the system to the City but will reserve a security interest in the system and provide service to all users in the District.

Water and sewer rates charged by the City to users in the District shall be the same rates charged to similar users within the City. All revenue derived from these charges belongs to the City.

**Note 11 – Risk Management**

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

## **Required Supplementary Information**

***Austin County Municipal Utility District No. 1***  
***Required Supplementary Information - Budgetary Comparison Schedule - General Fund***  
***For the Year Ended October 31, 2024***

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Property taxes	\$ 11,945	\$ 129,427	\$ 117,482
Penalties and interest		2,228	2,228
Miscellaneous		686	686
Investment earnings		389	389
Total Revenues	11,945	132,730	120,785
<b>Expenditures</b>			
Operating and administrative			
Professional fees	30,000	34,619	(4,619)
Contracted services	4,800	19,515	(14,715)
Repairs and maintenance		2,056	(2,056)
Utilities		7,000	(7,000)
Administrative	10,725	15,619	(4,894)
Other	500	722	(222)
Total Expenditures	46,025	79,531	(33,506)
<b>Revenues Over/(Under) Expenditures</b>	(34,080)	53,199	87,279
<b>Other Financing Sources</b>			
Developer advances	34,080	9,000	(25,080)
<b>Net Change in Fund Balance</b>		62,199	62,199
<b>Fund Balance</b>			
Beginning of the year	5,091	5,091	
End of the year	\$ 5,091	\$ 67,290	\$ 62,199

***Austin County Municipal Utility District No. 1***  
***Notes to Required Supplementary Information***  
***October 31, 2024***

**Budgets and Budgetary Accounting**

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

*(This page intentionally left blank)*

## **Texas Supplementary Information**

***Austin County Municipal Utility District No. 1***  
***TSI-1. Services and Rates***  
***October 31, 2024***

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

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

2. Retail Service Providers

a. Retail Rates for a 5/8" meter (or equivalent):

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate (Y / N)</u>	<u>Rate per 1,000 Gallons Over Minimum Usage</u>	<u>Usage Levels</u>
Water:	_____	_____	_____	_____	_____ to _____
Wastewater:	_____	_____	_____	_____	_____ to _____
Surcharge:	_____	_____	_____	_____	_____ to _____

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

Total charges per 10,000 gallons usage: Water \_\_\_\_\_ Wastewater \_\_\_\_\_

b. Water and Wastewater Retail Connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC'S</u>
Unmetered	_____	_____	x 1.0	_____
less than 3/4"	_____	_____	x 1.0	_____
1"	_____	_____	x 2.5	_____
1.5"	_____	_____	x 5.0	_____
2"	_____	_____	x 8.0	_____
3"	_____	_____	x 15.0	_____
4"	_____	_____	x 25.0	_____
6"	_____	_____	x 50.0	_____
8"	_____	_____	x 80.0	_____
10"	_____	_____	x 115.0	_____
Total Water	_____	_____		_____
Total Wastewater	_____	_____	x 1.0	_____

See accompanying auditor's report.

***Austin County Municipal Utility District No. 1***  
***TSI-1. Services and Rates***  
***October 31, 2024***

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

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

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

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

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

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

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

5. Location of District:

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

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

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

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

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

Entirely ☐ Partly ☐ Not at all ☒

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

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

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

See accompanying auditor's report.

*Austin County Municipal Utility District No. 1*  
*TSI-2. General Fund Expenditures*  
*For the Year Ended October 31, 2024*

Professional fees	
Legal	\$ 17,619
Audit	12,000
Engineering	5,000
	<u>34,619</u>
Contracted services	
Bookkeeping	2,588
Operator	10,330
Tax assessor/collector	3,150
	<u>19,515</u>
Repairs and maintenance	<u>2,056</u>
Utilities	<u>7,000</u>
Administrative	
Directors fees	6,701
Insurance	7,949
Other	969
	<u>15,619</u>
Other	<u>722</u>
Total expenditures	<u><u>\$ 79,531</u></u>

See accompanying auditor's report.

***Austin County Municipal Utility District No. 1***  
***TSI-4. Taxes Levied and Receivable***  
***October 31, 2024***

	Maintenance Taxes
Taxes Receivable, Beginning of Year	<u>\$ 147,100</u>
2024 Original Tax Levy	<u>367,752</u>
Total to be accounted for	<u>514,852</u>
Tax collections:	
Current year	-
Prior years	<u>129,427</u>
Taxes Receivable, End of Year	<u><u>\$ 385,425</u></u>
Taxes Receivable, By Years	
2024	\$ 367,752
2023	<u>17,673</u>
Taxes Receivable, End of Year	<u><u>\$ 385,425</u></u>

	2024	2023	2022	2021
Property Valuations:				
Land	\$ 8,896,759	\$ 6,393,290	\$ 1,310,466	\$ 896,180
Improvements	32,202,597	9,609,625		
Personal Property	51,704	15,000		
Exemptions	<u>(1,607,808)</u>	<u>(200,720)</u>		
Total Property Valuations	<u><u>\$ 39,543,252</u></u>	<u><u>\$ 15,817,195</u></u>	<u><u>\$ 1,310,466</u></u>	<u><u>\$ 896,180</u></u>
Tax Rates per \$100 Valuation:				
Maintenance tax rates	<u><u>\$ 0.93</u></u>	<u><u>\$ 0.93</u></u>	<u><u>\$ 0.93</u></u>	<u><u>\$ 0.93</u></u>
Adjusted Tax Levy:	<u><u>\$ 367,752</u></u>	<u><u>\$ 147,100</u></u>	<u><u>\$ 12,187</u></u>	<u><u>\$ 8,334</u></u>
Percentage of Taxes Collected to Taxes Levied **	<u><u>0.00%</u></u>	<u><u>87.99%</u></u>	<u><u>100.00%</u></u>	<u><u>100.00%</u></u>

\* Maximum Maintenance Tax Rate Approved by Voters: \$1.00 on November 2, 2021

\*\* Maximum Road Maintenance Tax Rate Approved by Voters: \$1.00 on November 2, 2021

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

See accompanying auditor's report.

***Austin County Municipal Utility District No. 1***

***TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund***

***For the Last Four Fiscal Periods***

	Amounts			
	2024	2023	2022**	2021**
Revenues				
Property taxes	\$ 129,427	\$ 12,187	\$ 8,334	\$ -
Penalties and interest	2,228	746		
Miscellaneous	686	17	220	
Investment earnings	389	49	2	
Total Revenues	132,730	12,999	8,556	
Expenditures				
Operating and administrative				
Professional fees	34,619	14,276	39,830	25,876
Contracted services	19,515	10,221	4,511	
Repairs and maintenance	2,056			
Utilities	7,000			
Administrative	15,619	7,239	7,344	2,764
Other	722	652	1,206	45
Total Expenditures	79,531	32,388	52,891	28,685
Revenues Over/(Under) Expenditures	\$ 53,199	\$ (19,389)	\$ (44,335)	\$ (28,685)

\*Percentage is negligible

\*\* Unaudited

See accompanying auditor's report.

Percent of Fund Total Revenues			
2024	2023	2022**	2021
98%	94%	97%	-%
2%	6%		
1%	*	3%	
*	*	*	
101%	100%	100%	-%
26%	110%	-	-
15%	79%	-	
2%			
12%	56%	-	-
1%	5%	-	-
56%	250%	-%	-%
45%	(150%)	-%	-%

***Austin County Municipal Utility District No. 1***  
***TSI-8. Board Members, Key Personnel and Consultants***  
***For the Year Ended October 31, 2024***

Complete District Mailing Address: 9 Greenway Plaza, Suite 1000, Houston, TX 77046-0900  
District Business Telephone Number: 713-651-0111  
Submission Date of the most recent District Registration Form  
(TWC Sections 36.054 and 49.054): May 31, 2024  
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200  
(Set by Board Resolution -- TWC Section 49.060)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
<b>Board Members</b>				
Carol J. Wooldridge	05/22 - 05/26	\$ 1,989	\$ 150	President
Christine Harris	05/22 - 05/26	1,547	35	Vice President
Heather Rose Senning	05/26 - 05/28	1,397	145	Secretary
Olga R. Alvarado	05/22 - 05/26	1,768	126	Assistant Secretary
<b>Consultants</b>				
Coats Rose, P.C.	2021	<u>Amounts Paid</u> \$ 13,110		Attorney
L&S District Services, LLC	2021	3,373		Bookkeeper
Assessments of the Southwest, Inc.	2021	2,175		Tax Collector
Austin County Appraisal District				Property Valuation
DHI Engineering, LLC	2021	5,000		Engineer
McGrath & Co., PLLC	2024	12,000		Auditor
Tierra Financial Advisors, LLC	2021			Financial Advisor

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

See accompanying auditor's report.

APPENDIX A  
FINANCIAL STATEMENTS OF THE DISTRICT