

SEDONA LAKES MUNICIPAL UTILITY DISTRICT NO. 1 OF BRAZORIA COUNTY
(Brazoria County, Texas)

PRELIMINARY OFFICIAL STATEMENT
DATED: SEPTEMBER 25, 2025

\$3,180,000
UNLIMITED TAX BONDS
SERIES 2025

BIDS TO BE SUBMITTED BY: 9:30 A.M., CENTRAL TIME
THURSDAY, OCTOBER 23, 2025

BIDS TO BE SUBMITTED BY: 11:30 A.M., CENTRAL TIME
THURSDAY, OCTOBER 23, 2025



Financial Advisor

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 25, 2025

This Preliminary Official Statement is subject to completion and amendment. Upon the sale of the Bonds (herein defined), the Official Statement will be completed and delivered to the Initial Purchaser (herein defined).

IN THE OPINION OF BOND COUNSEL (HEREIN DEFINED), UNDER EXISTING LAW AND ASSUMING CONTINUING COMPLIANCE WITH COVENANTS IN THE BOND ORDER (HEREIN DEFINED), INTEREST ON THE BONDS WILL BE EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND IS NOT INCLUDED IN COMPUTING 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 “TAX MATTERS” FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

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

NEW ISSUE – Book Entry Only

Moody’s Investors Service, Inc. (Underlying) “Baa1”

\$3,180,000

SEDONA LAKES MUNICIPAL UTILITY DISTRICT NO. 1 OF BRAZORIA COUNTY

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

UNLIMITED TAX BONDS, SERIES 2025

Dated Date: November 1, 2025

Interest accrues from: Date of Delivery

Due: September 1, as shown on inside cover

The \$3,180,000 Sedona Lakes Municipal Utility District No. 1 of Brazoria County Unlimited Tax Bonds, Series 2025 (the “Bonds”), are obligations of Sedona Lakes Municipal Utility District No. 1 of Brazoria County (the “District”) and are not obligations of the State of Texas; Brazoria County, Texas; the City of Manvel, Texas; or any entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; Brazoria County, Texas; the City of Manvel, Texas; or any entity other than the District is pledged to the payment of principal of or 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 November 1, 2025 (the “Dated Date”), and will accrue interest from the initial date of delivery, which is expected to be on or about November 20, 2025 (the “Date of Delivery”), with interest 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 are the eighth series of unlimited tax bonds issued by the District out of a total of \$104,000,000 principal amount of unlimited tax bonds authorized by voters of the District for the purpose of constructing or acquiring a waterworks, wastewater and storm drainage system to serve the District, and for the purpose of refunding such bonds. To date, the District has also issued four series of bonds from a total of \$80,000,000 principal amount of unlimited tax road bonds authorized by voters of the District for the purpose of acquiring or constructing a road system to serve the District. After issuance of the Bonds, \$74,047,041 principal amount of unlimited tax bonds for constructing or acquiring a waterworks, wastewater and storm drainage system to serve the District and \$65,235,000 principal amount of unlimited tax road bonds for acquiring or constructing a road system to serve the District will remain authorized but unissued. See “THE BONDS – Authority for Issuance.”

The Bonds, 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 against all taxable property within the District. See “THE BONDS – Source of Payment.”

The Bonds are offered by the Initial Purchaser subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things to the approval of the Attorney General of Texas and the approval of certain legal matters by Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, Bond Counsel. Delivery of the Bonds is expected on or about November 20, 2025, in Houston, Texas.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)
2026	\$ 105,000	%	%		2039	\$ 125,000 (c)	%	%	
2027	70,000				2040	130,000 (c)			
2028	75,000				2041	135,000 (c)			
2029	75,000				2042	145,000 (c)			
2030	80,000				2043	150,000 (c)			
2031	85,000 (c)				2044	160,000 (c)			
2032	90,000 (c)				2045	165,000 (c)			
2033	95,000 (c)				2046	175,000 (c)			
2034	95,000 (c)				2047	185,000 (c)			
2035	100,000 (c)				2048	195,000 (c)			
2036	105,000 (c)				2049	200,000 (c)			
2037	110,000 (c)				2050	210,000 (c)			
2038	120,000 (c)								

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- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser (herein defined). Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.
- (b) CUSIP numbers will be assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems, Inc on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds. Neither the District nor the initial Purchasers shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.
- (c) Bonds maturing on September 1, 2031, and thereafter shall be subject to redemption and payment at the option of the District, in whole, or from time to time in part, on September 1, 2030, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption.

USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with United States Securities and Exchange Commission (the “SEC”) Rule 15c2-12 of the Securities Exchange Act (the “Rule”), 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 the Rule.

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 the Rule.

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

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

All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in the 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 Sanford Kuhl Hagan Kugle Parker Kahn LLP for further information.

This Official Statement contains, in part, estimates, assumptions, and matters of opinion that 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, the other matters described in the Official Statement until delivery of the Bonds to the Initial Purchaser, and thereafter only as specified under “OFFICIAL STATEMENT – Updating of the Official Statement.”

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 a part of, this Official Statement.

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SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

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

Prices and Marketability

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

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

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

Securities Laws

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

MUNICIPAL BOND INSURANCE AND RATING

The District has made applications for commitments for municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, and fees charged by rating companies, other than Moody's Investors Service, Inc. ("Moody's"), will be at the option and expense of the Initial Purchaser. The District will pay the rating fees charged by Moody's for the underlying rating.

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

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

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

The District.....	Sedona Lakes Municipal Utility District No. 1 of Brazoria County (the "District"), a political subdivision of the State of Texas ("Texas"), is located in Brazoria County, Texas (the "County"). See "THE DISTRICT."
The Bonds.....	The District is issuing its \$3,180,000 Unlimited Tax Bonds, Series 2025 (the "Bonds"). The Bonds are dated November 1, 2025 (the "Dated Date"), and will accrue interest from the date of delivery, which is expected to be on or about November 20, 2025 (the "Date of Delivery"), with interest 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. 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, 2031, are subject to redemption, in whole or from time to time in part, at the option of the District on September 1, 2030, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS – Redemption Provisions."
Source of Payment	Principal and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied upon all taxable property within the District without legal limitation as to rate or amount. The Bonds are obligations solely of the District and are not obligations of the State of Texas, the County, the City of Manvel, Texas (the "City"), or any other political subdivision or entity other than the District. See "THE BONDS – Source of Payment."
Payment Record.....	The District has never defaulted on the payment of principal or interest on its previously issued bonds. See "THE BONDS – Outstanding Bonds."
Authority for Issuance.....	The Bonds are issued pursuant to the Texas Constitution and general laws of the State of Texas, including Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54, Texas Water Code, as amended, and Chapter 8305, Texas Special District Local Laws Code, as amended; an order issued by the Texas Commission on Environmental Quality dated August 29, 2025 authorizing issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District; and an election held within the boundaries of the District on May 10, 2008.
Use of Proceeds	Proceeds of the sale of the Bonds will be used by the District to reimburse the Developer (herein defined) for all or a portion of the improvements and related costs shown under "USE AND DISTRIBUTION OF BOND PROCEEDS." Additionally, proceeds from the sale of the Bonds will be used to pay developer interest and other

certain costs associated with the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

Outstanding Bonds	The District has previously issued seven (7) series of unlimited tax bonds for the purpose of purchasing, constructing, operating, and maintaining a waterworks, wastewater, and storm drainage system to serve the District (the “Utility System”), and for the purpose of refunding such bonds, of which, as of the Date of Delivery, \$18,740,000 principal amount remains outstanding (the “Outstanding Utility Bonds”). The District has previously issued four (4) series of unlimited tax road bonds for the purpose of purchasing, constructing, operating, and maintaining a road system to serve the District (the “Road System”), of which, as of the Date of Delivery, \$12,590,000 principal amount will remain outstanding (the “Outstanding Road Bonds”). The Outstanding Utility Bonds and the Outstanding Road Bonds are collectively referred to herein as the “Outstanding Bonds.” See “THE BONDS – Outstanding Bonds.”
Qualified Tax-Exempt Obligations	The Bonds will be designated “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS – Qualified Tax-Exempt Obligations.”
Municipal Bond Insurance and Rating.....	Applications have been made for a commitment for municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, and fees charged by any rating companies, other than Moody’s, will be at the option and expense of the Initial Purchaser. Moody’s has assigned an underlying rating of “Baa1” to the Bonds. See “MUNICIPAL BOND INSURANCE AND RATING.”
General & Bond Counsel.....	Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas.
Disclosure Counsel	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
Financial Advisor.....	Robert W. Baird & Co. Incorporated, Houston, Texas.
Engineer	BGE, Inc., Houston, Texas.

THE DISTRICT

The Issuer	The District was created by order of the TCEQ dated February 22, 2008. The District contains approximately 597.64 acres and is located entirely within the County and entirely within the extraterritorial jurisdiction of the City. See “THE DISTRICT – General.”
Location	The District is located in the northern part of the County, approximately twenty (20) miles south of the City of Houston, Texas (“Houston”), and approximately five (5) miles north of the City. The District lies generally north of County Road 58, east of State Highway 288, south of the American Canal, and west of County Road 90. Access to the District from downtown Houston is provided by State Highway 288 (immediately west of the District) to County Roads 101 and 58, which travel easterly into the District.
Developer and Principal Landowner.....	Landeavor, LLC a Florida limited liability company (the “Developer”) is a full-service real estate development company specializing in master-planned residential communities. The Developer develops land within the District on behalf of WSLD Sedona Lakes VI, LP which

is a partnership between the Developer and Walton Street Capital, a private real estate investment company located in Chicago, Illinois. Ashton Houston Residential LLC, an affiliate of Ashton Woods Homes, owns approximately 132 acres within the District.

Development within the District.....To date, land within the District has been developed residentially as the single-family subdivision of Sedona Lakes, Sections 1–10 (aggregating approximately 240.74 acres and 650 total single-family lots). As of September 25, 2025, single-family residential development within the District consisted of approximately 650 completed homes. In addition, approximately 16.55 acres have been developed commercially and includes a CVS Pharmacy, a Chevron Gas Station, a Valero Gas Station, Ivy Kids Early Learning Center, and multiple strip retail centers. The remainder of the land within the District includes approximately 178.92 acres that are undeveloped but developable and approximately 128.75 acres that are undevelopable. See “DEVELOPMENT WITHIN THE DISTRICT.”

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION

(UNAUDITED)

2025 Assessed Taxable Valuation.....	\$ 371,749,328	(a)
Direct Debt:		
The Outstanding Bonds (as of Date of Delivery)	\$ 31,330,000	
The Bonds	<u>\$ 3,180,000</u>	
Total.....	\$ 34,510,000	
Estimated Overlapping Debt	<u>\$ 37,284,977</u>	(b)
Total Direct and Estimated Overlapping Debt	\$ 71,794,977	
Direct Debt Ratio:		
As Percentage of 2025 Assessed Taxable Valuation	9.28	%
Direct and Estimated Overlapping Debt Ratio:		
As Percentage of 2025 Assessed Taxable Valuation	19.31	%
Road System Debt Service Fund Balance (as of September 25, 2025)	\$ 482,009	(c)
Utility System Debt Service Fund Balance (as of September 25, 2025)	\$ 1,633,172	(d)
Operating Fund Balance (as of September 25, 2025)	\$ 7,835,991	
2025 Tax Rate		
Utility Debt Service	\$0.485	
Road Debt Service	\$0.250	
Maintenance and Operations	<u>\$0.400</u>	
Total.....	\$1.135	
Estimated Average Annual Debt Service Requirement (2026–2050)	\$1,921,593	(e)
Estimated Maximum Annual Debt Service Requirement (2035)	\$2,862,119	(e)
Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Estimated Average Annual Debt Service Requirement (2024-2048)		
Based on 2025 Assessed Taxable Valuation at 95% Collections	\$0.55	
Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Estimated Maximum Annual Debt Service Requirement (2035)		
Based on 2025 Assessed Taxable Valuation at 95% Collections	\$0.82	
Single-Family Homes as of September 25, 2025	650	

- (a) Represents the assessed valuation of all taxable property within the District as of January 1, 2025, as provided by the Brazoria County Appraisal District (the "Appraisal District"). Such value includes \$14,509,849 of uncertified value which is under review. See "TAX DATA" and "TAXING PROCEDURES."
- (b) See "DISTRICT DEBT – Direct and Estimated Overlapping Debt Statement."
- (c) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued for the purpose of purchasing, constructing, operating, and maintaining the Utility System, including the Bonds.
- (d) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued for the purpose of purchasing, constructing, operating, and maintaining the Road System.
- (e) Requirement of debt service on the Outstanding Bonds and the estimated debt service on the Bonds at an average interest rate of 5.00%. See "DISTRICT DEBT – Pro-Forma Debt Service Requirements."

\$3,180,000
SEDONA LAKES MUNICIPAL UTILITY DISTRICT NO. 1 OF BRAZORIA COUNTY
(A Political Subdivision of the State of Texas Located in Brazoria County)
UNLIMITED TAX BONDS, SERIES 2025

INTRODUCTION

This Preliminary Official Statement provides certain information in connection with the issuance by Sedona Lakes Municipal Utility District No. 1 of Brazoria County (the “District”) of its \$3,180,000 Unlimited Tax Bonds, Series 2025 (the “Bonds”).

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended, an order adopted by the Board of Directors of the District on the date of the sale of the Bonds (the “Bond Order”), Chapter 8305 of the Texas Special District Local Laws Code, an election held in the District on May 10, 2008, and an order issued by the Texas Commission on Environmental Quality (the “TCEQ”) dated August 29, 2025.

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Bond Order. This Official Statement also includes information about the District and certain reports and other statistical data. The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive and each summary and reference is qualified in its entirety by reference to each such document, statute, report, or instrument.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order, a copy of which is available from Bond Counsel upon payment of the costs of duplication therefor. 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.

Description

The Bonds will be dated November 1, 2025, with interest payable on 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 initially accrues from the date of delivery of the Bonds to the Initial Purchaser thereof (expected to be on or around November 20, 2025) (the “Date of Delivery”), and thereafter, from the most recent Interest Payment Date. The Bonds mature on September 1 of the years and in the principal amounts shown under “MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS” on the inside cover page hereof. The Bonds are issued in fully registered form only in denominations of \$5,000 or any integral multiple of \$5,000 for any one (1) maturity.

The Bonds will be registered and delivered only to The Depository Trust Company, New York, New York (“DTC”), in its nominee name of Cede & Co., pursuant to the book-entry system described herein (“Registered Owners”). No physical delivery of the Bonds will be made to the purchasers thereof. See “Book-Entry-Only System.” Interest calculations are based upon a 360-day year comprised of twelve (12) thirty (30) day months.

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, New York, New York, while the Bonds are registered in its nominee’s name. The information in this section concerning DTC and its “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 (hereinafter defined), (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 (hereinafter defined), 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 ("SEC"), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be required by an authorized representative of DTC. One fully-registered security certificate 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", together with the Direct Participant(s), the "Participants"). DTC has a rating of AA+ from S&P Global Ratings. The DTC Rules applicable to its Direct and Indirect Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the book-entry form, references in other sections of this Official Statement to Registered Owners should be read to include the person for which the Direct or Indirect 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

Provision is 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.

Redemption Provisions

The Bonds maturing on and after September 1, 2031, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2030, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent payment date to the date fixed for redemption.

The Paying Agent/Registrar shall give written notice of redemption, by registered mail, overnight delivery, or other comparably secure means, not less than thirty (30) days prior to the redemption date, to each registered securities depository (and to each national information service that disseminates redemption notices) known to the Paying Agent/Registrar, but neither the failure to give such notice nor any defect therein shall affect the

sufficiency of notice given to the Registered Owner as hereinabove stated. The Paying Agent/Registrar may provide written notice of redemption to DTC by facsimile.

The Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same maturity for the unredeemed portion of the principal of the Bonds so surrendered. In the event of redemption of less than all of the Bonds, the particular Bonds to be redeemed shall be selected by the District; if less than all of the Bonds of a particular maturity are to be redeemed; the Paying Agent/Registrar is required to select the Bonds of such maturity to be redeemed by lot or other customary method of random selection.

Registration, Transfer and Exchange

In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar or its corporate trust office and such transfer or exchange shall be without expenses or service charge to the Registered Owner, except for any tax, other governmental charges, or other expenses required to be paid with respect to such registration, exchange and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the principal payment office of the Paying Agent/Registrar, or sent by the United States mail, first class, postage prepaid, to the new Registered Owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner in not more than three business days after the receipt of the Bonds to be cancelled, and the written instrument of transfer or request for exchange duly executed by the Registered Owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 of principal amount for any one maturity and for a like aggregate principal 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 the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith. See "THE BONDS – Book-Entry-Only System" for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Funds

The Bond Order confirms the prior creation of the District's Debt Service Fund, including the sub-accounts which are used to separate funds received to pay debt service on bonds issued to finance water, wastewater and storm drainage facilities ("Utility System Bonds") from funds received to pay debt service on bonds issued to finance road facilities ("Road System Bonds"). The Bond Order also confirms the District's Construction Fund, including the sub-accounts which are used to separate proceeds from Utility System Bonds and Road System Bonds. All remaining proceeds of the Bonds will be deposited in the sub-account of the Construction Fund created in respect of Utility System Bonds.

The proceeds from all taxes levied, appraised and collected for and on account of the Bonds authorized by the Bond Order shall be deposited, as collected, into the sub-account of the Debt Service Fund created in respect of Utility System Bonds. The Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Outstanding Bonds, the Bonds, and any additional tax bonds issued by the District, is to be kept separate from all other funds of the District, and funds in the sub-accounts created in respect of Utility System Bonds are to be used for payment of debt service on the Bonds and any of the District's duly authorized Utility System Bonds, whether heretofore, hereunder, or hereafter issued, payable in whole or part from taxes. Amounts on deposit in the sub-accounts of the Debt Service Fund created in respect of Utility System Bonds may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes

levied for payment of interest on and principal of the Bonds and any of the Districts duly authorized Utility System Bonds, whether heretofore, hereunder, or hereafter issued, payable in whole or in part from taxes, and to pay any tax anticipation notes issued in respect of debt service due to or become due on Utility System Bonds, together with interest thereon, as such tax anticipation notes become due. Funds otherwise on deposit in the Debt Service Fund, including funds in a sub-account created in respect of Road System Bonds, will not be allocated to the payment of the Bonds.

Record Date for Interest Payment

The record date for payment of the interest on any regularly scheduled Interest Payment Date is defined as the 15th day of the month (whether or not a business day) preceding such Interest Payment Date.

Mutilated, Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, or on receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and Paying Agent/Registrar of security or indemnity to hold them harmless. Upon the issuance of a new bond the District may require payment of taxes, governmental charges and other expenses (including the fees and expenses of the Paying Agent/Registrar), bond printing costs and legal fees in connection with any such replacement.

Source of Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are assessed, levied and collected, in each year, beginning with the current year, a continuing direct annual ad valorem tax, without legal limit as to rate or amount, upon all taxable property in the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and cost of collection. In the Bond Order, the District covenants that said taxes are irrevocably pledged to the payment of the interest and principal of the Bonds and any parity bonds hereinafter issued.

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

The Bonds are obligations of the District and are not the obligations of the State of Texas, Brazoria County, Texas (the "County"), the City of Manvel, Texas (the "City"), or any entity other than the District.

Outstanding Bonds

The District has previously issued seven (7) series of unlimited tax bonds for the purpose of purchasing, constructing, operating, and maintaining a waterworks, wastewater, and storm drainage system to serve the District (the "Utility System"), and for the purpose of refunding such bonds, of which, as of the Date of Delivery, \$18,740,000 principal amount remains outstanding (the "Outstanding Utility Bonds"). The District has previously issued four (4) series of unlimited tax road bonds for the purpose of purchasing, constructing, operating, and maintaining a road system to serve the District (the "Road System"), of which, as of the Date of Delivery, \$12,590,000 principal amount will remain outstanding (the "Outstanding Road Bonds"). The Outstanding Utility Bonds and the Outstanding Road Bonds are collectively referred to herein as the "Outstanding Bonds."

Payment Record

The Bonds represent the eighth series of unlimited tax bonds issued by the District purpose of owning, operating, repairing, improving, or extending the Utility System. To date, the District has also issued four (4) series of bonds for the purpose of acquiring or constructing a Road System serving the District. The District has never defaulted on the timely payment of principal or interest on its bonded indebtedness.

Authority for Issuance

The District's voters have authorized \$104,000,000 principal amount of unlimited tax bonds to serve the Utility System and \$156,000,000 principal amount of unlimited tax bonds for refunding such purposes. The District's voters have also authorized \$80,000,000 principal amount of unlimited tax road bonds to serve the Road System and \$120,000,000 principal amount of unlimited tax bonds for refunding such purposes. The District's voters have also authorized \$9,000,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, operating, and maintaining park and recreational improvements to serve the District (the "Park System").

The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; an election held within the District on May 10, 2008, and an order of the TCEQ dated August 29, 2025.

Issuance of Additional Debt

The District may issue additional bonds. The District's voters have authorized a total of \$104,000,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, operating and maintaining the Utility System, \$156,000,000 principal amount of unlimited tax bonds for refunding such purposes, \$80,000,000 principal amount of unlimited tax road bonds for the purpose of purchasing, constructing, operating and maintaining the Road System, \$120,000,000 principal amount of unlimited tax bonds for refunding such purposes, and \$9,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring parks and recreational facilities in the District.

The Bonds are the eighth series of unlimited tax bonds issued by the District for the Utility System. After issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: \$74,047,041 for the Utility System; \$65,235,000 for the Road System; \$9,000,000 for the Park System; and \$270,280,000 principal amount for refunding purposes.

Following reimbursements with the proceeds of the Bonds, the District will owe the Developer (hereinafter defined) a total of approximately \$967,786 for the Developer's expenditures used to construct the Road System and the Utility System serving the developed land within the District.

Based on present engineering cost estimates and on development plans supplied by the Developer, in the opinion of the Engineer (hereinafter defined), following the issuance of the Bonds, the District will have adequate authorized but unissued bonds to repay the Developer the remaining amounts owed for the existing utility and road facilities, and to finance the extension of the Utility System and Road System to serve the remaining undeveloped land and roads within the District. See "DEVELOPMENT WITHIN THE DISTRICT," "THE UTILITY SYSTEM," "THE ROAD SYSTEM," and "INVESTMENT CONSIDERATIONS – Future Debt."

Annexation

Under existing Texas law, since the District lies wholly in the extraterritorial jurisdiction of the City of Manville (the "City"), the District must conform to a City consent ordinance. Generally, the District may be annexed by the City without the District's consent, and the City cannot annex territory in the District unless it annexes the entire District. However, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement ("SPA") between Houston and the District specifying the procedures for full purpose annexation of all or a portion of the District. The District does not currently have an SPA with Houston.

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

Annexation by and Strategic Partnership with the City

Chapter 42, Texas Local Government Code, provides that, within the limits described therein, the unincorporated area contiguous to the corporate limits of any city comprises that city's extraterritorial jurisdiction. The size of extraterritorial jurisdiction depends in part on the city's population. For the City, the extraterritorial jurisdiction consists of all the contiguous unincorporated areas, not a part of any other city or any other city's extraterritorial jurisdiction and within two (2) miles of the corporate limits of the City. With certain exceptions, a city may annex territory only within the confines of its extraterritorial jurisdiction. When a city annexes additional territory, the city's extraterritorial jurisdiction expands in conformity with such annexation.

Effective July 27, 2009, the District and the City entered into a Strategic Partnership Agreement ("SPA" or the "Agreement") under which the City may annex certain commercial areas of the District for limited purposes of applying City planning, zoning, health and safety ordinances in the area annexed for limited purposes. The City may impose its one percent (1%) sales tax in the areas annexed for limited purposes. In addition, the City has agreed that it will not annex the District for full purposes (a traditional annexation) until ninety (90) percent of the District's water, wastewater, and drainage facilities have been constructed or the Developer has been reimbursed by the District to the maximum extent permitted by the rules of the TCEQ or the City assumes the obligation to reimburse the Developer.

Consolidation

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

Registered Owners' Remedies

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

Defeasance

The Bond Order provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both,

amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct non-callable obligations of the United States of America, (b) non-callable 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) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

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

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

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.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

coupons attached to them.”

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

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

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USE AND DISTRIBUTION OF BOND PROCEEDS

Proceeds from the sale of the Bonds will be used by the District: (i) to reimburse the Developer for construction costs set out below for water, wastewater and drainage, (ii) Land acquisition costs, and (iii) to pay the non-construction costs below, including Developer Interest. 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. The surplus funds, if any, may be expended for any lawful purpose for which surplus construction funds may be used, limited, however, to the purposes for which the Bonds were issued. The Engineer has advised the District that proceeds of the sale of the Bonds should be sufficient to pay the costs of the below-described facilities. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

I. CONSTRUCTION RELATED COSTS

1. Clearing & Grubbing Phase 1.....	\$ 387,950
2. Clearing & Grubbing Phase 2.....	154,893
3. SWPP (Sedona Lakes Sections 4, 5, & 6).....	42,040
4. Sedona Lakes, Sections 7 & 8 Mass Grading.....	50,864
5. Sedona Lakes, Section 9B.....	75,429
6. Sedona Lakes, Section 10.....	332,803
7. Engineering (Item Nos. 1, 2, 4, & 6).....	124,792
8. Material Testing (Item No. 6).....	4,947
Total Construction Costs.....	\$ 1,173,718

II. District Items

Land Acquisition Cost - Pond 5.....	\$ 1,384,011
Total District Items.....	\$ 1,384,011
Total Construction Costs.....	\$ 2,557,729

III. ISSUANCE COSTS AND FEES

A. Legal Fees.....	\$ 94,500
B. Fiscal Agent Fees.....	63,600
C. Developer Interest.....	266,600
D. Bond Discount (3%).....	95,400
E. Bond Issuance Expenses.....	46,041
F. Bond Application Report Costs.....	45,000
G. Attorney General Fee (0.10% or \$9,500 Max.).....	3,180
H. TCEQ Bond Issuance Fee (0.25%).....	7,950
Total Issuance Costs and Fees.....	\$ 622,271
TOTAL BOND ISSUE REQUIREMENT.....	\$ 3,180,000

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PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(October 2025)



THE DISTRICT

General

The District is a political subdivision of Texas, operating as a municipal utility district pursuant to Chapters 49 and 54 of the water code, Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution, and Chapter 8305 of the Texas Special District Local Laws Code. The District is vested with all the rights, privileges, authority, and functions conferred by the laws of Texas applicable to municipal utility districts, including without limitation those conferred by Chapters 49 and 54, Texas Water Code, as amended. The District is empowered to purchase, construct, operate and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water, among other things. The District is also empowered pursuant to Article III, Section 52 of the Texas Constitution to finance certain road improvements as long as it meets the County and City criteria. The District may also provide solid waste collection and disposal service and operate, maintain, and construct park and recreational facilities. The District may operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, if approved by the voters and the TCEQ. The District does not operate or maintain a fire department. The District is subject to the continuing supervision of the TCEQ.

Location

The District is located in the northern part of the County, approximately twenty (20) miles south of the City of Houston, Texas ("Houston"), and five (5) miles north of the City of Manville (the "City"). The District lies generally north of County Road 58, east of State Highway 288, south of the American Canal, and west of County Road 90. The District is located wholly within the extraterritorial jurisdiction of the City. Access to the District from Houston is provided by State Highway 288 (immediately west of the District) to County Roads 101 and 58, which travel easterly into the District.

Management of the District

- Board of Directors -

The District is governed by a board, consisting of five directors, which has control over and management and supervision of all affairs of the District. Directors serve staggered four (4) year terms, with elections held in May in each even-numbered year. All of the directors own property in the District.

<u>Name</u>	<u>Position</u>	<u>Term Expires May</u>
Jim Forrest	President	2026
Lambert D. Austin	Vice President	2026
Ezra Sillas	Secretary	2028
Spencer Gauthier	Assistant Secretary	2028
Wallace Trochesset	Assistant Secretary	2028

- Consultants -

Tax Assessor/Collector: Land and improvements in the District are appraised by the Brazoria County Appraisal District (the "Appraisal District"). The tax assessor/collector for the District is Utility Tax Service, LLC, Houston, Texas (the "Tax Assessor/Collector").

Bookkeeper: The District contracts with L&S District Services, LLC, Houston, Texas, as bookkeeper for the District (the "Bookkeeper").

Engineer: The District's consulting engineer is BGE, Inc., Houston, Texas (the "Engineer").

Auditor: As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual financial statements are filed with the TCEQ. A copy of the District's

financial statements audited by McGrath & Co., PLLC, Houston, Texas (the “Auditor”), for the fiscal year ended October 31, 2024, is included as “APPENDIX A.”

Financial Advisor: Robert W. Baird & Co. Incorporated, Houston, Texas, is engaged as financial advisor to the District (“the “Financial Advisor”) 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.

Bond & General Counsel: The District has engaged Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, as bond counsel (“Bond Counsel”) in connection with the issuance of the Bonds. The fees of Bond Counsel are contingent upon the sale of and delivery of the Bonds. Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, also serves as the District’s general counsel.

Disclosure Counsel: The District has engaged McCall, Parkhurst & Horton L.L.P., Houston, Texas, as Disclosure Counsel. The fees of Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

THE DEVELOPER AND PRINCIPAL LANDOWNER

The Role of a Developer

In general, the activities of a developer in a municipal utility district such as the District include purchasing the land within the District, designing the subdivision, designing the utilities and streets to be constructed in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, wastewater, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties.

In certain instances, the developer will be required to pay up to thirty percent of the cost of constructing certain of the water, wastewater and drainage facilities in a municipal utility district pursuant to the rules of the TCEQ. The relative success or failure of a developer to perform such activities in development of its 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.

Description of the Developer and Principal Landowner

Landeavor, LLC a Florida limited liability company (the “Developer”) is a full-service real estate development company specializing in master-planned residential communities. The Developer develops land within the District on behalf of WSLD Sedona Lakes VI, LP which is a partnership between the Developer and Walton Street Capital, a private real estate investment company located in Chicago, Illinois. Ashton Houston Residential LLC, an affiliate of Ashton Woods Homes, owns approximately 132 acres within the District.

DEVELOPMENT WITHIN THE DISTRICT

Current Status of Development

To date, land within the District has been developed residentially as the single-family subdivision of Sedona Lakes, Sections 1–10 (aggregating approximately 240.74 acres and 650 total single-family lots). As of September 25, 2025, single-family residential development within the District consisted of approximately 650 completed homes. In addition, approximately 16.55 acres have been developed commercially and includes a CVS Pharmacy, a Chevron Gas Station, a Valero Gas Station, Ivy Kids Early Learning Center, and multiple strip retail centers. The remainder of the land within the District includes approximately 178.92 acres that are undeveloped but developable and approximately 128.75 acres that are undevelopable.

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DISTRICT DEBT

2025 Assessed Taxable Valuation.....	\$ 371,749,328	(a)
Direct Debt:		
The Outstanding Bonds (as of Date of Delivery)	\$ 31,330,000	
The Bonds	<u>\$ 3,180,000</u>	
Total.....	\$ 34,510,000	
Estimated Overlapping Debt	<u>\$ 37,284,977</u>	(b)
Total Direct and Estimated Overlapping Debt	\$ 71,794,977	
Direct Debt Ratio:		
As Percentage of 2025 Assessed Taxable Valuation	9.28	%
Direct and Estimated Overlapping Debt Ratio:		
As Percentage of 2025 Assessed Taxable Valuation	19.31	%
Road System Debt Service Fund Balance (as of September 25, 2025)	\$ 482,009	(c)
Utility System Debt Service Fund Balance (as of September 25, 2025)	\$ 1,633,172	(d)
Operating Fund Balance (as of September 25, 2025)	\$ 7,835,991	
2025 Tax Rate		
Utility Debt Service	\$0.485	
Road Debt Service	\$0.250	
Maintenance and Operations	<u>\$0.400</u>	
Total.....	\$1.135	
Estimated Average Annual Debt Service Requirement (2026–2050)	\$1,921,593	(e)
Estimated Maximum Annual Debt Service Requirement (2035)	\$2,862,119	(e)
Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Estimated Average Annual Debt Service Requirement (2024-2048)		
Based on 2025 Assessed Taxable Valuation at 95% Collections	\$0.55	
Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Estimated Maximum Annual Debt Service Requirement (2035)		
Based on 2025 Assessed Taxable Valuation at 95% Collections	\$0.82	
Single-Family Homes as of September 25, 2025	650	

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- (a) Represents the assessed valuation of all taxable property within the District as of January 1, 2025, as provided by the Brazoria County Appraisal District (the "Appraisal District"). Such value includes \$14,509,849 of uncertified value which is under review. See "TAX DATA" and "TAXING PROCEDURES."
- (b) See "DISTRICT DEBT – Direct and Estimated Overlapping Debt Statement."
- (c) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued for the purpose of purchasing, constructing, operating, and maintaining the Utility System, including the Bonds.
- (d) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued for the purpose of purchasing, constructing, operating, and maintaining the Road System.
- (e) Requirement of debt service on the Outstanding Bonds and the estimated debt service on the Bonds at an average interest rate of 5.00%. See "DISTRICT DEBT – Pro-Forma Debt Service Requirements."

Pro-Forma Debt Service Requirements

The following sets forth the debt service requirements on the Outstanding Bonds plus the principal and estimated interest requirements on the Bonds, assuming a 5.00% interest rate.

Year Ending 12/31	Outstanding Debt Service	Plus: The Bonds		Total Debt Service
		Principal	Interest	
2026	\$ 2,563,444	\$ 105,000	\$ 118,808	\$ 2,787,252
2027	2,574,921	70,000	153,750	2,798,671
2028	2,579,884	75,000	150,250	2,805,134
2029	2,577,509	75,000	146,500	2,799,009
2030	2,597,649	80,000	142,750	2,820,399
2031	2,590,061	85,000	138,750	2,813,811
2032	2,619,436	90,000	134,500	2,843,936
2033	2,620,356	95,000	130,000	2,845,356
2034	2,627,588	95,000	125,250	2,847,838
2035	2,641,619	100,000	120,500	2,862,119
2036	2,426,981	105,000	115,500	2,647,481
2037	2,149,438	110,000	110,250	2,369,688
2038	2,147,458	120,000	104,750	2,372,208
2039	2,147,733	125,000	98,750	2,371,483
2040	1,888,895	130,000	92,500	2,111,395
2041	1,379,138	135,000	86,000	1,600,138
2042	1,026,919	145,000	79,250	1,251,169
2043	861,325	150,000	72,000	1,083,325
2044	720,363	160,000	64,500	944,863
2045	572,550	165,000	56,500	794,050
2046	387,500	175,000	48,250	610,750
2047	385,750	185,000	39,500	610,250
2048	383,250	195,000	30,250	608,500
2049	-	200,000	20,500	220,500
2050	-	210,000	10,500	220,500
	<u>\$ 42,469,764</u>	<u>\$3,180,000</u>	<u>\$ 2,390,058</u>	<u>\$48,039,822</u>

Estimated Average Annual Debt Service Requirement (2026–2050).....\$1,921,593

Estimated Maximum Annual Debt Service Requirement (2035)\$2,862,119

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Unlimited Tax Bonds Authorized but Unissued

Date of Authorization	Purpose	Authorized	Issued to Date	Unissued
05/10/08	Utility System	\$ 104,000,000	\$ 29,952,959 (a)	\$ 74,047,041
05/10/08	Parks and Recreation	\$ 9,000,000	\$ -	\$ 9,000,000
05/10/08	Refunding (Utility System)	\$ 156,000,000	\$ 5,720,000	\$ 150,280,000
05/10/08	Refunding (Road System)	\$ 120,000,000	\$ -	\$ 120,000,000
11/03/09	Road System	\$ 80,000,000	\$ 14,765,000	\$ 65,235,000

(a) Includes the Bonds.

Investment Authority and Investment Practices of the District

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

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 several sources, including information contained in the "Texas Municipal Report," published by the Municipal Advisory Council of Texas. 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 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 of debt service, and the tax burden for operation, maintenance and/or general purposes is not included in these figures. Totals may not sum due to rounding.

<u>Taxing Jurisdiction</u>	<u>Tax Year</u>	<u>Outstanding Debt as of 8/31/2025</u>	<u>Overlapping</u>	
			<u>Percent</u>	<u>Amount</u>
Brazoria County	2025	\$ 226,118,313	0.61%	\$ 1,390,041
Alvin Independent School District	2025	1,053,710,000	2.30%	24,210,814
Alvin Community College	2025	17,050,000	1.64%	279,681
Pearland Independent School District	2025	355,185,000	3.21%	11,404,442
Total Estimated Overlapping Debt				\$ 37,284,977
The District Direct Debt (a)				34,510,000
Total Direct Debt & Estimated Overlapping Debt				<u>\$ 71,794,977</u>

(a) Includes the Bonds.

Debt Ratios

	2025 Certified Taxable Assessed Valuation
Direct Debt (a)	9.28%
Total Direct & Estimated Overlapping Debt (a)	19.31%

(a) Includes the Bonds.

TAX DATA

General

Taxable property within the District is subject to the assessment, levy and collection by the District of a continuing direct, annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (and 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 upon receipt of the tax bill, 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 amount not to exceed \$1.250 per \$100 of assessed valuation for operation and maintenance purposes and \$0.100 for recreational facilities maintenance. For the 2025 tax year, the District levied a total tax rate of \$1.135 per \$100 of assessed valuation, composed of the following: a tax rate of \$0.400 per \$100 of assessed valuation for maintenance and operations purposes; a tax rate of \$0.250 per \$100 of assessed valuation for payment of debt service on bonds issued for the purpose of purchasing, constructing, operating, and maintaining the Road System; and a tax rate of \$0.485 per \$100 of assessed valuation for payment of debt service on bonds issued for the purpose of purchasing, constructing, operating, and maintaining the Utility System. The District is authorized to levy separate taxes to pay debt service for bonds issued for the Road System and to pay debt service for bonds issued for the Utility System; both such taxes are unlimited as to rate or amount.

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:	\$1.250 per \$100 of Assessed Valuation.
Recreational Facilities:	\$0.100 per \$100 of Assessed Valuation.

Debt Service Tax

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. For the 2025 tax year, the District levied a tax rate of \$0.250 per \$100 of assessed valuation for payment of debt service on bonds issued for the purpose of purchasing, constructing, operating, and maintaining the Road System and a tax of \$0.485 per \$100 of assessed valuation for payment of debt service on bonds issued for the purpose of purchasing, constructing, operating, and maintaining the Utility System. Such taxes are in addition to taxes that the District is authorized to levy for maintenance and operation purposes.

Maintenance and Operation Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by vote of the District's electors. On May 10, 2008, the Board was authorized to levy such a maintenance and operations tax in an amount not to exceed \$1.250 per \$100 of assessed valuation and a recreational facilities maintenance tax not to exceed \$0.100 per

\$100 of assessed valuation. For the 2025 tax year, the District levied a tax rate of \$0.400 per \$100 of assessed valuation for maintenance and operations purposes. Such tax is in addition to taxes which the District is authorized to levy for paying principal and interest on the District's bonds.

Tax Exemption

As discussed in the section entitled "TAXING PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. The District does not exempt any percentage of the market value of any residential homesteads from taxation. For the 2025 tax year, the District has exempted \$25,000 of the appraised value of residential homesteads of persons 65 years of age or older and certain disabled persons.

Additional Penalties

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

Historical Tax Collections

The following table illustrates the collection history of the District for the 2021–2025 tax years:

Year	Assessed Valuation	Tax Rate per \$100 (a)	Tax Levy	% of Current Collections	Tax Year Ending 9/30	Collections as 8/31/2025
2021	\$ 267,527,827	\$ 1.230	\$ 3,290,592	99.80%	2022	99.99%
2022	295,029,578	1.460	4,307,432	99.97%	2023	99.99%
2023	333,832,725	1.175	3,922,535	99.92%	2024	99.95%
2024	365,926,669	1.145	4,189,860	98.53%	2025	98.53%
2025	371,749,328	1.135	4,219,355	(b)	2026	(b)

(a) Includes a tax for maintenance and operation purposes. See "– Tax Rate Distribution" below.

(b) In process of collection. Taxes are due by January 31, 2025.

Tax Rate Distribution

The following table sets out the components of the District's tax levy for each of the 2021-2025 tax years.

Tax Year	2025 (a)	2024	2023	2022	2021
Road Debt Service	\$ 0.250	\$ 0.255	\$ 0.285	\$ 0.180	\$ 0.205
Utility Debt Service	0.485	0.485	0.485	0.665	0.625
Maintenance & Operations	0.400	0.405	0.405	0.360	0.400
Total	\$ 1.135	\$ 1.145	\$ 1.175	\$ 1.205	\$ 1.230

(a) The District has authorized the publication of the intended total tax rate of \$1.135 per \$100 of assessed taxable valuation for the 2025 tax year. Such tax is expected to be composed of the following: a maintenance and operations tax rate of \$0.400 per \$100 of assessed taxable valuation; a Utility System debt service tax rate of \$0.485 per \$100 of assessed taxable valuation; and a Road System debt service tax rate of \$0.250 per \$100 of assessed taxable valuation.

Analysis of Tax Base

The following table illustrates the District's total taxable assessed value for the 2021–2025 tax years by type of property.

Type of Property	2025 Taxable Assessed Valuation (a)	2024 Taxable Assessed Valuation	2023 Taxable Assessed Valuation	2022 Taxable Assessed Valuation	2021 Taxable Assessed Valuation
Land	\$ 78,947,320	\$ 81,760,237	\$ 78,841,520	\$ 53,976,870	\$ 53,767,340
Improvements	303,160,707	320,258,110	305,432,564	268,035,295	225,193,720
Personal Property	6,335,160	9,252,180	5,951,240	5,822,290	6,119,160
Exemptions	(31,203,708)	(45,343,858)	(56,392,599)	(32,804,877)	(17,552,393)
Uncertified	14,509,849	-	-	-	-
Total	<u>\$ 371,749,328</u>	<u>\$ 365,926,669</u>	<u>\$ 333,832,725</u>	<u>\$ 295,029,578</u>	<u>\$ 267,527,827</u>

(a) Include \$14,509,849 of uncertified value which remains under review.

Principal Taxpayers

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

Taxpayer	Property Type	2025
HPI Self Storage Manvel Sedona LLC	Land & Improvements	\$ 8,256,900
lone Star Scholastics and Childcare LLC	Land & Improvements	6,000,000
Lucky Jupiter INC	Land & Improvements	5,452,000
Eagledale Manvel LLC & Masters 96th Manvel LLC	Land & Improvements	4,516,790
Homeowner	Land & Improvements	3,646,750
Victor George Real Estate Holdings LLC	Land	2,886,270
Horizonstone Properties Investments LLC	Land & Improvements	2,722,384
Homeowner	Land & Improvements	2,500,000
Ashton Houston Residential LLC (a)	Land & Improvements	1,701,920
CVS Pharmacy INC	Land & Improvements	1,258,270
Total		\$ 38,941,284
Percent of the 2025 Taxable Assessed Valuation		10.90%

(a) See "THE DEVELOPER AND PRINCIPAL LANDOWNER."

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of taxable assessed valuation that would be required to meet certain debt service requirements if no growth in the District occurs beyond the 2025 Assessed Taxable Valuation (\$371,749,328). The following further assumes collection of 95% of taxes levied and the sale of no additional bonds:

Average Annual Debt Service Requirement of the Outstanding Bonds and Bonds (2026–2050)	\$1,921,593
Debt Service Tax of \$0.55 on 2025 Assessed Taxable Valuation	\$1,942,390
Maximum Annual Debt Service Requirement of Outstanding Bonds and Bonds (2035)	\$2,862,119
Debt Service Tax of \$0.82 on 2025 Assessed Taxable Valuation	\$2,895,927

Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions.

In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions (see "DISTRICT FINANCIAL DATA – 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 2025 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.

<u>Taxing Jurisdiction</u>	<u>Alvin ISD 2025 Tax Rates</u>	<u>Pearland ISD 2025 Tax Rates</u>
The District	\$ 1.135000	\$ 1.135000
Alvin Independent School District	0.156543	-
Pearland Independent School District	-	1.135000
Alvin Community College	1.150000	1.150000
Brazoria County Emergency Services District No. 3	0.079229	0.079229
Brazoria County	0.272548	0.272548
Brazoria County Conservation and Reclamation District No. 3	0.077459	0.077459
Estimated Total Tax Rate	\$ 2.870779	\$ 3.849236

THE ROAD SYSTEM

The roads within the District vary in width in accordance with standards adopted by Brazoria County, but are sized to accommodate the anticipated traffic demands of full build-out of the property within the District. The Road System will ultimately be owned, operated and maintained by the County as the phases are constructed and accepted by the County. The District does not intend to maintain or operate the roads once they are accepted by the County.

THE UTILITY SYSTEM

General

The water, wastewater and drainage facilities, the purchase, acquisition and construction of which have been financed by the District with the proceeds of the Bonds, 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 Utility System

- Water Supply and Distribution -

Water supply is provided by ground water from a water plant located within to the District. The water plant, which was constructed by a private entity and subsequently purchased and expanded by the Developer and conveyed to the District, serves the District. The District's water supply is capable of serving 1,500 ESFCs, which is sufficient to serve development in the District.

The District currently operates a 150 gallon per minute ("gpm") groundwater well ("Water Well No. 1"), a 400 gpm groundwater well ("Water Well No. 2"), and a 1000 gpm groundwater well ("Water Well No. 3"). Water Well No. 3 provides a capacity of 1,500 connections, which will provide sufficient capacity for the District's ultimate build-out according to the current land plan. Water Well No. 1 and Water Well No. 2 will be used for backup and emergency situations. The water plant also includes one 165,000 gallon ground storage tank, one 265,000 gallon storage tank, two 15,000 gallon hydro-pneumatic tanks, and four 750 gpm booster pumps.

- Wastewater Treatment and Conveyance System -

The District owns and operates a 300,000 gpd wastewater treatment plant located within the District. Based on design criteria of 250 gpd per ESFC as approved by the Texas Commission on Environmental Quality, the existing plant is sufficient to serve 1,200 ESFCs, which sufficient to serve development in the District.

- Drainage -

Natural drainage patterns in the District slope toward Mustang Bayou, which generally travels from northwest to east through the middle of the District. Rainfall runoff drains overland to Mustang Bayou, which then flows southeasterly into Chocolate Bay.

Storm-water runoff flows from curb and gutter streets into a system of underground storm sewers which outfall at various points into detention ponds. The detention ponds eventually outfall to Mustang Bayou.

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Historical Operations of the Utility System

The following is a summary of the District's operating fund for the last five years. The figures for the fiscal years ended October 31, 2020, through October 31, 2024, were obtained from the District's annual financial statements, reference to which is hereby made. See "APPENDIX A." The District is required by statute to have an independent certified public accountant audit the District's financial statements annually, such audited financial statements are filed with the TCEQ.

	Fiscal Year Ending October 31,				
<u>Revenues</u>	2024	2023	2022	2021	2020
Water Service	\$ 351,576	\$ 398,837	\$ 377,440	\$ 324,665	\$ 331,693
Sewer Service	490,110	495,796	476,711	443,858	437,710
Property Taxes	1,353,317	1,064,124	1,071,637	1,042,202	1,220,517
Penalty & Interest	19,442	22,181	17,876	11,482	6,144
Tap Connection & Inspection Fees	8,759	8,795	149,095	4,975	104,060
Miscellaneous Revenues	5,686	6,153	5,353	4,707	17,185
Investment Revenues	345,994	221,108	29,943	6,751	31,748
Total	<u>\$ 2,574,884</u>	<u>\$ 2,216,994</u>	<u>\$ 2,128,055</u>	<u>\$ 1,838,640</u>	<u>\$ 2,149,057</u>
<u>Expenditures</u>					
Professional Fees	\$ 168,246	\$ 220,152	\$ 134,209	\$ 208,995	\$ 145,260
Contracted Services	330,917	324,840	328,336	281,109	322,896
Repairs & Maintenance	677,036	496,219	495,709	555,049	387,295
Utilities	84,797	81,058	69,772	62,887	60,419
Administrative	47,429	44,698	43,086	34,175	30,896
Other	14,885	11,041	51,858	6,682	14,339
Lease	-	-	-	39,360	78,720
Capital Outlay	447,575	-	-	34	21,932
Total	<u>\$ 1,770,885</u>	<u>\$ 1,178,008</u>	<u>\$ 1,122,970</u>	<u>\$ 1,188,291</u>	<u>\$ 1,061,757</u>
Revenues Over Expenditures	<u>\$ 803,999</u>	<u>\$ 1,038,986</u>	<u>\$ 1,005,085</u>	<u>\$ 650,349</u>	<u>\$ 1,087,300</u>

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TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax on all taxable property within the District in an amount sufficient to pay the principal of and interest on for the purpose of maintaining and operating parks and recreational facilities Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see "INVESTMENT CONSIDERATIONS – Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year-to-year as described more fully herein under "THE BONDS – Source of Payment." Under Texas law, the Board is also authorized to levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations if authorized by its voters. See "TAX DATA – Tax Rate Limitation."

Property Tax Code and County-Wide Appraisal District

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

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

Property Subject to Taxation by the District

General: Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: property owned by 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; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. The District may be required to offer such exemptions if a majority of voters approve same at an election, which the District would be required to call upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. Property owned by a disabled veteran or a veteran who died while on active duty has been granted a statutory exemption up to \$3,000 of assessed value. Partially exempt to between \$5,000 and \$12,000 of assessed value, depending upon the disability rating of the veteran, is property owned by a disabled veteran or spouse or certain children. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residence homestead. Also exempt, if approved by the Board or through a process of petition and referendum by the District's voters, are residential homesteads of person sixty-five (65) years or older and of certain disabled persons to the extent of \$3,000 of appraised value or more. The Tax Assessor/Collector is authorized by statute to disregard such exemptions for the elderly and disabled if granting the exemptions would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemptions by the District.

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 some or no cost to the veteran. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the

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

The surviving spouse of a first responder who 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 Tax Code authorizes the governing body of each political subdivision in Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than \$5,000, if any exemption is granted, 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. In addition, the District has exempted \$25,000 of the appraised value of residential homesteads of persons 65 years of age or older and certain disabled persons for the 2025 tax year.

Freeport Goods and Goods-in-Transit Exemption: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit Exemption" may apply for the 2012 and subsequent tax years to certain tangible personal property that is acquired in or imported into Texas for assembling, storing, manufacturing or fabrication purposes which is destined to be forwarded to another location in Texas not later than 175 days after acquisition or importation, so long as the location where said goods are detained is not directly or indirectly owned by the owner of the goods. The District has not taken action to allow taxation of goods-in-transit. A taxpayer may not claim both a Freeport Goods Exemption and a Goods-in-Transit Exemption on the same property.

Tax Abatement

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

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property. The plan must provide for appraisal of all real property in the Appraisal District at least once every three years. It is not known what frequency of reappraisal 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 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 formally to 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 Texas (the "Governor"). 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 (collectively, the "Appraisal Cap"). After the 2024 tax year, through December 31, 2026, the Appraisal Cap 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 of Texas on July 22, 2023. The provisions described hereinabove took effect on January 1, 2024.

District and Taxpayer Remedies

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

Rollback of Operation and Maintenance Tax Rate

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

described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

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

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

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

The District: A determination as to the District's status as a Special Taxing Unit, Developed District or Developing District is made by the Board of Directors on an annual basis. For the 2025 tax year, the District was determined to be a Developing District by the Board of Directors. 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.

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. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board based on valuation of property within the District as of the preceding January 1.

Taxes are due upon receipt of the tax bill and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) to defray collection costs if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each

month or portion of a month it remains unpaid. The Property Tax Code also makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances. Under certain circumstances, property owners located within a natural disaster area affected by a disaster may pay property taxes in four (4) equal installments following the disaster. Further, a person who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran is entitled by law to pay current taxes on his residential homestead in installments or to defer tax without penalty during the time he owns and occupies the property as his residential homestead.

District's Rights in the Event of Tax Delinquencies

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

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

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and are not obligations of the State of Texas, the County, the City, or any other political entity, will be secured by a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property located within the District. (See "THE BONDS – Source of Payment.") The ultimate security for payment of principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by the registered owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of property within the District will accumulate or maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for the property. See "Registered Owners' Remedies" below.

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The rate of development within the District is directly related to the vitality of the single-family housing industry in the Houston metropolitan area. New single-family construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of such construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development in the District. See "DEVELOPMENT WITHIN THE DISTRICT."

Location and Access: The District is located in an outlying area of the Houston metropolitan area, approximately 20 miles south from the central business district of Houston. Many of the single-family developments with which the District competes are in a more developed state and have lower taxes. As a result, particularly during times of increased competition, the Developer within the District may be at a competitive disadvantage to the developers in other single-family projects located closer to major urban centers or in a more developed state. See "THE DISTRICT" and "DEVELOPMENT WITHIN THE DISTRICT."

Principal Landowners' Obligations to the District: The District's tax base is concentrated in a small number of taxpayers. As reflected in this Official Statement under the caption "TAX DATA – Principal Taxpayers," the District's ten principal taxpayers in 2025 owned property located in the District, the aggregate assessed valuation of which comprised approximately 10.54% of the 2025 assessed valuation of the District. The District cannot represent that its tax base will in the future be (i) distributed among a significantly larger number of taxpayers, or (ii) less concentrated in property owned by a relatively small number of property owners, than it is currently. Failure by one or more of the District's principal property owners to make full and timely payments of taxes due may have an adverse effect on the investment quality or security of the Bonds. If any one or more of the principal District taxpayers did not pay taxes due, the District might need to levy additional taxes or use other debt service funds available to meet its debt service requirements.

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.

Competition: The demand for and construction of taxable improvements in the District could be affected by competition from other developments near the District. In addition to competition for new single-family home sales from other developments, there are numerous previously-owned single-family homes in more established commercial centers and neighborhoods closer to Houston that are for sale. Such existing developments could represent additional competition for new development proposed to be constructed within the District.

The competitive position of the Developer in the sale of land, leasing of residences is affected by most of the factors discussed in this section. Such a competitive position is directly related to the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developer will be implemented or, if implemented, will be successful.

Developers Under No Obligation to the District: The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developer, or any other subsequent landowners to whom a party may sell all or a portion of their holdings within the District, to implement any plan of development. Furthermore, there is no restriction on the Developer's right to sell its land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developer. Failure to construct taxable improvements on developed lots and tracts and failure of the Developer to develop its land would restrict the rate of growth of taxable value in the District. The District is also dependent upon the Developer (see "TAX DATA – Principal Taxpayers") for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of the Developer will be or what effect, if any, such conditions may have on their ability to pay taxes. See "THE DEVELOPER AND PRINCIPAL LANDOWNER," and "DEVELOPMENT WITHIN THE DISTRICT."

Impact on District Tax Rates: Assuming no further development or construction of taxable improvements, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners within the District to pay their taxes. As noted throughout this Official Statement, the 2025 Assessed Taxable Valuation of the District is \$371,749,328.

After issuance of the Bonds, the estimated maximum annual debt service requirement of the Outstanding Bonds and the Bonds (2035) will be \$2,862,119, and the estimated average annual debt service requirement of the Outstanding Bonds and the Bonds (2026–2050) will be \$1,921,593. Based on the 2025 Assessed Taxable Valuation and no use of funds on hand, a tax rate of \$0.82 per \$100 of assessed valuation at a 95% collection rate would be necessary to pay the estimated maximum annual debt service requirement of the Outstanding Bonds and the Bonds (2035) and a tax rate of \$0.55 per \$100 of assessed valuation at a 95% collection rate would be necessary to pay the estimated average annual debt service requirement of the Outstanding Bonds and the Bonds (2026–2050). See "TAX DATA – Tax Rate Calculations."

Tax Collection and Foreclosure Remedies

The District has a right to seek judicial foreclosure on a tax lien, but such remedy may prove to be costly and time consuming and, since the future market or resale market, if any, of the taxable real property within the

District is uncertain, there can be no assurance that such property could be sold and delinquent taxes paid. See "TAXING PROCEDURES."

Registered Owners' Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the registered owners of the Bonds (the "Registered Owners") have the right to seek of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners.

Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of registered owners of the Bonds may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the U.S. Bankruptcy Code, 11 USC sections 901-946. The filing of such petition would automatically stay the enforcement of registered owners' remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision, such as the District, may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (1) is generally authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or has negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiations are impracticable. Under Texas law, a municipal utility district, such as the District, must obtain the approval of the TCEQ as a condition to seeking relief under the U.S. Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding noncompliance by a district with Texas law requirements, a district could file a voluntary bankruptcy petition under Chapter 9, thereby invoking the protection of the automatic stay until the bankruptcy court, after a hearing, dismisses the petition. A federal bankruptcy court is a court of equity and federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceedings and in determining 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 registered owners could potentially and adversely impair the value of the registered owners' claims.

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the U.S. Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a registered owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the registered owner's claim against a district.

A special purpose district cannot be placed into bankruptcy involuntarily.

Environmental Regulations

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

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

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

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

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

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

In order to demonstrate progress toward attainment of the EPA’s ozone standards, the TCEQ has established a state implementation plan (“SIP”) for the HGB Area setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the HGB Area. These SIP requirements can negatively impact business due to the additional permitting/regulatory

constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the HGB Area to reach attainment with the ozone standards by the EPA's attainment deadlines. These additional controls could have a negative impact on the HGB Area's economic growth and development.

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

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

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

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

The District is subject to the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which the TCEQ issued on August 15, 2024. The MS4 Permit authorizes the discharge of stormwater from small municipal separate storm sewer systems to surface waters in the state. To maintain compliance with the MS4 Permit, the District has applied for permit coverage and is awaiting TCEQ review and approval. The District has provisional coverage during this process. Costs associated with these compliance activities could be substantial in the future.

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

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

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

Potential Impact of Natural Disaster

The District is located approximately forty (40) miles from the Texas Gulf Coast and, as it has in the past, could be impacted by high winds, heavy rains, and flooding caused by a hurricane, tornado, tropical storm, or other adverse weather event. In the event that a natural disaster should damage or destroy improvements and personal property in the District, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed value of the District or an increase in the District’s tax rates. See “TAXING PROCEDURES – Valuation of Property for Taxation.”

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

Hurricane Harvey and Tropical Storm Imelda

The City, including the District, experienced historic levels of rainfall and widespread flooding following landfall of Hurricane Harvey on August 25, 2017 and during Tropical Storm Imelda on September 19, 2019. While no facilities or homes had been built prior to Hurricane Harvey, according to the District’s engineer, Imelda did not cause damage to the District’s water, sanitary sewer and drainage facilities, and there was no interruption of water and sewer service in the District. Further, to the best knowledge of the Developer and the Engineer, no homes in the District experienced structural flooding or other material damage. The District is located near the Texas Gulf Coast and, as it has in the past, could be impacted by high winds and flooding caused by a hurricane, tornado, tropical storm, or other adverse weather event.

The District cannot predict the effect that additional extreme weather events may have upon the District and the City. Additional extreme weather events have the potential to cause damage within the District and the City generally could have a negative effect on taxable assessed valuations in the District and the economy of the District and the region. See “TAXING PROCEDURES – Valuation of Property for Taxation.”

Increase in Costs of Building Materials

As a result of supply issues, shipping constraints, and ongoing trade disputes (including tariffs), there have been recent substantial increases in the cost of lumber and other building materials, causing many homebuilders and general contractors to experience budget overruns. Further, the unpredictable nature of current trade policy (including the threatened imposition of tariffs) may impact the ability of the developers or homebuilders in the District to estimate costs. Additionally, immigration policies may affect the State’s workforce, and any labor shortages that could occur may impact the rate of construction within the District. Uncertainty surrounding availability and cost of materials may result in decreased levels of construction activity, and may restrict the growth of property values in the District. The District makes no representations regarding the probability of development or homebuilding continuing in a timely manner or the effects that current or future economic or governmental circumstances may have on any plans of the developers or homebuilders.

Potential Effects of Oil Price Fluctuations on the Houston Area

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 within the District. The District cannot predict the impact that negative conditions in the oil industry could have on property values in the District.

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.

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

In 2018, the National Weather Service 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.

Approximately 52 acres within the District are located within the permanent floodplain.

Marketability

The District has no understanding with the Initial Purchaser 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.

Consolidation

Under Texas law, the District may be consolidated with other municipal utility districts, with the assets and liabilities of the consolidated districts belonging to the consolidated district. No representation is made that the District will ever consolidate with one or more other districts, although no consolidation is presently contemplated by the District.

Continuing Compliance with Certain Covenants

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

Future Debt

After issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: \$74,047,041 for the purpose of purchasing, constructing, operating, and maintaining the Utility System; \$65,235,000 for the purpose of purchasing, constructing, operating, and maintaining the Road System; \$270,280,000 for refunding purposes; and \$9,000,000 for the purpose of purchasing, constructing, operating, and maintaining the Park System (see "THE BONDS – Issuance of Additional Debt"); and such additional bonds as may hereafter be approved by both the Board and voters of the District. The District also has the right to issue certain other additional bonds, special project 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 issuance of the Bonds, the District will owe the Developer approximately \$3,373,092 for reimbursable expenditures advanced for the purpose of purchasing, constructing, operating, and maintaining the Utility System and the Road System.

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.

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by difficulties in collecting 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 judicial 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 proceedings against a taxpayer; (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property; or (d) the taxpayer's right to redeem the property. 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. See "TAXING PROCEDURES."

Bond Insurance Risk Factors

The District has applied for a bond insurance policy to guarantee the scheduled payment of principal and interest on the Bonds. The District has yet to determine whether an insurance policy will be purchased with the Bonds. If an insurance policy is purchased, the following are risk factors relating to bond insurance.

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

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

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

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

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

Neither the District or the Initial Purchaser have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE AND RATING" for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

Cybersecurity

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

2025 Legislative Session

The 89th Regular Legislative Session convened on January 14, 2025, and concluded on June 2, 2025. The Texas Legislature meets in regular session in odd numbered years for 140 days. When the Texas 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 Texas Legislature may enact laws that materially change current law as it relates to the District. On August 15, 2025, the Governor called the Second Special Session to begin on August 15, 2025, which concluded on September 3, 2025. The District can make no representation regarding any actions the Texas Legislature may take or the effect of such actions.

LEGAL MATTERS

Legal Opinions

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of Texas payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the District and based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds; the approving legal opinion of Bond

Counsel, to a like effect, and to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, and interest on the Bonds is not subject to the alternative minimum tax on individuals.

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

The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold, and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

No-Litigation Certificate

The District will furnish to the initial purchaser of the Bonds (the “Initial Purchaser”) a certificate, dated as of the date of delivery of the Bonds, executed by both the President or Vice President and Secretary or Assistant Secretary of the Board, to the effect that no litigation of any nature has been filed or is to their actual 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 or 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, receipt of, and payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District subsequent to the date of sale from that set forth or contemplated in the Preliminary Official Statement, as it may have been supplemented or amended, through the date of sale.

TAX MATTERS

The delivery of Bonds is subject to an opinion of Bond Counsel to the effect that, assuming continuing compliance by the District with the provisions of the Bond Order subsequent to the issuance of the Bonds pursuant to Section 103 of the Code, and existing regulations, published rulings and court decision procedures, interest on the bonds (i) will be excludable from the income, as defined in Section 61 of the Code, of the owners thereof for federal income tax purposes and (ii) is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of determining the alternative minimum tax imposed on corporations. The statutes, regulations, published rulings, and court decisions on which such opinion is based are subject to change.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds.

Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excludable from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislature proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or Beneficial Owners to incur significant expense.

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.

Proposed Tax Legislation

Tax legislation, administrative actions taken by tax authorities, and court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to state income taxation, or otherwise prevent the beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. For example, future legislation to resolve certain federal budgetary issues may significantly reduce the benefit of, or otherwise affect, the exclusion from gross income for federal income tax purposes of interest on all state and local obligations, including the Bonds. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) could affect the market price or marketability of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and its impact on their individual situations, as to which Bond Counsel expresses no opinion.

Tax Accounting Treatment of Original Issue Discount

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is entitled to be excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public. Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Qualified Tax-Exempt Obligations

The District will designate the Bonds as “qualified tax-exempt obligations” and will represent that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2025 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in “qualified tax-exempt obligations” (including the Bonds) during calendar year 2025. Pursuant to Section 265 of the Code, a qualifying financial institution may be allowed a deduction from its own federal corporate income tax for the portion of interest expense the financial institution is able to allocate to designated bank-qualified investments. Notwithstanding these exceptions, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

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.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following covenants for the benefit of the holders of the Bonds. The District is required to observe these covenants for so long as it remains obligated to pay the Bonds. Under the covenants, the District will be obligated to provide certain updated financial information and operating data annually, as well as timely notice of specified events, to the Municipal Securities Rulemaking Board or any successor to its function as a repository (the “MSRB”), through its Electronic Municipal Market Access (“EMMA”) system.

Annual Reports

The District will provide certain updated financial information and operating data to the EMMA 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, "TAX DATA," "DISTRICT DEBT" and "APPENDIX A."

The District will update and provide this information within six (6) months after the end of each of its fiscal years. Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to EMMA within such six month period, and audited financial statements when the audit report becomes available.

The District's fiscal year end is currently October 31. Accordingly, it must provide updated information by April 30 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify EMMA of the change.

Event Notices

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

Availability of Information

The District has agreed to provide the foregoing notices to the MSRB. The District is required to file its continuing disclosure information using EMMA, which is the format currently prescribed by the MSRB and has been established by the MSRB to make such continuing disclosure information available to investors free of charge. Investors may access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

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

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

Compliance with Prior Undertakings

During the last five (5) years, the District has complied in all material respects with its previous continuing disclosure agreements in accordance with the Rule.

OFFICIAL STATEMENT

Preparation

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

"THE DISTRICT"; "THE UTILITY SYSTEM"; "THE DEVELOPER AND PRINCIPAL LANDOWNER"; "DEVELOPMENT WITHIN THE DISTRICT"; "DISTRICT FINANCIAL DATA – Estimated Overlapping Debt Statement"; "TAX DATA"; "INVESTMENT CONSIDERATIONS – Annexation by and Strategic Partnership with the City"; "THE BONDS"; "CONTINUING DISCLOSURE OF INFORMATION"; "TAXING PROCEDURES"; "LEGAL MATTERS" and "TAX MATTERS."

Experts

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

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

Tax Assessor/Collector and Appraisal District: The information contained in the Official Statement relating to principal taxpayers and tax collection rates and the certified assessed valuation of property in the District and, in particular such information included in "TAX DATA" has been provided by the Tax Assessor/Collector and Appraisal District, in reliance upon their authority as experts in appraising and tax assessing.

Certification as to Official Statement

The District, acting by and through the Board in its official capacity, 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, description 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 the 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 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 ninety (90) days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

CONCLUDING STATEMENT

The information set forth herein has been obtained from the District's records, audited financial statements, and other sources 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 Sedona Lakes Municipal Utility District No. 1 of Brazoria County, as of the date shown on the cover of this Official Statement.

/s/ _____
Jim Forrest
President, Board of Directors
Sedona Lakes Municipal Utility District No. 1 of
Brazoria County

ATTEST:

/s/ _____
Lambert D. Austin
Secretary, Board of Directors
Sedona Lakes Municipal Utility District No. 1 of
Brazoria County

APPENDIX A
FINANCIAL STATEMENTS OF THE DISTRICT

**SEDONA LAKES MUNICIPAL
UTILITY DISTRICT NO. 1**

BRAZORIA COUNTY, TEXAS

FINANCIAL REPORT

October 31, 2024

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McGRATH & CO., PLLC

Certified Public Accountants

2900 North Loop West, Suite 880

Houston, Texas 77092

Independent Auditor's Report

Board of Directors

Sedona Lakes Municipal Utility District No. 1 of Brazoria County

Brazoria County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Sedona Lakes Municipal Utility District No. 1 of Brazoria County (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 each major fund of Sedona Lakes Municipal Utility District No. 1 of Brazoria County, 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.

Emphasis of Matter

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

Responsibilities of Management for the Financial Statements

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

***Board of Directors
Sedona Lakes Municipal Utility District No. 1 of Brazoria County
Brazoria County, Texas***

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

***Board of Directors
Sedona Lakes Municipal Utility District No. 1 of Brazoria County
Brazoria County, Texas***

Required Supplementary Information

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

Supplementary Information

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

McGuath & Co, P.C.

Houston, Texas
February 27, 2025

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Management's Discussion and Analysis

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***Sedona Lakes Municipal Utility District No. 1 of Brazoria County
Management's Discussion and Analysis
October 31, 2024***

Using this Annual Report

Within this section of the financial report of Sedona Lakes Municipal Utility District No. 1 of Brazoria County (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.

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
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 \$6,882,929. The District's net position is negative because the District incurs debt to construct certain road facilities which it conveys to other governmental entities. 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	\$ 13,236,656	\$ 11,871,796
Capital assets	20,703,092	20,475,177
Total assets	<u>33,939,748</u>	<u>32,346,973</u>
Total deferred outflows of resources	<u>85,830</u>	<u>93,247</u>
Current liabilities	1,839,837	1,775,270
Long-term liabilities	34,867,768	37,123,531
Total liabilities	<u>36,707,605</u>	<u>38,898,801</u>
Total deferred inflows of resources	<u>4,200,902</u>	<u>3,795,340</u>
Net position		
Net investment in capital assets	(3,715,700)	(4,937,032)
Restricted	1,775,151	1,686,213
Unrestricted	(4,942,380)	(7,003,102)
Total net position	<u>\$ (6,882,929)</u>	<u>\$ (10,253,921)</u>

During the current fiscal year, the District implemented GASB Implementation Guide ("GASBIG") 2021-1, Question 5.1, which requires the capitalization of a group of individual assets that are below the capitalization threshold when the cost of the acquisition of the assets in the aggregate is significant.

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
Management's Discussion and Analysis
October 31, 2024

In accordance with this standard, the District recognized, as infrastructure capital assets, water meters that were previously expensed in prior fiscal years, net of related accumulated depreciation, as of the beginning of the current fiscal year. Prior year data has not been restated to include values for these infrastructure assets and, as a result, the presentation of prior year data as it relates to these assets is not consistent with the current fiscal year presentation (See Notes 3 and 6).

The total net position of the District increased during the current fiscal year by \$3,238,222. A comparative summary of the District's *Statement of Activities* for the past two fiscal years is as follows:

	2024	2023
Revenues		
Property taxes, penalties and interest	\$ 3,959,635	\$ 3,599,649
Water and sewer service	841,686	894,633
Other	521,498	330,614
Total revenues	<u>5,322,819</u>	<u>4,824,896</u>
Expenses		
Current service operations	1,390,209	1,215,433
Debt interest and fees	1,181,617	929,713
Developer interest		451,087
Debt issuance costs		498,272
Depreciation	464,602	493,842
Total expenses	<u>3,036,428</u>	<u>3,588,347</u>
Change in net position before other item	2,286,391	1,236,549
Other items		
Gain from change in estimate	951,831	
Transfers to other governments		<u>(816,311)</u>
Change in net position	3,238,222	420,238
Net position, beginning of year (2024 restated)	<u>(10,121,151)</u>	<u>(10,674,159)</u>
Net position, end of year	<u>\$ (6,882,929)</u>	<u>\$ (10,253,921)</u>

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

Financial Analysis of the District's Funds

The District's combined fund balances, as of October 31, 2024, were \$8,796,606, which consists of \$6,691,527 in the General Fund, \$1,962,009 in the Debt Service Fund, and \$143,070 in the Capital Projects Fund.

***Sedona Lakes Municipal Utility District No. 1 of Brazoria County
Management's Discussion and Analysis
October 31, 2024***

General Fund

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>\$ 8,413,836</u>	<u>\$ 7,408,733</u>
Total liabilities	\$ 235,231	\$ 210,612
Total deferred inflows	1,487,078	1,310,593
Total fund balance	<u>6,691,527</u>	<u>5,887,528</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 8,413,836</u>	<u>\$ 7,408,733</u>

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

	2024	2023
Total revenues	<u>\$ 2,574,884</u>	<u>\$ 2,216,994</u>
Total expenditures	<u>(1,770,885)</u>	<u>(1,178,008)</u>
Revenues over expenditures	<u>\$ 803,999</u>	<u>\$ 1,038,986</u>

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

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. 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 the District increased the maintenance and operations component of the levy and because assessed values increased from prior year.
- Water and sewer revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.

***Sedona Lakes Municipal Utility District No. 1 of Brazoria County
Management's Discussion and Analysis
October 31, 2024***

Debt Service Fund

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

	2024	2023
Total assets	<u>\$ 4,679,750</u>	<u>\$ 4,323,030</u>
Total liabilities	\$ 499	\$ 499
Total deferred inflows	2,717,242	2,494,527
Total fund balance	<u>1,962,009</u>	<u>1,828,004</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 4,679,750</u>	<u>\$ 4,323,030</u>

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

	2024	2023
Total revenues	\$ 2,748,961	\$ 2,607,725
Total expenditures	<u>(2,614,956)</u>	<u>(2,170,814)</u>
Revenues over expenditures	<u>\$ 134,005</u>	<u>\$ 436,911</u>

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

Capital Projects Fund

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

	2024	2023
Total assets	<u>\$ 143,070</u>	<u>\$ 171,878</u>
Total liabilities	\$ -	\$ 31,845
Total fund balance	<u>143,070</u>	<u>140,033</u>
Total liabilities and fund balance	<u>\$ 143,070</u>	<u>\$ 171,878</u>

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
Management's Discussion and Analysis
October 31, 2024

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

	2024	2023
Total revenues	\$ 5,336	\$ -
Total expenditures	(2,299)	(5,444,527)
Revenues over/(under) expenditures	3,037	(5,444,527)
Other changes in fund balance		5,585,000
Net change in fund balance	\$ 3,037	\$ 140,473

The District did not have any significant capital asset activity in the current fiscal year. During the previous fiscal year, capital asset activity was financed with proceeds from the issuance of its Series 2023 Unlimited Tax Road Bonds.

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 \$351,976 greater than budgeted. The *Budgetary Comparison Schedule* on page 36 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.

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
Management's Discussion and Analysis
October 31, 2024

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

	2024	2023
Capital assets not being depreciated		
Land and improvements	\$ 5,996,756	\$ 4,914,112
Construction in progress	60,047	
	<u>6,056,803</u>	<u>4,914,112</u>
Capital assets being depreciated		
Infrastructure	18,876,879	18,644,236
Other facilities	522,361	1,957,488
	<u>19,399,240</u>	<u>20,601,724</u>
Less accumulated depreciation		
Infrastructure	(4,596,243)	(4,057,792)
Other facilities	(156,708)	(982,867)
	<u>(4,752,951)</u>	<u>(5,040,659)</u>
Depreciable capital assets, net	<u>14,646,289</u>	<u>15,561,065</u>
Capital assets, net	<u>\$ 20,703,092</u>	<u>\$ 20,475,177</u>

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

Capital asset additions during the current fiscal year include the wastewater treatment plant rehabilitation Phase I and engineering fees related to the construction of a dog park.

Brazoria County assumes responsibility for certain road facilities constructed within the boundaries of the District. Consequently, these projects are not recorded as capital assets on the District's financial statements. The estimated value of these assets is recorded as transfers to other governments upon completion of construction. This estimated cost is true-up when the developer is reimbursed.

Long-Term Debt and Related Liabilities

As of October 31, 2024, the District owes approximately \$3,525,515 to its developer for completed projects. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. 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.

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
Management's Discussion and Analysis
October 31, 2024

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

Series	2024	2023
2014	\$ 2,845,000	\$ 2,970,000
2015	3,615,000	3,780,000
2015 Road	2,485,000	2,595,000
2017	4,235,000	4,405,000
2017 Road	2,105,000	2,185,000
2019	1,940,000	2,010,000
2019 Refunding	1,945,000	2,080,000
2020	2,325,000	2,420,000
2020 Refunding	2,820,000	3,015,000
2021 Road	3,005,000	3,115,000
2023 Road	5,425,000	5,585,000
	<u>\$ 32,745,000</u>	<u>\$ 34,160,000</u>

At October 31, 2024, the District had \$77,227,041 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District; \$9,000,000 for parks and recreational facilities; \$65,235,000 for road improvements and \$270,280,000 for refunding purposes.

Next Year's Budget

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

	2024 Actual	2025 Budget
Total revenues	\$ 2,574,884	\$ 2,556,100
Total expenditures	(1,770,885)	(3,646,520)
Revenues over/(under) expenditures	803,999	(1,090,420)
Beginning fund balance	5,887,528	6,691,527
Ending fund balance	<u>\$ 6,691,527</u>	<u>\$ 5,601,107</u>

Basic Financial Statements

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
Statement of Net Position and Governmental Funds Balance Sheet
October 31, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total
Assets				
Cash	\$ 126,476	\$ 11,189	\$ 40,225	\$ 177,890
Investments	6,641,549	1,931,674	102,845	8,676,068
Taxes receivable	1,487,078	2,717,242		4,204,320
Customer service receivables	96,330			96,330
Internal balances	(3,025)	3,025		
Other receivables	65,428	16,620		82,048
Capital assets not being depreciated				
Capital assets, net				
Total Assets	<u>\$ 8,413,836</u>	<u>\$ 4,679,750</u>	<u>\$ 143,070</u>	<u>\$ 13,236,656</u>
Deferred Outflows of Resources				
Deferred difference on refunding				
Liabilities				
Accounts payable	\$ 94,641	\$ -	\$ -	\$ 94,641
Other payables	5,000	499		5,499
Customer deposits	81,845			81,845
Builder deposits	3,000			3,000
Accrued interest payable				
Due to developer				
Long-term debt				
Due within one year				
Due after one year				
Total Liabilities	<u>235,231</u>	<u>499</u>		<u>235,730</u>
Deferred Inflows of Resources				
Deferred property taxes	<u>1,487,078</u>	<u>2,717,242</u>		<u>4,204,320</u>
Fund Balances/Net Position				
Fund Balances				
Restricted		1,962,009	143,070	2,105,079
Unassigned	6,691,527			6,691,527
Total Fund Balances	<u>6,691,527</u>	<u>1,962,009</u>	<u>143,070</u>	<u>8,796,606</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 8,413,836</u>	<u>\$ 4,679,750</u>	<u>\$ 143,070</u>	<u>\$ 13,236,656</u>
Net Position				
Net investment in capital assets				
Restricted for debt service				
Unrestricted				
Total Net Position				

See notes to basic financial statements.

Adjustments	Statement of Net Position
\$ -	\$ 177,890
	8,676,068
	4,204,320
	96,330
	82,048
6,056,803	6,056,803
14,646,289	14,646,289
<u>20,703,092</u>	<u>33,939,748</u>
<u>85,830</u>	<u>85,830</u>
	94,641
	5,499
	81,845
	3,000
189,107	189,107
3,525,515	3,525,515
1,415,000	1,415,000
31,342,253	31,342,253
<u>36,471,875</u>	<u>36,707,605</u>
<u>(3,418)</u>	<u>4,200,902</u>
(2,105,079)	
<u>(6,691,527)</u>	
<u>(8,796,606)</u>	
(3,715,700)	(3,715,700)
1,775,151	1,775,151
(4,942,380)	(4,942,380)
<u>\$ (6,882,929)</u>	<u>\$ (6,882,929)</u>

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended October 31, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total
Revenues				
Water service	\$ 351,576	\$ -	\$ -	\$ 351,576
Sewer service	490,110			490,110
Property taxes	1,353,317	2,572,542		3,925,859
Penalties and interest	19,442	20,696		40,138
Tap connection and inspection	8,759			8,759
Miscellaneous	5,686			5,686
Investment earnings	345,994	155,723	5,336	507,053
Total Revenues	<u>2,574,884</u>	<u>2,748,961</u>	<u>5,336</u>	<u>5,329,181</u>
Expenditures/Expenses				
Current service operations				
Professional fees	168,246		2,064	170,310
Contracted services	330,917	40,831		371,748
Repairs and maintenance	677,036			677,036
Utilities	84,797			84,797
Administrative	47,429	23,769		71,198
Other	14,885		235	15,120
Capital outlay	447,575			447,575
Debt service				
Principal		1,415,000		1,415,000
Interest and fees		1,135,356		1,135,356
Depreciation				
Total Expenditures/Expenses	<u>1,770,885</u>	<u>2,614,956</u>	<u>2,299</u>	<u>4,388,140</u>
Revenues Over Expenditures/Expenses	803,999	134,005	3,037	941,041
Other Item				
Gain from change in estimate of due to developer				
Change in Net Position				
Fund Balance/Net Position				
Beginning of the year, as reported	5,887,528	1,828,004	140,033	7,855,565
Change due to new accounting guidance (see Note 3)				
Beginning of the year, as restated	<u>5,887,528</u>	<u>1,828,004</u>	<u>140,033</u>	<u>7,855,565</u>
End of the year	<u>\$ 6,691,527</u>	<u>\$ 1,962,009</u>	<u>\$ 143,070</u>	<u>\$ 8,796,606</u>

See notes to basic financial statements.

Adjustments	Statement of Activities
\$ -	\$ 351,576
	490,110
(4,598)	3,921,261
(1,764)	38,374
	8,759
	5,686
	507,053
<u>(6,362)</u>	<u>5,322,819</u>
	170,310
	371,748
	677,036
	84,797
	71,198
	15,120
(447,575)	
(1,415,000)	
46,261	1,181,617
464,602	464,602
<u>(1,351,712)</u>	<u>3,036,428</u>
1,345,350	2,286,391
<u>951,831</u>	<u>951,831</u>
3,238,222	3,238,222
(18,109,486)	(10,253,921)
132,770	132,770
<u>(17,976,716)</u>	<u>(10,121,151)</u>
<u>\$ (33,656,251)</u>	<u>\$ (6,882,929)</u>

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Sedona Lakes Municipal Utility District No. 1 of Brazoria County
Notes to Financial Statements
October 31, 2024

Note 1 – Summary of Significant Accounting Policies

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

Creation

The District was organized, created and established pursuant to an order of the Texas Commission on Environmental Quality, dated February 22, 2008, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on March 5, 2008, and the first bonds were issued on June 28, 2011.

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

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

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

Measurement Focus and Basis of Accounting

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

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

Note 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.

Note 1 – Summary of Significant Accounting Policies (continued)

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.

Interfund Activity

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

Capital Assets

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

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

<u>Assets</u>	<u>Useful Life</u>
Infrastructure	10-45 years
Other facilities	20-30 years

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

Deferred Inflows and Outflows of Financial Resources

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

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Inflows and Outflows of Financial Resources (continued)

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

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’s restricted fund balances consist of unspent bond proceeds in the Capital Projects Fund and property taxes levied for debt service in the Debt Service Fund.

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

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
Notes to Financial Statements
October 31, 2024

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the useful lives and impairment of capital assets; the value of amounts due to developer; 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.

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
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	\$ 8,796,606
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost	\$ 25,456,043	
Less accumulated depreciation	<u>(4,752,951)</u>	
Change due to capital assets		20,703,092

The difference between the face amount of bonds refunded and the amount paid to the escrow agent is recorded as a deferred difference on refunding in the *Statement of Net Position* and amortized to interest expense. It is not recorded in the fund statements because it is not a financial resource.

85,830

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

Bonds payable, net	(32,757,253)	
Interest payable on bonds	<u>(189,107)</u>	
Change due to long-term debt		(32,946,360)

Amounts due to the District's developer for prefunded construction are recorded as a liability in the *Statement of Net Position*.

(3,525,515)

The unavailable portion of property taxes receivable and collections of the 2024 property tax levy are reported as deferred inflows in the fund financial statements. In the government-wide statements, however, deferred inflows consist of the entire 2024 property tax levy.

Fund level deferred property taxes	4,204,320	
Government-wide level deferred property taxes	<u>(4,200,902)</u>	
		3,418

Total net position - governmental activities	<u><u>\$ (6,882,929)</u></u>
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Sedona Lakes Municipal Utility District No. 1 of Brazoria County
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	\$	941,041
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Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and penalties and interest.

(6,362)

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

Capital outlays	\$	447,575	
Depreciation expense		(464,602)	
			(17,027)

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

Principal payments	1,415,000	
Interest expense accrual	(46,261)	
		1,368,739

Revisions in the estimate of due to developer do not provide financial resources in the funds; but may result in gains or losses in the *Statement of Activities*.

951,831

Change in net position of governmental activities	\$	3,238,222
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Note 3 – Implementation of New Accounting Guidance

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

Note 3 – Implementation of New Accounting Guidance (continued)

GASBIG 2021-1, Question 5.1 is required to be retroactively implemented, which means the District is required to record the acquisition of water meters that were expensed in previous fiscal years as infrastructure capital assets and to record the related accumulated depreciation at the beginning of the current fiscal year. Accordingly, the District has recorded a restatement to recognize \$132,770 in depreciable capital assets, which were measured at net book value (i.e., cost less accumulated depreciation) as of the beginning of the current fiscal year and increased its beginning net position by the same amount. Prior year amounts in the Management's Discussion and Analysis and supplementary schedules were not restated.

Note 4 – Deposits and Investments

Deposit Custodial Credit Risk

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

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.

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
Notes to Financial Statements
October 31, 2024

Note 4 – Deposits and Investments (continued)

Investments (continued)

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

Type	Fund	Carrying Value	Percentage of Total	Rating	Weighted Average Maturity
Certificates of deposit	General	\$ 5,200,000			
	Debt Service	1,145,000			
		<u>6,345,000</u>	73%	N/A	N/A
Texas CLASS	General	1,441,549			
	Debt Service	786,674			
	Capital Projects	102,845		AAAm	34 days
		<u>2,331,068</u>	27%		
Total		<u>\$ 8,676,068</u>	<u>100%</u>		

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

Texas CLASS

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

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

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

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
Notes to Financial Statements
October 31, 2024

Note 4 – Deposits and Investments (continued)

Investment Credit and Interest Rate Risk

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

Note 5 – Interfund Balances and Transactions

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

Receivable Fund	Payable Fund	Amounts	Purpose
Debt Service Fund	General Fund	\$ 3,025	Amounts remitted in excess of maintenance tax collections

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

Note 6 – Capital Assets

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

	Beginning Balances	Additions	Adjustments	Ending Balances
Capital assets not being depreciated				
Land and improvements	\$ 4,914,112	\$ -	\$ 1,082,644	\$ 5,996,756
Construction in progress		60,047		60,047
	<u>4,914,112</u>	<u>60,047</u>	<u>1,082,644</u>	<u>6,056,803</u>
Capital assets being depreciated				
Infrastructure	18,976,527	387,528	(487,176)	18,876,879
Other facilities	1,957,488		(1,435,127)	522,361
	<u>20,934,015</u>	<u>387,528</u>	<u>(1,922,303)</u>	<u>19,399,240</u>
Less accumulated depreciation				
Infrastructure	(4,257,313)	(447,190)	108,260	(4,596,243)
Other facilities	(982,867)	(17,412)	843,571	(156,708)
	<u>(5,240,180)</u>	<u>(464,602)</u>	<u>951,831</u>	<u>(4,752,951)</u>
Depreciable capital assets, net	<u>15,693,835</u>	<u>(77,074)</u>	<u>(970,472)</u>	<u>14,646,289</u>
Capital assets, net	<u>\$ 20,607,947</u>	<u>\$ (17,027)</u>	<u>\$ 112,172</u>	<u>\$ 20,703,092</u>

Depreciation expense for the current fiscal year was \$464,602.

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
Notes to Financial Statements
October 31, 2024

Note 6 – Capital Assets (continued)

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

During the current fiscal year, the District revised its estimate of the amounts due to developer for certain capital assets and adjusted the values of those assets accordingly. A gain from change in estimate in the amount of \$951,831 was recorded for the net book value of these assets.

The District has contractual commitments for construction projects as follows:

	Contract Amount	Amounts Paid	Remaining Commitment
Pond 5 Toe Rehabilitation - Phase 2	\$ 118,450	\$ -	\$ 118,450

Note 7 – Due to Developer

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

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

Due to developer, beginning of year	\$ 4,365,174
Change in estimate of due to developer	(2,223,780)
Developer funded land acquisitions	1,384,121
Due to developer, end of year	<u><u>\$ 3,525,515</u></u>

The District's developer has requested reimbursement of approximately \$1.8 million for park projects completed in previous years. Since these projects were not submitted to, publicly bid, or approved by the Board, the Board does not recognize these projects as District projects, therefore these projects are not subject to reimbursement. Additionally, during the current year, the District determined that the developer had been reimbursed for certain projects included in due to developer. As a result, the District revised its estimate of amounts due to developer and has reduced the reported liability (See Note 6).

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
Notes to Financial Statements
October 31, 2024

Note 8 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 32,745,000
Unamortized discounts	(191,763)
Unamortized premium	204,016
	<u>\$ 32,757,253</u>
Due within one year	<u>\$ 1,415,000</u>

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

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2014	\$ 2,845,000	\$ 3,790,000	2.50% - 4.50%	September 1, 2016/2039	March 1, September 1	September 1, 2022
2015	3,615,000	4,920,000	2.00% - 4.00%	September 1, 2016/2040	March 1, September 1	September 1, 2023
2015 Road	2,485,000	3,190,000	2.00% - 4.00%	September 1, 2018/2040	March 1, September 1	September 1, 2023
2017	4,235,000	5,480,000	2.00% - 3.75%	September 1, 2017/2041	March 1, September 1	September 1, 2025
2017 Road	2,105,000	2,620,000	2.00% - 3.50%	September 1, 2018/2042	March 1, September 1	September 1, 2025
2019	1,940,000	2,265,000	3.00% - 4.00%	September 1, 2020/2043	March 1, September 1	September 1, 2025
2019 Refunding	1,945,000	2,470,000	3.00% - 4.00%	September 1, 2020/2035	March 1, September 1	September 1, 2025
2020	2,325,000	2,700,000	2.00% - 2.50%	September 1, 2021/2044	March 1, September 1	September 1, 2028
2020 Refunding	2,820,000	3,250,000	2.00% - 2.125%	September 1, 2021/2036	March 1, September 1	September 1, 2028
2021 Road	3,005,000	3,370,000	2.00% - 3.00%	September 1, 2021/2045	March 1, September 1	September 1, 2026
2023 Road	5,425,000	5,585,000	4.00% - 6.50%	September 1, 2024/2048	March 1, September 1	September 1, 2030
	<u>\$ 32,745,000</u>					

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
Notes to Financial Statements
October 31, 2024

Note 8 – Long-Term Debt (continued)

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

At October 31, 2024, the District had authorized but unissued bonds in the amount of \$77,227,041 for water, sewer and drainage facilities; \$9,000,000 for parks and recreational facilities; \$65,235,000 for road improvements and \$270,280,000 for refunding purposes.

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

Bonds payable, beginning of year	\$ 34,160,000
Bonds retired	(1,415,000)
Bonds payable, end of year	<u>\$ 32,745,000</u>

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

Year	Principal	Interest	Totals
2025	\$ 1,415,000	\$ 1,134,644	\$ 2,549,644
2026	1,475,000	1,088,443	2,563,443
2027	1,535,000	1,039,921	2,574,921
2028	1,590,000	989,883	2,579,883
2029	1,640,000	937,510	2,577,510
2030	1,715,000	882,648	2,597,648
2031	1,765,000	825,062	2,590,062
2032	1,850,000	769,435	2,619,435
2033	1,910,000	710,357	2,620,357
2034	1,980,000	647,587	2,627,587
2035	2,060,000	581,620	2,641,620
2036	1,915,000	511,982	2,426,982
2037	1,700,000	449,439	2,149,439
2038	1,760,000	387,459	2,147,459
2039	1,825,000	322,733	2,147,733
2040	1,635,000	253,895	1,888,895
2041	1,185,000	194,138	1,379,138
2042	875,000	151,919	1,026,919
2043	740,000	121,324	861,324
2044	625,000	95,362	720,362
2045	500,000	72,550	572,550
2046	335,000	52,500	387,500
2047	350,000	35,750	385,750
2048	365,000	18,250	383,250
	<u>\$ 32,745,000</u>	<u>\$ 12,274,405</u>	<u>\$ 45,019,405</u>

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
Notes to Financial Statements
October 31, 2024

Note 9 – Property Taxes

On May 10, 2008, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to \$1.25 per \$100 of assessed value and recreational facilities maintenance limited to \$0.10 per \$100 of assessed value. On November 3, 2009, the District voted to authorize road bonds and a tax rate with no limitation. The District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

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

Property taxes are collected based on rates adopted in the year of the levy. The District's 2024 fiscal year was financed through the 2023 tax levy, pursuant to which the District levied property taxes of \$1.175 per \$100 of assessed value, of which \$0.405 was allocated to maintenance and operations, \$0.485 was allocated to water, sewer, and drainage debt service, and \$0.285 was allocated to road debt service. The resulting tax levy was \$3,931,798 on the adjusted taxable value of \$334,621,089.

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 \$4,200,902 is reported as deferred inflows. These amounts will be recognized as revenue in 2025.

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

Current year taxes receivable	\$ 4,200,902
Prior years taxes receivable	3,418
Total property taxes receivable	<u><u>\$ 4,204,320</u></u>

Note 10 – 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

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

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water service	\$ 390,000	\$ 351,576	\$ (38,424)
Sewer service	490,000	490,110	110
Property taxes	1,369,181	1,353,317	(15,864)
Penalties and interest	18,000	19,442	1,442
Tap connection and inspection	14,772	8,759	(6,013)
Miscellaneous	6,500	5,686	(814)
Investment earnings	114,000	345,994	231,994
Total Revenues	<u>2,402,453</u>	<u>2,574,884</u>	<u>172,431</u>
Expenditures			
Current service operations			
Professional fees	166,500	168,246	(1,746)
Contracted services	313,750	330,917	(17,167)
Repairs and maintenance	494,000	677,036	(183,036)
Utilities	79,000	84,797	(5,797)
Administrative	69,180	47,429	21,751
Other	47,000	14,885	32,115
Capital outlay	781,000	447,575	333,425
Total Expenditures	<u>1,950,430</u>	<u>1,770,885</u>	<u>179,545</u>
Revenues Over Expenditures	452,023	803,999	351,976
Fund Balance			
Beginning of the year	5,887,528	5,887,528	
End of the year	<u>\$ 6,339,551</u>	<u>\$ 6,691,527</u>	<u>\$ 351,976</u>

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
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 fiscal year.

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Texas Supplementary Information

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
TSI-1. Services and Rates
October 31, 2024

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

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

2. Retail Service Providers

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

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels	
Water:	\$ 32.00	10,000	N	\$ 2.90	10,001	to 20,000
				\$ 3.50	20,001	to 25,000
				\$ 4.40	25,001	to no limit
Wastewater:	\$ 32.00	10,000	N	\$ 1.50	10,001	to 20,000
				\$ 1.75	20,001	to 25,000
				\$ 2.00	25,001	to no limit

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

Total charges per 10,000 gallons usage: Water \$ 32.00 Wastewater \$ 32.00

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	482	481	x 1.0	481
1"	176	176	x 2.5	440
1.5"	4	4	x 5.0	20
2"	20	19	x 8.0	152
3"	2	2	x 15.0	30
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water	684	682		1,123
Total Wastewater	660	658	x 1.0	658

See accompanying auditor's report.

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
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>111,337,000</u>	Water Accountability Ratio:
Gallons billed to customers:	<u>103,579,000</u>	(Gallons billed / Gallons pumped)
		<u>93.03%</u>

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

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

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

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

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

5. Location of District:

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

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

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

City(ies) in which the District is located: _____

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

Entirely ☒ Partly ☐ Not at all ☐

ETJs in which the District is located: City of Manvel

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

If Yes, by whom? _____

See accompanying auditor's report.

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
TSI-2. General Fund Expenditures
For the Year Ended October 31, 2024

Professional fees	
Legal	\$ 92,325
Audit	17,500
Engineering	58,421
	<u>168,246</u>
Contracted services	
Bookkeeping	15,083
Operator	93,389
Garbage collection	202,404
Inspection	15,309
Sludge removal	4,732
	<u>330,917</u>
Repairs and maintenance	<u>677,036</u>
Utilities	<u>84,797</u>
Administrative	
Directors fees	10,829
Insurance	29,555
Other	7,045
	<u>47,429</u>
Other	<u>14,885</u>
Capital outlay	<u>447,575</u>
Total expenditures	<u><u>\$ 1,770,885</u></u>

See accompanying auditor's report.

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
TSI-3. Investments
October 31, 2024

Fund	Interest Rate	Maturity Date	Balance at End of Year	Interest Receivable
General				
Texas CLASS	Variable	N/A	\$ 1,441,549	\$ -
Certificate of deposit	5.01%	02/21/25	4,000,000	39,200
Certificate of deposit	5.11%	02/21/25	1,000,000	9,800
Certificate of deposit	4.55%	05/22/25	200,000	10,412
			<u>6,641,549</u>	<u>59,412</u>
Debt Service				
Texas CLASS	Variable	N/A	575,240	
Texas CLASS	Variable	N/A	211,434	
Certificate of deposit	5.01%	02/21/25	600,000	5,880
Certificate of deposit	4.95%	04/22/25	300,000	8,639
Certificate of deposit	5.11%	02/21/25	245,000	2,401
			<u>1,931,674</u>	<u>16,920</u>
Capital Projects				
Texas CLASS	Variable	N/A	<u>102,845</u>	
Total - All Funds			<u>\$ 8,676,068</u>	<u>\$ 76,332</u>

See accompanying auditor's report.

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
TSI-4. Taxes Levied and Receivable
October 31, 2024

	Maintenance Taxes	Road Debt Service Taxes	W-S-D Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	\$ 1,284,058	\$ 903,096	\$ 1,539,218	\$ 3,726,372
Adjustments	43,893	31,530	50,741	126,164
Adjusted Receivable	1,327,951	934,626	1,589,959	3,852,536
2024 Original Tax Levy	1,383,782	871,270	1,657,121	3,912,173
Adjustments	102,127	64,302	122,300	288,729
Adjusted Tax Levy	1,485,909	935,572	1,779,421	4,200,902
Total to be accounted for	2,813,860	1,870,198	3,369,380	8,053,438
Tax collections				
2024	-	-	-	-
Prior years	1,326,782	933,817	1,588,519	3,849,118
Total Collections	1,326,782	933,817	1,588,519	3,849,118
Taxes Receivable, End of Year	\$ 1,487,078	\$ 936,381	\$ 1,780,861	\$ 4,204,320
Taxes Receivable, By Years				
2024	\$ 1,485,909	\$ 935,572	\$ 1,779,421	\$ 4,200,902
2023	1,092	768	1,308	3,168
2022	41	21	76	138
2021 and prior	36	20	56	112
Taxes Receivable, End of Year	\$ 1,487,078	\$ 936,381	\$ 1,780,861	\$ 4,204,320
	2024	2023	2022	2021
Property Valuations				
Land	\$ 81,471,867	\$ 78,841,520	\$ 53,976,870	\$ 53,767,340
Improvements	304,278,641	306,014,367	268,035,295	225,193,720
Personal Property	9,252,180	5,951,240	5,822,290	6,119,160
Exemptions	(28,111,658)	(56,186,038)	(32,832,487)	(17,552,393)
Total Property Valuations	\$ 366,891,030	\$ 334,621,089	\$ 295,001,968	\$ 267,527,827
Tax Rates per \$100 Valuation				
Maintenance tax rates	\$ 0.405	\$ 0.405	\$ 0.360	\$ 0.400
Road debt service tax rates	0.255	0.285	0.180	0.205
W-S-D debt service tax rates	0.485	0.485	0.665	0.625
Total Tax Rates per \$100 Valuation	\$ 1.145	\$ 1.175	\$ 1.205	\$ 1.230
Adjusted Tax Levy	\$ 4,200,902	\$ 3,931,798	\$ 3,554,774	\$ 3,290,592
Percentage of Taxes Collected to Taxes Levied **	0.00%	99.92%	100.00%	100.00%

* Maximum Maintenance Tax Rate Approved by Voters: \$1.25 on May 10, 2008

* Maximum Recreational Facilities Maintenance Tax Rate Approved by Voters: \$0.10 on May 10, 2008

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

See accompanying auditor's report.

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
TSI-5. Long-Term Debt Service Requirements
Series 2014--by Years
October 31, 2024

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2025	\$ 130,000	\$ 121,500	\$ 251,500
2026	140,000	116,950	256,950
2027	145,000	111,840	256,840
2028	155,000	106,403	261,403
2029	160,000	100,203	260,203
2030	170,000	93,643	263,643
2031	175,000	86,630	261,630
2032	185,000	79,280	264,280
2033	195,000	71,325	266,325
2034	205,000	62,550	267,550
2035	215,000	53,325	268,325
2036	225,000	43,650	268,650
2037	235,000	33,525	268,525
2038	250,000	22,950	272,950
2039	260,000	11,700	271,700
	<u>\$ 2,845,000</u>	<u>\$ 1,115,473</u>	<u>\$ 3,960,473</u>

See accompanying auditor's report.

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
TSI-5. Long-Term Debt Service Requirements
Series 2015--by Years
October 31, 2024

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2025	\$ 170,000	\$ 119,744	\$ 289,744
2026	175,000	115,069	290,069
2027	180,000	110,256	290,256
2028	190,000	104,856	294,856
2029	195,000	99,156	294,156
2030	205,000	93,306	298,306
2031	210,000	87,156	297,156
2032	220,000	80,856	300,856
2033	225,000	73,981	298,981
2034	235,000	66,950	301,950
2035	245,000	59,313	304,313
2036	255,000	51,350	306,350
2037	265,000	43,064	308,064
2038	270,000	33,126	303,126
2039	280,000	23,000	303,000
2040	295,000	11,800	306,800
	<u>\$ 3,615,000</u>	<u>\$ 1,172,983</u>	<u>\$ 4,787,983</u>

See accompanying auditor's report.

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
TSI-5. Long-Term Debt Service Requirements
Series 2015 Road--by Years
October 31, 2024

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2025	\$ 115,000	\$ 86,531	\$ 201,531
2026	120,000	83,081	203,081
2027	125,000	79,481	204,481
2028	130,000	75,731	205,731
2029	135,000	71,831	206,831
2030	140,000	67,444	207,444
2031	145,000	62,894	207,894
2032	150,000	58,181	208,181
2033	155,000	53,306	208,306
2034	160,000	48,075	208,075
2035	170,000	42,675	212,675
2036	175,000	36,725	211,725
2037	180,000	30,600	210,600
2038	190,000	23,400	213,400
2039	195,000	15,800	210,800
2040	200,000	8,000	208,000
	<u>\$ 2,485,000</u>	<u>\$ 843,755</u>	<u>\$ 3,328,755</u>

See accompanying auditor's report.

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
TSI-5. Long-Term Debt Service Requirements
Series 2017--by Years
October 31, 2024

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2025	\$ 180,000	\$ 144,075	\$ 324,075
2026	185,000	138,675	323,675
2027	195,000	133,125	328,125
2028	200,000	127,275	327,275
2029	210,000	121,275	331,275
2030	220,000	114,713	334,713
2031	225,000	107,838	332,838
2032	235,000	100,525	335,525
2033	245,000	92,888	337,888
2034	255,000	84,313	339,313
2035	265,000	75,388	340,388
2036	275,000	66,113	341,113
2037	285,000	56,488	341,488
2038	295,000	46,513	341,513
2039	310,000	36,188	346,188
2040	320,000	24,563	344,563
2041	335,000	12,563	347,563
	<u>\$ 4,235,000</u>	<u>\$ 1,482,513</u>	<u>\$ 5,717,513</u>

See accompanying auditor's report.

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
TSI-5. Long-Term Debt Service Requirements
Series 2017 Road--by Years
October 31, 2024

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2025	\$ 80,000	\$ 67,656	\$ 147,656
2026	85,000	65,256	150,256
2027	90,000	62,706	152,706
2028	95,000	60,006	155,006
2029	95,000	57,156	152,156
2030	100,000	54,306	154,306
2031	105,000	51,306	156,306
2032	110,000	48,156	158,156
2033	115,000	44,719	159,719
2034	115,000	41,125	156,125
2035	120,000	37,388	157,388
2036	125,000	33,488	158,488
2037	130,000	29,425	159,425
2038	135,000	25,200	160,200
2039	140,000	20,813	160,813
2040	150,000	16,088	166,088
2041	155,000	11,025	166,025
2042	160,000	5,600	165,600
	<u>\$ 2,105,000</u>	<u>\$ 731,419</u>	<u>\$ 2,836,419</u>

See accompanying auditor's report.

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
TSI-5. Long-Term Debt Service Requirements
Series 2019--by Years
October 31, 2024

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2025	\$ 70,000	\$ 70,213	\$ 140,213
2026	75,000	67,413	142,413
2027	75,000	64,413	139,413
2028	80,000	61,413	141,413
2029	85,000	58,213	143,213
2030	85,000	54,812	139,812
2031	90,000	51,412	141,412
2032	95,000	47,812	142,812
2033	95,000	44,012	139,012
2034	100,000	40,212	140,212
2035	105,000	36,212	141,212
2036	110,000	32,012	142,012
2037	115,000	28,437	143,437
2038	115,000	24,700	139,700
2039	120,000	20,962	140,962
2040	125,000	17,062	142,062
2041	130,000	13,000	143,000
2042	135,000	8,775	143,775
2043	135,000	4,387	139,387
	<u>\$ 1,940,000</u>	<u>\$ 745,472</u>	<u>\$ 2,685,472</u>

See accompanying auditor's report.

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
TSI-5. Long-Term Debt Service Requirements
Series 2019 Refunding--by Years
October 31, 2024

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2025	\$ 140,000	\$ 77,800	\$ 217,800
2026	150,000	72,200	222,200
2027	155,000	66,200	221,200
2028	160,000	60,000	220,000
2029	165,000	53,600	218,600
2030	175,000	47,000	222,000
2031	180,000	40,000	220,000
2032	195,000	32,800	227,800
2033	200,000	25,000	225,000
2034	205,000	17,000	222,000
2035	220,000	8,800	228,800
	<u>\$ 1,945,000</u>	<u>\$ 500,400</u>	<u>\$ 2,445,400</u>

See accompanying auditor's report.

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
TSI-5. Long-Term Debt Service Requirements
Series 2020--by Years
October 31, 2024

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2025	\$ 95,000	\$ 51,713	\$ 146,713
2026	95,000	49,812	144,812
2027	100,000	47,913	147,913
2028	100,000	45,912	145,912
2029	100,000	43,913	143,913
2030	105,000	41,912	146,912
2031	105,000	39,813	144,813
2032	110,000	37,712	147,712
2033	110,000	35,513	145,513
2034	115,000	33,312	148,312
2035	115,000	30,869	145,869
2036	120,000	28,425	148,425
2037	120,000	25,875	145,875
2038	125,000	22,995	147,995
2039	125,000	19,995	144,995
2040	130,000	16,995	146,995
2041	135,000	13,875	148,875
2042	135,000	10,500	145,500
2043	140,000	7,125	147,125
2044	145,000	3,625	148,625
	<u>\$ 2,325,000</u>	<u>\$ 607,804</u>	<u>\$ 2,932,804</u>

See accompanying auditor's report.

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
TSI-5. Long-Term Debt Service Requirements
Series 2020 Refunding--by Years
October 31, 2024

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2025	\$ 200,000	\$ 57,400	\$ 257,400
2026	205,000	53,400	258,400
2027	215,000	49,300	264,300
2028	215,000	45,000	260,000
2029	225,000	40,700	265,700
2030	230,000	36,200	266,200
2031	235,000	31,600	266,600
2032	245,000	26,900	271,900
2033	250,000	22,000	272,000
2034	260,000	17,000	277,000
2035	265,000	11,475	276,475
2036	275,000	5,844	280,844
	<u>\$ 2,820,000</u>	<u>\$ 396,819</u>	<u>\$ 3,216,819</u>

See accompanying auditor's report.

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
TSI-5. Long-Term Debt Service Requirements
Series 2021 Road--by Years
October 31, 2024

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2025	\$ 110,000	\$ 65,675	\$ 175,675
2026	115,000	62,375	177,375
2027	115,000	58,925	173,925
2028	120,000	56,625	176,625
2029	120,000	54,225	174,225
2030	125,000	51,825	176,825
2031	130,000	49,325	179,325
2032	130,000	46,725	176,725
2033	135,000	44,125	179,125
2034	140,000	41,425	181,425
2035	140,000	38,625	178,625
2036	145,000	35,825	180,825
2037	150,000	32,925	182,925
2038	150,000	29,925	179,925
2039	155,000	26,550	181,550
2040	160,000	23,062	183,062
2041	165,000	19,463	184,463
2042	170,000	15,750	185,750
2043	175,000	11,925	186,925
2044	175,000	7,987	182,987
2045	180,000	4,050	184,050
	<u>\$ 3,005,000</u>	<u>\$ 777,337</u>	<u>\$ 3,782,337</u>

See accompanying auditor's report.

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
TSI-5. Long-Term Debt Service Requirements
Series 2023 Road--by Years
October 31, 2024

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2025	\$ 125,000	\$ 272,337	\$ 397,337
2026	130,000	264,212	394,212
2027	140,000	255,762	395,762
2028	145,000	246,662	391,662
2029	150,000	237,238	387,238
2030	160,000	227,488	387,488
2031	165,000	217,088	382,088
2032	175,000	210,488	385,488
2033	185,000	203,488	388,488
2034	190,000	195,625	385,625
2035	200,000	187,550	387,550
2036	210,000	178,550	388,550
2037	220,000	169,100	389,100
2038	230,000	158,650	388,650
2039	240,000	147,725	387,725
2040	255,000	136,325	391,325
2041	265,000	124,212	389,212
2042	275,000	111,294	386,294
2043	290,000	97,887	387,887
2044	305,000	83,750	388,750
2045	320,000	68,500	388,500
2046	335,000	52,500	387,500
2047	350,000	35,750	385,750
2048	365,000	18,250	383,250
	<u>\$ 5,425,000</u>	<u>\$ 3,900,431</u>	<u>\$ 9,325,431</u>

See accompanying auditor's report.

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
October 31, 2024

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2025	\$ 1,415,000	\$ 1,134,644	\$ 2,549,644
2026	1,475,000	1,088,443	2,563,443
2027	1,535,000	1,039,921	2,574,921
2028	1,590,000	989,883	2,579,883
2029	1,640,000	937,510	2,577,510
2030	1,715,000	882,648	2,597,648
2031	1,765,000	825,062	2,590,062
2032	1,850,000	769,435	2,619,435
2033	1,910,000	710,357	2,620,357
2034	1,980,000	647,587	2,627,587
2035	2,060,000	581,620	2,641,620
2036	1,915,000	511,982	2,426,982
2037	1,700,000	449,439	2,149,439
2038	1,760,000	387,459	2,147,459
2039	1,825,000	322,733	2,147,733
2040	1,635,000	253,895	1,888,895
2041	1,185,000	194,138	1,379,138
2042	875,000	151,919	1,026,919
2043	740,000	121,324	861,324
2044	625,000	95,362	720,362
2045	500,000	72,550	572,550
2046	335,000	52,500	387,500
2047	350,000	35,750	385,750
2048	365,000	18,250	383,250
	<u>\$ 32,745,000</u>	<u>\$ 12,274,405</u>	<u>\$ 45,019,405</u>

See accompanying auditor's report.

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
TSI-6. Change in Long-Term Bonded Debt
October 31, 2024

Page 1 of 3

	Bond Issue			
	Series 2014	Series 2015	Series 2015 Road	Series 2017
Interest rate	2.50% - 4.50%	2.00% - 4.00%	2.00% - 4.00%	2.00% - 3.75%
Dates interest payable	3/1; 9/1	3/1; 9/1	3/1; 9/1	3/1; 9/1
Maturity dates	9/1/16 - 9/1/39	9/1/16 - 9/1/40	9/1/18 - 9/1/40	9/1/17 - 9/1/41
Beginning bonds outstanding	\$ 2,970,000	\$ 3,780,000	\$ 2,595,000	\$ 4,405,000
Bonds retired	(125,000)	(165,000)	(110,000)	(170,000)
Ending bonds outstanding	<u>\$ 2,845,000</u>	<u>\$ 3,615,000</u>	<u>\$ 2,485,000</u>	<u>\$ 4,235,000</u>
Interest paid during fiscal year	<u>\$ 125,625</u>	<u>\$ 123,869</u>	<u>\$ 89,281</u>	<u>\$ 149,175</u>
Paying agent's name and city				
Series 2012	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas			
Series 2014, 2015, 2015 Road and 2017	Amegy Bank, N.A., Houston, TX			
All other Series	ZB, National Association dba Amegy Bank, Houston, Texas			
Bond Authority:	Water, Sewer and Drainage Bonds	Park Bonds	Road Bonds	Refunding Bonds
Amount Authorized by Voters	\$ 104,000,000	\$ 9,000,000	\$ 80,000,000	\$ 276,000,000
Amount Issued	(26,772,959)		(14,765,000)	(5,720,000)
Remaining To Be Issued	<u>\$ 77,227,041</u>	<u>\$ 9,000,000</u>	<u>\$ 65,235,000</u>	<u>\$ 270,280,000</u>

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

Debt Service Fund cash and investment balances as of October 31, 2024: \$ 1,942,863

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 1,875,809

See accompanying auditor's report.

Sedona Lakes Municipal Utility District No. 1 of Brazoria County
TSI-6. Change in Long-Term Bonded Debt
October 31, 2024

Page 2 of 3

	Bond Issue			
	Series 2017 Road	Series 2019	Series 2019 Refunding	Series 2020
Interest rate	2.00% - 3.50%	3.00% - 4.00%	3.00% - 4.00%	2.00% - 2.50%
Dates interest payable	3/1; 9/1	3/1; 9/1	3/1; 9/1	3/1; 9/1
Maturity dates	9/1/18 - 9/1/42	9/1/20 - 9/1/43	9/1/20 - 9/1/35	9/1/21 - 9/1/44
Beginning bonds outstanding	\$ 2,185,000	\$ 2,010,000	\$ 2,080,000	\$ 2,420,000
Bonds retired	<u>(80,000)</u>	<u>(70,000)</u>	<u>(135,000)</u>	<u>(95,000)</u>
Ending bonds outstanding	<u>\$ 2,105,000</u>	<u>\$ 1,940,000</u>	<u>\$ 1,945,000</u>	<u>\$ 2,325,000</u>
Interest paid during fiscal year	<u>\$ 70,056</u>	<u>\$ 72,313</u>	<u>\$ 81,850</u>	<u>\$ 53,612</u>

See accompanying auditor's report.

Bond Issue			Totals
Series 2020 Refunding	Series 2021 Road	Series 2023 Road	
2.00% - 2.125% 3/1; 9/1 9/1/21 - 9/1/36	2.00% - 3.00% 3/1; 9/1 9/1/21 - 9/1/45	4.00% - 6.50% 3/1; 9/1 9/1/24 - 9/1/48	
\$ 3,015,000	\$ 3,115,000	\$ 5,585,000	\$ 34,160,000
(195,000)	(110,000)	(160,000)	(1,415,000)
<u>\$ 2,820,000</u>	<u>\$ 3,005,000</u>	<u>\$ 5,425,000</u>	<u>\$ 32,745,000</u>
<u>\$ 61,300</u>	<u>\$ 67,875</u>	<u>\$ 236,400</u>	<u>\$ 1,131,356</u>

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

	Amounts				
	2024	2023	2022	2021	2020
Revenues					
Water service	\$ 351,576	\$ 398,837	\$ 377,440	\$ 324,665	\$ 331,693
Sewer service	490,110	495,796	476,711	443,858	437,710
Property taxes	1,353,317	1,064,124	1,071,637	1,042,202	1,220,517
Penalties and interest	19,442	22,181	17,876	11,482	6,144
Tap connection and inspection	8,759	8,795	149,095	4,975	104,060
Miscellaneous	5,686	6,153	5,353	4,707	17,185
Investment earnings	345,994	221,108	29,943	6,751	31,748
Total Revenues	<u>2,574,884</u>	<u>2,216,994</u>	<u>2,128,055</u>	<u>1,838,640</u>	<u>2,149,057</u>
Expenditures					
Current service operations					
Professional fees	168,246	220,152	134,209	208,995	145,260
Contracted services	330,917	324,840	328,336	281,109	322,896
Repairs and maintenance	677,036	496,219	495,709	555,049	387,295
Utilities	84,797	81,058	69,772	62,887	60,419
Administrative	47,429	44,698	43,086	34,175	30,896
Other	14,885	11,041	51,858	6,682	14,339
Lease				39,360	78,720
Capital outlay	447,575			34	21,932
Total Expenditures	<u>1,770,885</u>	<u>1,178,008</u>	<u>1,122,970</u>	<u>1,188,291</u>	<u>1,061,757</u>
Revenues Over Expenditures	<u>\$ 803,999</u>	<u>\$ 1,038,986</u>	<u>\$ 1,005,085</u>	<u>\$ 650,349</u>	<u>\$ 1,087,300</u>
Total Active Retail Water Connections	<u>682</u>	<u>679</u>	<u>679</u>	<u>669</u>	<u>668</u>
Total Active Retail Wastewater Connections	<u>658</u>	<u>657</u>	<u>658</u>	<u>651</u>	<u>652</u>

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2024	2023	2022	2021	2020
14%	18%	18%	18%	15%
19%	22%	22%	24%	20%
53%	49%	51%	57%	58%
1%	1%	1%	1%	*
*	*	7%	*	5%
*	*	*	*	1%
13%	10%	1%	*	1%
100%	100%	100%	100%	100%
7%	10%	6%	11%	7%
13%	15%	15%	15%	15%
26%	22%	23%	30%	18%
3%	4%	3%	3%	3%
2%	2%	2%	2%	1%
1%	*	2%	*	1%
			2%	4%
17%			*	1%
69%	53%	51%	63%	50%
31%	47%	49%	37%	50%

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

	Amounts				
	2024	2023	2022	2021	2020
Revenues					
Property taxes	\$ 2,572,542	\$ 2,497,385	\$ 2,223,080	\$ 2,174,222	\$ 1,831,292
Penalties and interest	20,696	15,782	10,461	15,792	12,780
Investment earnings	155,723	94,558	10,635	4,183	28,170
Total Revenues	2,748,961	2,607,725	2,244,176	2,194,197	1,872,242
Expenditures					
Tax collection services	64,600	37,425	38,030	37,581	36,591
Other			590	23,540	
Debt service					
Principal	1,415,000	1,205,000	1,170,000	1,090,000	875,000
Interest and fees	1,135,356	928,389	958,129	939,985	921,853
Debt issuance costs				81,623	
Total Expenditures	2,614,956	2,170,814	2,166,749	2,172,729	1,833,444
Revenues Over Expenditures	\$ 134,005	\$ 436,911	\$ 77,427	\$ 21,468	\$ 38,798

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2024	2023	2022	2021	2020
93%	95%	100%	99%	97%
1%	1%	*	1%	1%
6%	4%	*	*	2%
100%	100%	100%	100%	100%
2%	1%	2%	2%	2%
		*	1%	
51%	46%	52%	50%	47%
41%	36%	43%	43%	49%
			4%	
94%	83%	97%	100%	98%
6%	17%	3%	0%	2%

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

Complete District Mailing Address: 1330 Post Oak Blvd., Suite 2650, Houston, TX 77056
District Business Telephone Number: (713) 850-9000
Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): August 3, 2022
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
Board Members				
Jim Forrest	05/22 - 05/26	\$ 2,652	\$ 265	President
Lambert Austin	05/22 - 05/26	1,768	206	Vice President
Ezra Sillas	05/24 - 05/28	1,989	176	Secretary
Spencer Gauthier	05/24 - 05/28	2,431	235	Assistant Secretary
Wallace Trochesset	05/24 - 05/28	1,989	206	Assistant Secretary
		Amounts Paid		
Consultants				
Sanford Kuhl Hagan Kugle Parker Kahn LLP	2008			Attorney
<i>General legal fees</i>		\$ 95,522		
Municipal District Services, LLC	2011	493,594		Operator
L & S District Services, LLC	2016	15,559		Bookkeeper
Utility Tax Service, LLC	2009	10,022		Tax Collector
Brazoria County Appraisal District	Legislation	24,896		Property Valuation
Perdue, Brandon, Fielder, Collins, & Mott, LLP	2021	4,322		Delinquent Tax Attorney
Brown & Gay Engineers, Inc.	2011	163,761		Engineer
McGrath & Co., PLLC	2010	25,750		Auditor
Robert W. Baird & Co., Inc.	2015			Financial Advisor

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

See accompanying auditor's report.