

OFFICIAL STATEMENT DATED JUNE 11, 2026

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

The Bonds have been designated as "qualified tax-exempt obligations" for financial institutions.

NEW ISSUE—Book-Entry-Only

S&P Global Ratings (BAM Insured) "AA"
Moody's Investors Service, Inc. (Underlying) .. "Baa3"
See "MUNICIPAL BOND INSURANCE" and "RATINGS."

\$2,860,000
UNLIMITED TAX BONDS
SERIES 2026

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 56

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

Dated: June 1, 2026

Interest Accrues from: Date of Delivery

Due: September 1, as shown on inside cover

The \$2,860,000 Brazoria County Municipal Utility District No. 56 Unlimited Tax Bonds, Series 2026 (the "Bonds") are obligations of Brazoria County Municipal Utility District No. 56 (the "District") and are not obligations of the State of Texas; Brazoria County, Texas; the City of Manvel, Texas; or any political subdivision or entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; Brazoria County, Texas; the City of Manvel, Texas; nor any entity other than the District is pledged to the payment of the principal of or the interest on the Bonds.

Principal of the Bonds is payable upon presentation at the principal payment office of the paying agent/registrars, initially, BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"). Interest accrues from the initial date of delivery (expected on June 29, 2026) (the "Date of Delivery"), and is payable March 1, 2027, 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, ("DTC"), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent/Registrar directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. See "THE BONDS – Book-Entry-Only System."

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

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



The Bonds are the fifth series of bonds issued by the District out of an aggregate of \$141,315,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of acquiring or constructing water, wastewater, and drainage facilities to serve the District (the "Utility System") and for the refunding of such bonds. The voters of the District have authorized the issuance of an aggregate of \$61,925,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road improvements to serve the District (the "Road System") and for the refunding of such bonds. The voters of the District have authorized the issuance of an aggregate of \$32,240,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District (the "Park System") and for the refunding of such bonds. Following the issuance of the Bonds, \$96,920,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System and for the refunding of such bonds, \$44,095,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System and for the refunding of such bonds, and \$32,240,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Park System and for the refunding of such bonds will remain authorized but unissued. See "THE BONDS – Authority for Issuance."

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

The Bonds are offered when, as and if issued by the District and accepted by the winning bidder for the Bonds (the "Initial Purchaser"), and subject to the approval of the Attorney General of Texas and of Allen Boone Humphries Robinson LLP ("Bond Counsel"). Certain legal matters will be passed on for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas ("Disclosure Counsel"). Delivery of the Bonds is expected on or about June 29, 2026.

PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS

\$2,860,000 Unlimited Tax Bonds, Series 2026

Maturity September 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 10608P (b)	Maturity September 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 10608P (b)
2027	\$ 45,000	5.000%	3.000%	GZ6	2039 (c)	\$ 115,000	4.000%	4.000%	HM4
2028	70,000	5.000	3.060	HA0	2040 (c)	120,000	4.000	4.050	HN2
2029	75,000	5.000	3.120	HB8	2041 (c)	130,000	4.000	4.100	HP7
2030	75,000	5.000	3.200	HC6	2042 (c)	135,000	4.000	4.150	HQ5
2031	80,000	4.000	3.290	HD4	2043 (c)	140,000	4.000	4.250	HR3
2032 (c)	85,000	4.000	3.400	HE2	2044 (c)	150,000	4.250	4.300	HS1
2033 (c)	90,000	4.000	3.440	HF9	2045 (c)	155,000	4.250	4.400	HT9
2034 (c)	95,000	4.000	3.520	HG7	2046 (c)	160,000	4.250	4.500	HU6
2035 (c)	95,000	4.000	3.600	HH5	2047 (c)	170,000	4.375	4.550	HV4
2036 (c)	100,000	4.000	3.700	HJ1	2048 (c)	180,000	4.500	4.600	HW2
2037 (c)	105,000	4.000	3.800	HK8	2049 (c)	185,000	4.500	4.630	HX0
2038 (c)	110,000	4.000	3.900	HL6	2050 (c)	195,000	4.500	4.650	HY8

- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser. Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.
- (c) Bonds maturing on September 1, 2032, 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, 2031, 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

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 (herein defined).

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

The Financial Advisor (herein defined) has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

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

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

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

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

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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 resulting in the lowest net interest cost, which was tendered by Fidelity Capital Markets (the "Initial Purchaser"). The Initial Purchaser has agreed to purchase the Bonds, bearing the interest rates shown under "PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS" on the inside cover page of this Official Statement, at a price of 97.069374% of the principal amount thereof, which resulted in a net effective interest rate of 4.448845% 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

Subject to certain hold-the-offering-price requirements described in the Official Notice of Sale (herein defined), the District has no control over the reoffering yields or prices of the Bonds or over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked prices of the Bonds may be greater than the difference between the bid and asked prices of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

Subject to certain hold-the-offering-price requirements described in the Official Notice of Sale, the prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the 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 THIS OFFERING, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue a Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products to issuers in the U.S. public finance markets. BAM will only insure municipal

bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 28 Liberty Street, 59th Floor, New York, New York 10005, its telephone number is: 212-235-2500, and its website is located at: <https://bambonds.com/>.

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

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services, LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at <https://www.spglobal.com/en/>. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2026 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$493.3 million, \$277.6 million, and \$215.7 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

RATINGS

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

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

The District is not aware of any underlying credit rating assigned to the Bonds other than the ratings of S&P and Moody's.

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OFFICIAL STATEMENT SUMMARY

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

THE BONDS

The District Brazoria County Municipal Utility District No. 56 (the "District"), a political subdivision of the State of Texas, is located in Brazoria County, Texas. See "THE DISTRICT."

The Bonds..... The \$2,860,000 Brazoria County Municipal Utility District No. 56 Unlimited Tax Bonds, Series 2026 (the "Bonds") are dated June 1, 2026, and mature semiannually on September 1 in each of the years and in the principal amounts as shown on the inside cover page.

Interest on the Bonds accrues from the initial date of delivery (expected on June 29, 2026) (the "Date of Delivery"), at the rates set forth on the inside cover page and is payable March 1, 2027, and each September 1 and March 1 thereafter until the earlier of stated maturity or redemption. See "THE BONDS."

Redemption The Bonds that mature on or after September 1, 2032, are subject to redemption, in whole or from time to time in part, on September 1, 2031, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption of the Bonds."

Book-Entry-Only System..... The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners (herein defined) thereof. Principal of and interest on the Bonds will be payable by BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"), to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "THE BONDS—Book-Entry-Only System."

Authority for Issuance..... The District held an election on November 6, 2007 (the "2007 Election") and the issuance of \$58,885,000 in unlimited tax bonds for the purpose of acquiring or constructing water, wastewater and drainage facilities to serve the District (the "Utility System") and for refunding such bonds was authorized. The District held an additional election on November 3, 2009 (the "2009 Election") and the issuance of \$82,430,000 in unlimited tax bonds for the purpose of acquiring or constructing the Utility System and for refunding such bonds was authorized. The Bonds are the fifth series of unlimited tax bonds issued by the District for construction of the Utility System pursuant to the 2007 Election.

At an election held on May 10, 2008 (the "2008 Election"), voters of the District have also authorized the issuance of \$34,645,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road improvements to serve the District (the "Road System") and for the refunding of such bonds. At the 2009 Election, the voters of the District authorized the issuance of and additional \$27,280,000 principal amount of unlimited tax bonds for constructing the Road System and for refunding such bonds.

At the 2007 Election, the voters of the District also authorized the issuance of \$16,640,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District (the "Park System") and for the refunding of such bonds. At the 2009 Election, voters of the District also authorized the issuance of an additional \$15,600,000

unlimited tax bonds for constructing the Park System and for refunding such bonds.

Following the issuance of the Bonds, \$96,920,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System and for the refunding of such bonds, \$44,095,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System and for the refunding of such bonds and \$32,240,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Park System and for the refunding of such bonds will remain authorized but unissued.

The Bonds are issued pursuant to: an order of the Texas Commission on Environmental Quality (the "TCEQ"); the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended, applicable to municipal utility districts created under Section 59, Article XVI, Texas Constitution; a resolution adopted by the Board of Directors of the District (the "Board") on the date of the sale of the Bonds (the "Bond Resolution"); and an election held within the boundaries of the District on November 6, 2007.

Outstanding Bonds	The District has previously issued four (4) series of bonds for the purpose of acquiring or constructing the Utility System, and three (3) series of bonds for the purpose of acquiring or constructing the Road System, of which \$57,580,000 principal amount remains outstanding as of the Date of Delivery (the "Outstanding Bonds"). See "THE BONDS – Outstanding Bonds."
Source of Payment	The District is authorized to levy taxes to pay debt service on bonds issued for the Utility System and such taxes are unlimited as to rate or amount. The Bonds are payable from a continuing direct annual ad valorem tax, unlimited as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the State of Texas; Brazoria County, Texas; the City of Manvel, Texas; or any entity other than the District. See "THE BONDS—Source of Payment."
Payment Record.....	The Bonds are the fifth series of unlimited tax bonds issued by the District for the purpose of constructing or acquiring the Utility System. See "THE BONDS – Source of Payment." The District has never defaulted on the timely payment of principal or interest on its bonded indebtedness.
Short-Term Debt.....	The District issued its \$1,113,000 Bond Anticipation Note, Series 2025 (the "BAN"), dated November 24, 2025. The BAN matures on November 23, 2026, and accrues interest at a rate of 4.65% per annum, calculated on the basis of a 365-day year. The District will use a portion of the proceeds from the sale of the Bonds to redeem the BAN prior to its maturity. Proceeds from the BAN were used to reimburse the Developer (herein defined) for a portion of the improvements and related costs shown under "THE BONDS – Use and Distribution of Proceeds of the Bonds."
Use of Proceeds of the Bonds	Proceeds from the sale of the Bonds will be used by the District to redeem the BAN, the proceeds of which were used to reimburse the Developer for a portion of the improvements and related costs shown under "THE BONDS – Use and Distribution of Proceeds of the Bonds." Additionally, proceeds from the sale of the Bonds will also be used to reimburse the Developer for the improvements and related costs that were not reimbursed by the BAN and to pay: twelve (12) months of capitalized interest, BAN interest, developer interest, and other certain costs associated with the issuance of the Bonds. See "THE BONDS – Use and Distribution of Proceeds of the Bonds."
Qualified Tax-Exempt Obligations	The Bonds have been designated as "qualified tax-exempt obligations" for financial institutions.
Municipal Bond Insurance.....	Build America Mutual Assurance Company ("BAM"). See "MUNICIPAL BOND INSURANCE."

Ratings S&P Global Ratings (BAM INSURED): "AA." Moody's Investors Service, Inc. ("Moody's") (Underlying): "Baa3." See "RATINGS" above.

Bond Counsel Allen Boone Humphries Robinson LLP, Houston, Texas.

Disclosure Counsel..... Orrick, Herrington & Sutcliffe LLP, Houston, Texas.

Financial Advisor..... Cedar Creek Municipal Advisors, LLC, Houston, Texas.

THE DISTRICT

Description..... The District is a political subdivision of the State of Texas, located approximately 22 miles south of the central business district of the City of Houston, Texas. The District lies entirely within the corporate limits of the City of Manvel, Texas. The District is a municipal utility district created by an order of the TCEQ effective August 16, 2007. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code, as amended, and other statutes of Texas applicable to municipal utility districts. The District consists of approximately 720.882 acres. See "THE DISTRICT."

Development within the District To date, approximately 409.60 acres (1,188 lots) within the District have been developed into the single-family residential subdivision of Meridiana, Sections 27, 28A, 28B, 29, 30A, 30B, 31A, 31B, 32A&B, 32C, 33A, 33B, 34A, 39A, 39B, 43-53, 54A, and 54B. In addition, 28.32 acres have been developed as Alvin ISD Junior High School.

As of May 1, 2026, there were 1,037 completed homes, 25 homes under construction, and 126 vacant developed lots. The remaining land within the District consists of approximately 44.33 undeveloped but developable acres and approximately 235.13 undevelopable acres consisting of the recreational facility, detention, roadways, wastewater treatment plant, lift station and water plant. See "PRINCIPAL LANDOWNERS/DEVELOPER," "DEVELOPMENT OF THE DISTRICT," and "THE DISTRICT."

Developer..... Land within the District is being developed by Rise Communities, LLC (the "Developer"). See "PRINCIPAL LANDOWNERS/DEVELOPER" and "DEVELOPMENT OF THE DISTRICT."

Homebuilders Within the District..... Homebuilders who are active in the District include David Weekley Homes, Highland Homes, Perry Homes, Drees Custom Homes, Chesmar Homes, Shea Homes, Newmark Homes, Beazer Homes, and Westin Homes. Prices of new homes being constructed in the District range from the \$280,000s to over \$1,000,000. See "PRINCIPAL LANDOWNERS/DEVELOPER – Homebuilders Within the District."

RISK FACTORS

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

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

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2025 Certified Taxable Assessed Valuation	\$ 437,120,536	(a)
2026 Preliminary Taxable Assessed Valuation	\$ 507,371,499	(b)
Estimated Taxable Assessed Valuation as of May 1, 2026.....	\$ 517,498,899	(c)
Direct Debt:		
The Outstanding Bonds.....	\$ 57,580,000	
The Bonds	<u>2,860,000</u>	
Total	\$ 60,440,000	
Estimated Overlapping Debt	\$ <u>48,710,350</u>	(d)
Total Direct and Estimated Overlapping Debt.....	\$ 109,150,350	(d)
Direct Debt Ratios:		
As a percentage of the 2025 Certified Taxable Assessed Valuation.....	13.83	%
As a percentage of the 2026 Preliminary Taxable Assessed Valuation	11.91	%
As a percentage of the Estimated Taxable Assessed Valuation as of May 1, 2026.....	11.68	%
Direct and Estimated Overlapping Debt Ratios:		
As a percentage of the 2025 Certified Taxable Assessed Valuation.....	24.97	%
As a percentage of the 2026 Preliminary Taxable Assessed Valuation	21.51	%
As a percentage of the Estimated Taxable Assessed Valuation as of May 1, 2026.....	21.09	%
Road System Debt Service Fund Balance (as of May 14, 2026).....	\$ 1,178,991	(e)
Utility System Debt Service Fund Balance (as of May 14, 2026).....	\$ 3,029,787	(f)
Road System Capital Projects Fund (as of May 14, 2026).....	\$ 104,078	
Utility System Capital Projects Fund (as of May 14, 2026).....	\$ 129,631	
General Fund Balance (as of May 14, 2026)	\$ 584,646	
2025 Tax Rate per \$100 of Taxable Assessed Valuation:		
Utility System Debt Service	\$ 0.59	
Road System Debt Service	0.28	
Maintenance and Operations.....	<u>0.03</u>	
Total	\$ 0.90	
Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2026-2050).....	\$ 3,827,280	(g)
Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2047)	\$ 4,443,538	(g)
Debt Service Tax Rate per \$100 of Taxable Assessed Valuation Required to Pay the Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2026-2050) at 95% Tax Collections:		
Based on the 2025 Certified Taxable Assessed Valuation.....	\$ 0.93	
Based on the 2026 Preliminary Taxable Assessed Valuation	\$ 0.80	
Based on the Estimated Taxable Assessed Valuation as of May 1, 2026.....	\$ 0.78	
Debt Service Tax Rate per \$100 of Taxable Assessed Valuation Required to Pay the Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2047) at 95% Tax Collections:		
Based on the 2025 Certified Taxable Assessed Valuation.....	\$ 1.08	
Based on the 2026 Preliminary Taxable Assessed Valuation	\$ 0.93	
Based on the Estimated Taxable Assessed Valuation as of May 1, 2026.....	\$ 0.91	
Single-Family Homes (including 25 under construction) as of May 1, 2026	1,062	

-
- (a) As certified by the Brazoria Central Appraisal District (the "Appraisal District") as of January 1, 2025. See "TAXING PROCEDURES."
 - (b) Provided by the Appraisal District as the preliminary value as of January 1, 2026. This value represents the preliminary determination of the taxable value in the District as of January 1, 2026, provided by the Appraisal District. No taxes will be levied on this preliminary value, which is subject to review and downward adjustment. See "TAXING PROCEDURES."
 - (c) As of May 1, 2026, provided by the Appraisal District for information purposes only. Represents new construction within the District as of May 1, 2026. This estimate is based upon the same unit value used in the taxable assessed valuation. No taxes will be levied on this estimate. See "TAXING PROCEDURES."
 - (d) See "DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement."
 - (e) Neither Texas law nor the Bond Resolution (herein defined) requires that the District maintain any particular sum in the Road System Debt Service Fund (herein defined). Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued for the Utility System (herein defined), such as the Bonds.
 - (f) In addition to this amount, twelve (12) months of capitalized interest on the Bonds will be deposited into the Utility System Debt Service Fund (herein defined) upon closing of the Bonds. Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Utility System Debt Service Fund. Monies in the Utility System Debt Service Fund cannot be used to pay debt service on bonds issued by the District for the Road System (herein defined).
 - (g) Requirement of debt service on the Bonds and the Outstanding Bonds. See "DISTRICT DEBT – Debt Service Requirement Schedule."

BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 56

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

\$2,860,000 UNLIMITED TAX BONDS SERIES 2026

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Brazoria County Municipal Utility District No. 56 (the "District") of its \$2,860,000 Unlimited Tax Bonds, Series 2026 (the "Bonds").

The Bonds are issued pursuant to: an order of the Texas Commission on Environmental Quality (the "TCEQ"); the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended, applicable to municipal utility districts created under Section 59, Article XVI, Texas Constitution; a resolution adopted by the Board of Directors of the District (the "Board") on the date of the sale of the Bonds (the "Bond Resolution"); and an election held within the boundaries of the District on November 6, 2007.

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

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

RISK FACTORS

General

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

Extreme Weather Events

The Houston area, 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 District, there was no structural flooding or other material damage caused by Hurricane Harvey or Tropical Storm Imelda. 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 Houston area. Additional extreme weather events have the potential to cause damage within the District and the Houston area 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."

Potential Effects of Oil Price Fluctuations on the Houston Area

The sudden change in oil prices in the U.S. and globally, which at times have led to the lowest such prices in three decades, may lead to adverse conditions in the oil and gas industry, including but not limited to reduced revenues, declines in capital and operating expenditures, business failures, and layoffs of workers. The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into

other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values or homebuilding activity within the District. As previously stated, the Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes. The District cannot predict the impact that negative conditions in the oil industry could have on property values in the District.

Factors Affecting Taxable Values and Tax Payments

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

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

Dependence on Principal Taxpayers: The ability of any principal landowner to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. As illustrated in this Official Statement under the caption "TAX DATA – Principal Taxpayers," the District's principal taxpayers in 2025 own approximately 5.843% of the District's total 2025 Certified Taxable Assessed Valuation of property located within the District. GR-M1 Ltd., an entity associated with Rise Communities, LLC (the "Developer"), owns approximately 0.40% of the District's total 2025 Certified Taxable Assessed Valuation of property located within the District. In the event that the Developer, any other taxpayer, or any combination of taxpayers, should default in the payment of taxes in an amount which exceeds the surpluses in the District's debt service funds, the ability of the District to make timely payment of debt service on the Bonds and on the Outstanding Bonds (herein defined) will be dependent on its ability to enforce and liquidate its tax liens, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate. The District is not required by law or the Bond Resolution to maintain any specified amount of surplus in its interest and sinking fund. See "TAX DATA – Principal Taxpayers" and "TAXING PROCEDURES – Levy and Collection of Taxes."

Maximum Impact on District Tax Rates: Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2025 Certified Taxable Assessed Valuation is \$437,120,536, the 2026 Preliminary Taxable Assessed Valuation is \$507,371,499, and the Estimated Taxable Assessed Valuation as of May 1, 2026, is \$517,498,899. After issuance of the Bonds, the maximum annual debt service requirement on the Bonds and on the Outstanding Bonds is \$4,443,538 (2047) and the average annual debt service requirement on the Bonds and on the Outstanding Bonds is \$3,827,280 (2026-2050). Assuming no increase to nor decrease from the 2025 Certified Taxable Assessed Valuation, tax rates of \$1.08 and \$0.93 per \$100 of taxable assessed valuation at a 95% tax collection rate would be necessary to pay the combined maximum annual debt service requirement schedule and the combined average annual debt service schedule, respectively. Assuming no increase to nor decrease from the 2026 Preliminary Taxable Assessed Valuation, tax rates of \$0.93 and \$0.80 per \$100 of taxable assessed valuation at a 95% tax collection rate would be necessary to pay the combined maximum annual debt service requirement and the combined average annual debt service requirement, respectively. Assuming no increase to nor decrease from the Estimated Taxable Assessed Valuation as of May 1, 2026, tax rates of \$0.91 and \$0.78 per \$100 of taxable assessed valuation at 95% tax collection rate would be necessary to pay the combined maximum annual debt service requirement and the combined average annual debt service requirement, respectively.

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners. The District has levied a total tax rate of \$0.90 per \$100 of assessed valuation for the 2025 tax year. Such tax is composed of the following: a maintenance and operations tax rate of \$0.03 per \$100 of assessed valuation; a Utility System (herein defined) debt service tax rate of \$0.59 per \$100 of assessed valuation; and a Road System (herein defined) debt service tax rate of \$0.28 per \$100 of assessed valuation.

Competitive Nature of Residential Housing Market

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

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 the City of Houston, Texas 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 or the principal landowners in the sale of land, and the sale or 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.

The District is located approximately 22 miles south of the central business district of the City of Houston, Texas. 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 OF THE DISTRICT – Status of Development within the District."

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (d) the taxpayer's right to redeem the property within two years of foreclosure for residential homestead and agricultural use property and within six (6) months of foreclosure for other property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Moreover, the value of property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayers' right to redeem residential or agricultural use property within two (2) years of foreclosure and all other property within six (6) months of foreclosure. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. See "TAXING PROCEDURES."

Registered Owners' Remedies and Bankruptcy

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

Marketability

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

Future Debt

The District reserves in the Bond Resolution the right to issue the remaining \$96,920,000 of unlimited tax bonds authorized but unissued for the purpose of acquiring or constructing water, wastewater, and drainage facilities to serve the District (the “Utility System”) and for the refunding of such bonds; \$44,095,000 of unlimited tax bonds authorized but unissued for the purpose of acquiring or constructing road improvements to serve the District (the “Road System”) and for the refunding of such bonds; and \$32,240,000 of unlimited tax bonds authorized but unissued for the purpose of acquiring or constructing parks and recreational facilities to serve the District (the “Park System”) and for the refunding of such bonds, and such additional bonds as may hereafter be approved by the voters of the District. See “THE BONDS – Issuance of Additional Debt.” The District has also reserved the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Resolution authorized by the voters of the District, which may be issued by the District from time to time as needed. Issuance of the remaining \$96,920,000 of unlimited tax bonds for the purpose of acquiring or constructing the Utility System and for the refunding of such bonds, as well as the remaining \$32,240,000 of unlimited tax bonds for the purpose of acquiring or constructing the Park System and for the refunding of such bonds, is subject to approval by the TCEQ. Further, the principal amount of bonds issued by the District for the Park System may not exceed one percent of the District’s certified taxable assessed valuation, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent but not greater than three percent of the value of the taxable property in the District.

Following the issuance of the Bonds, the District will owe the Developer approximately \$27,403,410 for expenditures relating to the acquisition or construction of the Utility System, the Road System, and the Park System serving the District. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. See “THE BONDS – Issuance of Additional Debt.”

Continuing Compliance with Certain Covenants

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

Environmental Regulations

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

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

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

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

70 ppb eight-hour ozone standard in 2015 (the “2015 Ozone Standard”). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB Area, the HGB Area remains subject to CAA nonattainment requirements.

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

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

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

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

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

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

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

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

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

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

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

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.

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 Developer 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 Developer or homebuilders.

Potential Impact of Natural Disaster

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

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

Specific Flood Type Risks

The District may be subject to the following flood risks:

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

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

after a sudden release of water by a debris or ice jam. In addition, planned or unplanned controlled releases from a dam, levee or reservoir also may result in flooding in areas adjacent to rivers, bayous or drainage systems downstream.

National Weather Service Atlas 14 Rainfall Study

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

Bond Insurance Risk Factors

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

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

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

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

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

Neither the District nor the Initial Purchaser have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Resolution.

The Bonds are dated June 1, 2026, and will accrue interest from the initial date of delivery (expected on June 29, 2026) (the "Date of Delivery") with interest payable March 1, 2027, and each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. The Bonds are fully-registered bonds maturing on September 1 of the years shown under "PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS" on the inside cover page of this Official Statement. Principal of the Bonds will be payable to the Registered Owners at maturity or redemption upon presentation at the principal payment office of the paying agent/registrar, initially, BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will be payable by check, dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar to Registered Owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding the Interest Payment Date (the "Record Date") or by

such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

Book-Entry-Only System

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

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be required by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

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

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

Successor Paying Agent/Registrar

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

Registration, Transfer and Exchange

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

The Bonds are exchangeable upon presentation at the designated office(s) of the Paying Agent/Registrar, for an equal principal amount of Bonds of the same maturity in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner within not more than three (3) business days after the receipt by the Paying Agent/Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the denomination of \$5,000 in principal amount for a Bond, or any integral multiple thereof for any one maturity and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning fifteen (15) calendar days prior to, and ending on the date of the mailing of notice of redemption, or where such redemption is scheduled to occur within thirty (30) calendar days. No service charge will be made for any transfer or exchange, but the District or Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Redemption of the Bonds

Bonds maturing on September 1, 2032, 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, 2031, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by such random method as the Paying Agent/Registrar deems fair and appropriate in integral multiples of \$5,000 within any one maturity.

Mutilated, Lost, Stolen or Destroyed Bonds

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

Outstanding Bonds

The District has previously issued four (4) series of bonds for the purpose of acquiring or constructing the Utility System, and three (3) series of bonds for the purpose of acquiring or constructing the Road System, of which \$57,580,000 principal amount remains outstanding as of the Date of Delivery (the "Outstanding Bonds").

Authority for Issuance

The Bonds are the fifth series of bonds issued by the District out of an aggregate of \$141,315,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of acquiring or constructing the Utility System and for the refunding of such bonds. The voters of the District have authorized the issuance of an aggregate of \$61,925,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System and for the refunding of such bonds. The voters of the District have authorized the issuance of an aggregate of \$32,240,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Park System and for the refunding of such bonds.

Following issuance of the Bonds, \$96,920,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System and for the refunding of such bonds, \$44,095,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System and for the refunding of such bonds, and \$32,240,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Park System and for the refunding of such bonds will remain authorized but unissued.

The Bonds are issued pursuant to: an order of the TCEQ; the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended, applicable to municipal utility districts created under Section 59, Article XVI, Texas Constitution; the Bond Resolution; and an election held within the boundaries of the District on November 6, 2007.

Short-Term Debt

The District issued its \$1,113,000 Bond Anticipation Note, Series 2025 (the "BAN"), dated November 24, 2025. The BAN matures on November 23, 2026, and accrues interest at a rate of 4.65% per annum, calculated on the basis of a 365-day year. The District will use a portion of the proceeds from the sale of the Bonds to redeem the BAN prior to its maturity. Proceeds from the BAN were used to reimburse the Developer (herein defined) for a portion of the improvements and related costs shown under "THE BONDS – Use and Distribution of Proceeds of the Bonds."

Issuance of Additional Debt

The District may issue additional bonds with the approval of the TCEQ, necessary to provide improvements and facilities consistent with the purposes for which the District was created. The District's voters have authorized the issuance of an aggregate of \$141,315,000 of unlimited tax bonds for the purpose of acquiring or constructing the Utility System and for the refunding of such bonds and \$61,925,000 of unlimited tax bonds for the purpose of acquiring or constructing the Road System and for the refunding of such bonds. The District's voters have also authorized an aggregate of \$32,240,000 of unlimited tax bonds for the purpose of acquiring or constructing the Park System and for the refunding of such bonds. The District could authorize additional amounts of each. The Bonds are the fifth series of bonds issued by the District pursuant to the 2007 Election for the purpose of acquiring or constructing the Utility System and for the refunding of such bonds. Following issuance of the Bonds, \$96,920,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System and for the refunding of such bonds, \$44,095,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System and for the refunding of such bonds, and \$32,240,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Park System and for the refunding of such bonds will

remain authorized but unissued. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and approved by the TCEQ).

Following the issuance of the Bonds, the District will owe the Developer approximately \$27,403,410 for expenditures relating to the acquisition or construction of the Utility System, the Road System, and the Park System. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. The District prepared a parks master plan, and on November 6, 2007, and November 3, 2009, the District's voters authorized an aggregate of \$32,240,000 in unlimited tax bonds for the purpose of acquiring or constructing the Park System and for the refunding of such bonds. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the park bond application for the issuance of bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. The principal amount of park bonds issued by the District may not exceed one percent (1 %) of the District's taxable assessed valuation unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent (1 %) but not greater than three percent (3 %) of the value of the taxable property in the District. The District has not considered the preparation of a parks bond application at this time.

Source of Payment

The Bonds are payable from a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District.

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

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

Funds

The Bond Resolution confirms the District's fund for debt service on the Bonds and any additional unlimited tax bonds issued by the District for the Utility System (the "Utility System Debt Service Fund"). Upon closing, twelve (12) months of capitalized interest on the Bonds will be deposited from the proceeds from sale of the Bonds into the Utility System Debt Service Fund. The Utility System Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Bonds and any additional unlimited tax bonds issued by the District for the Utility System, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Bonds and any of the District's other duly authorized bonds issued for the Utility System payable in whole or in part from taxes. Amounts on deposit in the Utility System Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any additional bonds for the Utility System payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due. Amounts on deposit in the Utility System Debt Service Fund may not be used to pay debt service on bonds issued by the District for the Road System.

No Arbitrage

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

Defeasance

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

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

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Registered Owners’ Remedies

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

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

Use and Distribution of Proceeds of the Bonds

Proceeds from the sale of the Bonds will be used by the District to redeem the BAN, the proceeds of which were used to reimburse the Developer for a portion of the improvements and related costs as shown below. Additionally, proceeds from the sale of the Bonds will be used to reimburse the Developer for the improvements and related costs that were not reimbursed by the BAN and to pay: twelve (12) months of capitalized interest, BAN interest, developer interest, and other certain costs associated with the issuance of the Bonds.

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

<u>Construction Costs</u>	<u>District's Share</u>
A. <u>Developer Contribution Items</u>	\$-
B. <u>District Contribution Items</u>	
a. Wastewater Treatment Plant Phase 1 – 0.399 MGD	\$ 1,859,734
b. Engineering and Geotechnical (Item No. 1)	85,348
Total District Contribution Items	<u>\$ 1,945,082</u>
 TOTAL NET CONSTRUCTION COSTS	 \$ 1,945,082
 <u>Non-Construction Costs</u>	
A. Legal Fees	\$ 85,800
B. Fiscal Agent Fees	57,200
C. Interest Costs	
1. Developer Interest	322,572
2. Capitalized Interest (12 Months) (a)	121,650
3. Bond Anticipation Note Interest (12 Months) (a)	30,769
D. Bond Discount (a)	83,816
E. Bond Issuance Expenses	54,749
F. Bond Anticipation Note Issuance Expenses	43,205
G. Bond Application Report Expense	47,000
H. Attorney General Fee (0.10%)	2,860
I. TCEQ Bond Issuance Fee (0.25%)	7,150
J. Contingency (a)	58,147
TOTAL NON-CONSTRUCTION COSTS	<u>\$ 914,918</u>
 TOTAL UTILITY BOND ISSUE REQUIREMENT	 \$ 2,860,000

(a) Represents the difference between the estimated and actual amounts of the Bond discount, capitalized interest, and BAN interest.

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

THE DISTRICT

Authority

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

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

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

Description

The District encompasses approximately 720.882 acres and is located wholly within the County, approximately 22 miles south of the Central Business District of the City of Houston, Texas. The District lies approximately 1.5 miles south of the intersection of State Highway 6 and Highway 288. The District is located within the corporate city limits of the City of Manvel, Texas.

Management of the District

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

Name	Title	Term Expires May
Sandra Harrell	President	2030
Michael Albrecht	Vice President	2030
Tamu Williams	Secretary	2028
Lloyd Harrison	Assistant Secretary	2030
Michael Stilley	Assistant Vice President	2028

Investment Policy

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

Consultants

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

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

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

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

Auditor: The District engaged McGrath & Co., PLLC to audit its financial statements for the fiscal year ended March 31, 2025. McGrath & Co., PLLC was not requested to perform any updating procedures subsequent to the date of its audit opinion on the March 31, 2025, financial statements. See "APPENDIX A" for a copy of the District's audited financial statements for the fiscal year ended March 31, 2025. The District engaged McGrath & Co., PLLC as its auditor for the fiscal year ended March 31, 2026.

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

General and Bond Counsel: The District has engaged Allen Boone Humphries Robinson LLP, Houston, Texas, as general counsel to the District and as bond counsel ("Bond Counsel") in connection with the issuance of the Bonds. The fees to be paid Bond Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds. See "LEGAL MATTERS."

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

Financial Advisor: Cedar Creek Municipal Advisors, LLC serves as financial advisor ("Financial Advisor") to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

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DEVELOPMENT OF THE DISTRICT

To date, approximately 409.60 acres (1,188 lots) within the District have been developed into the single-family residential subdivision of Meridiana, Sections 27, 28A, 28B, 29, 30A, 30B, 31A, 31B, 32A&B, 32C, 33A, 33B, 34A, 39A, 39B, 43-53, 54A, and 54B. In addition, 28.32 acres have been developed as Alvin ISD Junior High School.

As of May 1, 2026, there were 1,037 completed homes, 25 homes under construction and 126 vacant developed lots. The remaining land within the District consists of approximately 44.33 undeveloped but developable acres and approximately 235.13 undevelopable acres consisting of the recreational facility, detention, roadways, wastewater treatment plant, lift station and water plant.

Status of Development within the District

The following is a status of construction of single-family housing within the District as of May 1, 2026:

Section	Type of Development	Section Acreage	Platted Lots	Completed Homes	Homes Under Construction	Developed Vacant Lots
Meridiana – Section 27	Single-Family	16.17	52	52	-	-
Meridiana – Section 28A	Single-Family	13.78	45	45	-	-
Meridiana – Section 28B	Single-Family	14.35	39	39	-	-
Meridiana – Section 29	Single-Family	9.23	15	15	-	-
Meridiana – Section 30A	Single-Family	17.25	54	48	5	1
Meridiana – Section 30B	Single-Family	11.25	42	5	-	37
Meridiana – Section 31A	Single-Family	15.52	22	22	-	-
Meridiana – Section 31B	Single-Family	7.00	23	22	-	1
Meridiana – Section 32A&B	Single-Family	0.67	4	3	-	1
Meridiana – Section 32C	Single-Family	9.16	40	0	4	36
Meridiana – Section 33A	Single-Family	13.75	47	47	-	-
Meridiana – Section 33B	Single-Family	10.12	40	40	-	-
Meridiana – Section 34A	Single-Family	11.72	66	16	6	44
Meridiana – Section 39A	Single-Family	12.39	66	66	-	-
Meridiana – Section 39B	Single-Family	12.40	50	50	-	-
Meridiana – Section 43	Single-Family	23.33	53	53	-	-
Meridiana – Section 44	Single-Family	27.06	72	72	-	-
Meridiana – Section 45	Single-Family	10.38	34	34	-	-
Meridiana – Section 46	Single-Family	12.96	29	29	-	-
Meridiana – Section 47	Single-Family	21.82	63	63	-	-
Meridiana – Section 48	Single-Family	22.47	64	64	-	-
Meridiana – Section 49	Single-Family	19.82	27	27	-	-
Meridiana – Section 50	Single-Family	22.47	69	69	-	-
Meridiana – Section 51	Single-Family	7.18	10	9	-	1
Meridiana – Section 52	Single-Family	21.88	44	43	1	-
Meridiana – Section 53	Single-Family	14.86	38	38	-	-
Meridiana – Section 54A	Single-Family	8.92	21	19	1	1
Meridiana – Section 54B	Single-Family	21.70	59	47	8	4
Totals		409.60	1,188	1,037	25	126
Commercial and Institutional		31.82				
Undevelopable (a)		235.13				
Remaining Developable:		44.33				
Total District Acreage:		720.882				

(a) Reflects recreational facility, detention, roadways, wastewater treatment plant, lift station and water plant.

PRINCIPAL LANDOWNERS/DEVELOPER

Role of the Developer

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

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

Neither the Developer, nor any affiliate entity, is obligated to pay principal of or interest on the Bonds. Furthermore, none of the Developer or its affiliate entities has a binding commitment to the District to carry out any plan of development, and the furnishing of information relating to the proposed development by the Developer or its affiliate entities should not be interpreted as such a commitment. Prospective purchasers are encouraged to inspect the District in order to acquaint themselves with the nature of development that has occurred or is occurring within the District's boundaries.

Principal Landowner/Developer

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

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

Homebuilders within the District

Homebuilders who are active in the District include David Weekley Homes, Highland Homes, Perry Homes, Drees Custom Homes, Chesmar Homes, Shea Homes, Newmark Homes, Beazer Homes, and Westin Homes. Prices of new homes being constructed in the District range from the \$280,000s to over \$1,000,000.

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THE UTILITY SYSTEM

Regulation

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

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

Water, Sanitary Sewer and Drainage System

Water Supply: The District owns one water plant. Phase One of the Water Plant consists of a 1,500 gallon-per minute ("gpm") well, 30,000 gallons of hydropneumatic tank capacity, a 500,000 gallon ground storage tank and 4,800 gpm of booster pump capacity. According to EHRA, the District's engineer (the "Engineer"), phase one of the water plant is capable of serving 2,046 equivalent single family connections ("esfc") in the District.

The Ultimate Phase of the Water Plant consists of the addition of 3,800 gpm booster pump capacity. According to the Engineer, the ultimate phase of the water plant will be capable of serving 2,500 esfc in the District.

Wastewater Treatment: The District owns and operates a 399,000 gallon-per day ("gpd") wastewater treatment facility. According to the Engineer, the facility is adequate to serve 1,596 esfc.

The District plans to ultimately expand the plant to a 995,000 gpd wastewater treatment facility. According to the Engineer, the ultimate phase of the facility will be adequate to serve 3,980 esfc in the District.

100 Year Flood Plain

According to the FEMA Map No. 48039C0110K, Panel 110 of 925, and Map No. 48039C0120K, Panel 120 of 850, dated December 20, 2020, approximately 157 acres within the District are located in the 100-year flood plain and are not considered to be developable.

THE ROAD SYSTEM

The Road System serves residents of the District by providing access to the major thoroughfares and collectors within the Meridiana development and surrounding area. The major thoroughfares and collectors serving the District include Meridiana Parkway, Pursley Boulevard and Cumulus Drive. The District will finance, design and construct the Road System in phases as development progresses. The Road System will ultimately be owned, operated and maintained by the City as the phases are constructed and accepted by the City. The District does not intend to maintain or operate the roads once they are accepted by the City.

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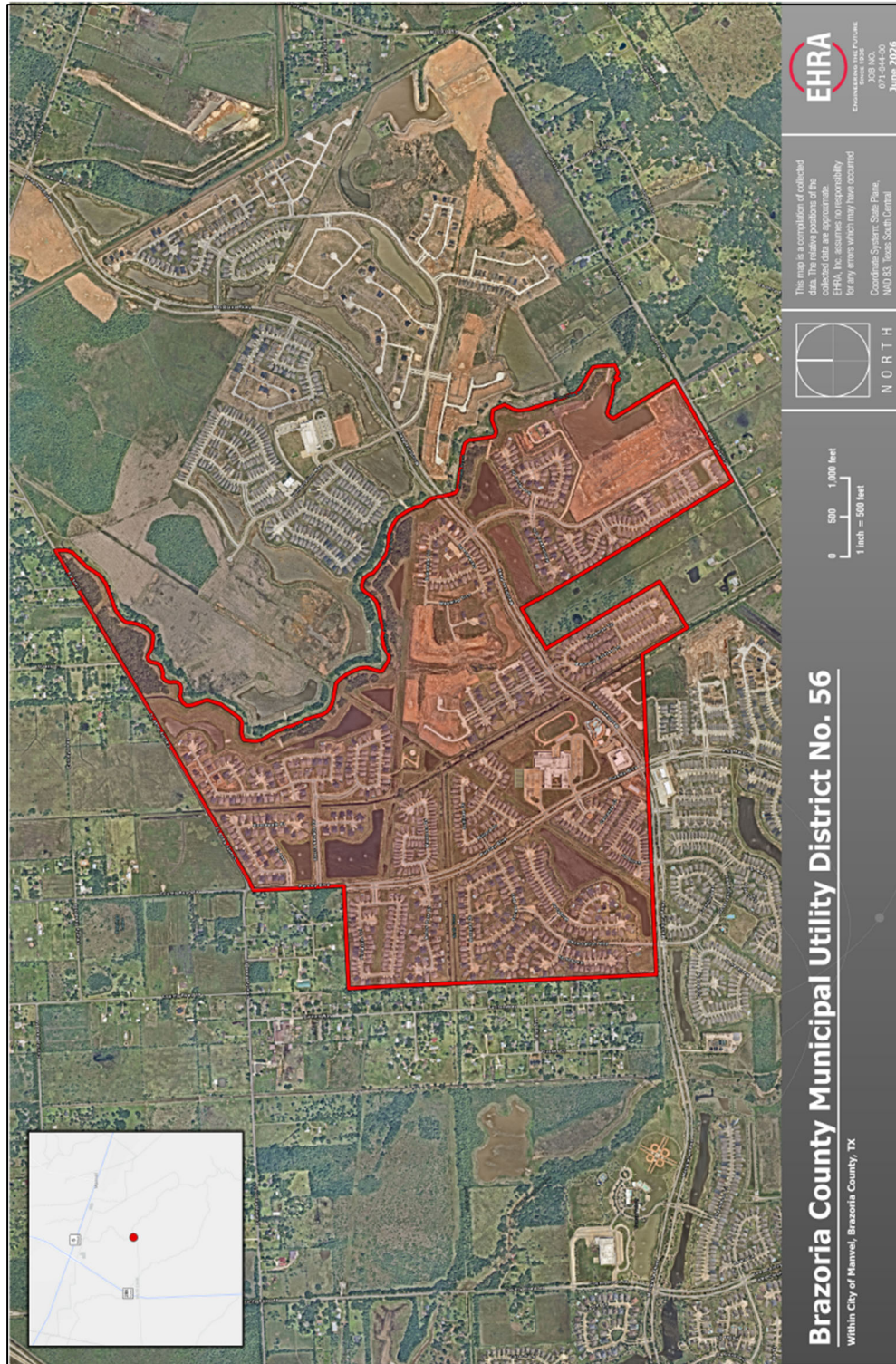
General Fund Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's System. Such summary has been prepared by the Financial Advisor for inclusion herein, based upon information obtained from the District's audited financial statements for fiscal years ended March 31, 2022, through March 31, 2025. Reference is made to such statement for further and more complete information. See "APPENDIX A." The figures for the period March 31, 2026 are unaudited and have been obtained from the District's bookkeeper.

	Fiscal Year End March 31				
	2026 (a)	2025	2024	2023	2022
REVENUES					
Water Service	605,587	568,208	481,660	223,600	105,659
Sewer Service	425,346	415,954	341,277	159,162	82,876
Property Taxes	143,508	210,831	266,679	218,192	185,795
Penalties & Interest	20,232	26,255	21,751	14,500	5,033
Tap Connection & Inspection	194,111	416,257	313,831	578,471	431,731
Groundwater Pumpage Fees	4,381	4,320	3,483	1,718	560
Impact Fees	-	-	-	-	-
Miscellaneous	22,824	35,221	41,723	37,418	17,355
Investment Revenues	27,651	26,804	16,538	5,054	101
TOTAL REVENUES	\$ 1,443,640	\$ 1,703,850	\$ 1,486,942	\$1,238,115	\$ 829,110
EXPENSES					
Current					
Professional Fees	268,659	344,252	255,787	328,177	272,935
Contracted Services	310,848	182,171	423,153	479,292	316,938
Repairs and Maintenance	832,327	410,893	354,606	216,752	182,058
Utilities	104,549	117,456	101,745	43,244	-
Administrative	151,195	158,483	130,685	81,669	44,687
Other	11,162	9,987	10,617	13,119	17,193
Capital Contribution	-	-	-	-	-
Capital Outlay	62,745	211,820	-	94,870	-
TOTAL EXPENSES	\$ 1,741,485	\$ 1,435,062	\$ 1,276,593	\$1,257,123	\$ 833,811
NET REVENUES (Deficit)	\$ (297,845)	\$ 268,788	\$ 210,349	\$ (19,008)	\$ (4,701)
Other financing sources (uses)					
Internal Transfers	-	(71,834)	15,893	13,696	-
Net Change in Fund Balance	(297,845)	196,954	226,242	(5,312)	(4,701)
Beginning Fund Balance	\$ 814,099	\$ 617,145	\$ 390,903	\$ 396,215	\$ 400,916
Ending Fund Balance	\$ 516,254	\$ 814,099	\$ 617,145	\$ 390,903	\$ 396,215

(a) Unaudited. Provided by the bookkeeper.

AERIAL PHOTOGRAPH OF THE DISTRICT
(June 2026)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(June 2026)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(June 2026)



DISTRICT DEBT

Debt Service Requirement Schedule

The following schedule sets forth the principal and interest requirements for the Outstanding Bonds and the principal and interest requirements for the Bonds. Totals may not sum due to rounding.

Calendar Year	Outstanding Debt Service	Plus: The Bonds		Debt Service	Total Debt Service
		Principal	Interest		
2026	\$ 2,763,234 (a)	\$ -	\$ -	\$ -	\$ 2,763,234
2027	4,104,519	45,000	142,601	187,601	4,292,120
2028	4,072,731	70,000	119,400	189,400	4,262,131
2029	4,056,956	75,000	115,900	190,900	4,247,856
2030	4,031,156	75,000	112,150	187,150	4,218,306
2031	4,001,825	80,000	108,400	188,400	4,190,225
2032	3,994,050	85,000	105,200	190,200	4,184,250
2033	4,003,413	90,000	101,800	191,800	4,195,213
2034	3,997,488	95,000	98,200	193,200	4,190,688
2035	4,018,213	95,000	94,400	189,400	4,207,613
2036	4,041,181	100,000	90,600	190,600	4,231,781
2037	4,054,425	105,000	86,600	191,600	4,246,025
2038	4,072,750	110,000	82,400	192,400	4,265,150
2039	4,090,375	115,000	78,000	193,000	4,283,375
2040	4,112,800	120,000	73,400	193,400	4,306,200
2041	4,127,981	130,000	68,600	198,600	4,326,581
2042	4,151,894	135,000	63,400	198,400	4,350,294
2043	4,166,881	140,000	58,000	198,000	4,364,881
2044	4,174,888	150,000	52,400	202,400	4,377,288
2045	4,199,900	155,000	46,025	201,025	4,400,925
2046	4,222,238	160,000	39,438	199,438	4,421,675
2047	4,240,900	170,000	32,638	202,638	4,443,538
2048	1,746,394	180,000	25,200	205,200	1,951,594
2049	555,175	185,000	17,100	202,100	757,275
2050	-	195,000	8,775	203,775	203,775
Total	\$ 91,001,366	\$ 2,860,000	\$ 1,820,626	\$ 4,680,626	\$ 95,681,991

Average Annual Debt Service Requirement (2026-2050) \$ 3,827,280

Maximum Annual Debt Service Requirement (2047)..... \$ 4,443,538

(a) Excludes the March 1, 2026 payment in the amount of \$1,364,766.

Bonded Indebtedness

2025 Certified Taxable Assessed Valuation	\$ 437,120,536	(a)
2026 Preliminary Taxable Assessed Valuation	\$ 507,371,499	(b)
Estimated Taxable Assessed Valuation as of May 1, 2026	\$ 517,498,899	(c)
Direct Debt:		
The Outstanding Bonds	\$ 57,580,000	
The Bonds	<u>2,860,000</u>	
Total	\$ 60,440,000	
Estimated Overlapping Debt	\$ 48,710,350	(d)
Total Direct and Estimated Overlapping Debt	\$ 109,150,350	(d)
Direct Debt Ratios:		
As a percentage of the 2025 Certified Taxable Assessed Valuation	13.83	%
As a percentage of the 2026 Preliminary Taxable Assessed Valuation	11.91	%
As a percentage of the Estimated Taxable Assessed Valuation as of May 1, 2026	11.68	%
Direct and Estimated Overlapping Debt Ratios:		
As a percentage of the 2025 Certified Taxable Assessed Valuation	24.97	%
As a percentage of the 2026 Preliminary Taxable Assessed Valuation	21.51	%
As a percentage of the Estimated Taxable Assessed Valuation as of May 1, 2026	21.09	%
Road System Debt Service Fund Balance (as of May 14, 2026)	\$ 1,178,991	(e)
Utility System Debt Service Fund Balance (as of May 14, 2026)	\$ 3,029,787	(f)
Road System Capital Projects Fund (as of May 14, 2026)	\$ 104,078	
Utility System Capital Projects Fund (as of May 14, 2026)	\$ 129,631	
General Fund Balance (as of May 14, 2026)	\$ 584,646	
2025 Tax Rate per \$100 of Taxable Assessed Valuation:		
Utility System Debt Service	\$ 0.59	
Road System Debt Service	0.28	
Maintenance and Operations	<u>0.03</u>	
Total	\$ 0.90	
Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2026-2050)	\$ 3,827,280	(g)
Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2047)	\$ 4,443,538	(g)
Debt Service Tax Rate per \$100 of Taxable Assessed Valuation Required to Pay the Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2026-2050) at 95% Tax Collections:		
Based on the 2025 Certified Taxable Assessed Valuation	\$ 0.93	
Based on the 2026 Preliminary Taxable Assessed Valuation	\$ 0.80	
Based on the Estimated Taxable Assessed Valuation as of May 1, 2026	\$ 0.78	
Debt Service Tax Rate per \$100 of Taxable Assessed Valuation Required to Pay the Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2047) at 95% Tax Collections:		
Based on the 2025 Certified Taxable Assessed Valuation	\$ 1.08	
Based on the 2026 Preliminary Taxable Assessed Valuation	\$ 0.93	
Based on the Estimated Taxable Assessed Valuation as of May 1, 2026	\$ 0.91	
Single-Family Homes (including 25 under construction) as of May 1, 2026	1,062	

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- (a) As certified by the Appraisal District as of January 1, 2025. See "TAXING PROCEDURES."
 - (b) Provided by the Appraisal District as the preliminary value as of January 1, 2026. This value represents the preliminary determination of the taxable value in the District as of January 1, 2026, provided by the Appraisal District. No taxes will be levied on this preliminary value, which is subject to review and downward adjustment. See "TAXING PROCEDURES."
 - (c) As of May 1, 2026, provided by the Appraisal District for information purposes only. Represents new construction within the District as of May 1, 2026. This estimate is based upon the same unit value used in the taxable assessed valuation. No taxes will be levied on this estimate. See "TAXING PROCEDURES."
 - (d) See "Estimated Direct and Overlapping Debt Statement" herein.
 - (e) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued for the Utility System, such as the Bonds.
 - (f) In addition to this amount, twelve (12) months of capitalized interest on the Bonds will be deposited into the Utility System Debt Service Fund upon closing of the Bonds. Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Utility System Debt Service Fund. Monies in the Utility System Debt Service Fund cannot be used to pay debt service on bonds issued by the District for the Road System.
 - (g) Requirement of debt service on the Bonds and the Outstanding Bonds. See "Debt Service Requirement Schedule" herein.

Estimated Direct and Overlapping Debt Statement

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

Taxing Jurisdiction	Outstanding Debt as of April 30, 2026	Estimated Overlapping	
		Percent	Amount
Brazoria County, Texas	\$ 209,453,313	0.72%	\$ 1,511,773
Alvin Independent School District	1,002,700,000	2.87%	28,736,615
Alvin Community College District	46,170,000	1.97%	909,334
City of Manvel, Texas	94,510,000	18.57%	<u>17,552,628</u>
Total Estimated Overlapping Debt			<u>\$ 48,710,350</u>
The District			<u>\$ 60,440,000</u> (a)
Total Direct & Estimated Overlapping Debt			<u>\$ 109,150,350</u> (a)

(a) Includes the Bonds and the Outstanding Bonds.

Debt Ratios

	Percentage of 2025 Certified Taxable Assessed Valuation	Percentage of 2026 Preliminary Taxable Assessed Valuation	Percentage of Estimate of Value May 1, 2026
Direct Debt (a)	13.83%	11.91%	11.68%
Total Direct and Estimated Overlapping Debt (a)	24.97%	21.51%	21.09%

(a) Includes the Bonds and the Outstanding Bonds.

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Bonds and any additional road bonds payable from taxes which the District may hereafter issue (see “RISK FACTORS – Future Debt”), and to pay the expenses of assessing and collecting such taxes. The Board is also authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on any water and sewer system bonds payable from taxes which the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully above under “THE BONDS – Source of Payment.” Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District and the Utility System and for the payment of certain contractual obligations. See “TAX DATA – Maintenance Tax.”

Property Tax Code and County-Wide Appraisal District

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District’s obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran’s residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran’s residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran’s exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran’s disability rating if the residence homestead was donated by a charitable organization. This exemption will also apply to a residence homestead that was donated by a charitable organization at some cost to such veterans. Also, the surviving spouse of a member of the armed forces who was killed in action is entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead if the surviving spouse has not remarried since the service member’s death and said property was the service member’s residence homestead at the time of death. Such exemption may be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received. For the 2026 tax year, the District granted a \$5,000 exemption for persons over 65 years of age and for disabled persons.

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

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

Freeport Goods and Goods-in-Transit Exemption: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2013 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

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

Valuation of Property for Taxation

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

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

claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use, open space land, and timberland.

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

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

District and Taxpayer Remedies

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

The Property 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 Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

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

Tax Payment Installments After Disaster

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

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

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code, as amended, classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the district has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is \$0.25 or less per \$100 of taxable value are classified as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service cannot be reduced by a rollback election held within any of the districts described below.

Special Taxing Units: Special Taxing Units that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead 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 Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.035 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions, plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

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

The District: A determination as to the District's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. For the 2026 tax year, the Board of Directors designated the District as a Developing District. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

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

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

TAX DATA

General

All taxable property within the District is subject to the assessment, levy and collection by the District of a continuing, direct annual ad valorem tax without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (see "TAXING PROCEDURES"). The Board has in its Bond Resolution covenanted to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds (see "RISK FACTORS" and "THE BONDS"). The District has levied a total tax rate of \$0.90 per \$100 of assessed valuation for the 2025 tax year. Such rate is composed of: a maintenance and operations tax rate of \$0.03 per \$100 of assessed valuation; a Utility System debt service tax rate of \$0.59 per \$100 of assessed valuation; and a Road System debt service tax rate of \$0.28 per \$100 of assessed valuation.

Exemptions

As discussed in the section entitled "TAXING PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. For the 2026 tax year, the District has granted a \$5,000 homestead exemption for persons age 65 or older and disabled persons

Tax Rate Limitation

Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance:	\$1.50 per \$100 taxable assessed valuation.
Maintenance – Road:	\$0.25 per \$100 taxable assessed valuation.

Maintenance Tax

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

Additional Penalties

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

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of taxable assessed valuation which would be required to meet certain debt service requirements of the Bonds if no growth in the District's tax base occurs beyond the 2025 Certified Taxable Assessed Valuation (\$437,120,536), the 2026 Preliminary Taxable Assessed Valuation (\$507,371,499), or the Estimated Taxable Assessed Valuation as of May 1, 2026 (\$517,498,899). The calculations assume collection of 95% of taxes levied the Outstanding Bonds, the sale of the Bonds but not the sale of any additional bonds by the District.

Combined Average Annual Debt Service Requirement (2026-2050)	\$ 3,827,280
Debt Service Tax Rate of \$0.93 on the 2025 Certified Taxable Assessed Valuation.....	\$ 3,861,960
Debt Service Tax Rate of \$0.80 on the 2026 Preliminary Taxable Assessed Valuation.....	\$ 3,856,023
Debt Service Tax Rate of \$0.78 on the Estimated Taxable Assessed Valuation as of May 1, 2026	\$ 3,834,667
Combined Maximum Annual Debt Service Requirement (2047)	\$ 4,443,538
Debt Service Tax Rate of \$1.08 on the 2025 Certified Taxable Assessed Valuation.....	\$ 4,484,857
Debt Service Tax Rate of \$0.93 on the 2026 Preliminary Taxable Assessed Valuation.....	\$ 4,482,627
Debt Service Tax Rate of \$0.91 on the Estimated Taxable Assessed Valuation as of May 1, 2026	\$ 4,473,778

Estimated Overlapping Taxes

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

Set forth below is an estimation of all taxes per \$100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. The following chart includes the 2025 taxes per \$100 of assessed valuation levied by all such taxing jurisdictions. No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

Taxing Jurisdictions	2025 Tax Rate Per \$100 of A.V.
The District (a)	\$ 0.900000
Brazoria County	0.262548
Alvin Independent School District	1.150000
Alvin Community College District	0.156543
City of Manvel, Texas	0.560000
Brazoria County ESD No. 3	0.079229
Brazoria County Drainage District No. 5	0.108452
Brazoria County Road and Bridge Fund	0.042210
Total	<u>\$ 3.258982</u>

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

Historical Tax Collections

Tax Year	Assessed Valuation	Tax Rate Per \$100 (a)	Adjusted Levy	% of Collections Current Year	For the Current Year Ended September 30	% of Collections as of 04/30/2026
2021	\$ 21,434,763	0.900000	192,913	98.92%	2022	100.00%
2022	98,156,134	0.900000	883,405	97.91%	2023	100.00%
2023	263,975,109	0.900000	2,375,776	98.36%	2024	99.82%
2024	363,514,229	0.900000	3,271,628	94.81%	2025	99.23%
2025	437,120,536	0.900000	3,934,085	96.41%	2026	96.41%

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

Tax Rate Distribution

	2025	2024	2023	2022	2021
Road System Debt Service	\$ 0.280	\$ 0.300	\$ 0.300	\$ 0.670	\$ -
Utility System Debt Service	0.590	0.540	0.500	-	-
Maintenance & Operations	0.030	0.060	0.100	0.230	0.900
Total	\$ 0.900	\$ 0.900	\$ 0.900	\$ 0.900	\$ 0.900

Taxable Assessed Valuation Summary

The following represents the types of property comprising the District assessed taxable value for each of the 2021-2025 tax years.

Type of Property	2025 Assessed Valuation	2024 Assessed Valuation	2023 Assessed Valuation	2022 Assessed Valuation	2021 Assessed Valuation
Land	\$ 102,067,118	\$ 98,393,444	\$ 86,039,631	\$ 31,710,616	\$ 19,883,292
Improvements	430,566,990	346,962,691	241,747,749	105,326,930	32,660,840
Personal Property	2,841,010	1,914,180	1,469,630	738,080	110,700
Exemptions	(98,354,582)	(83,756,086)	(65,281,901)	(39,619,492)	(31,220,069)
Total	\$ 437,120,536	\$ 363,514,229	\$ 263,975,109	\$ 98,156,134	\$ 21,434,763

Principal Taxpayers

The following are the principal taxpayers in the District as shown on the District's certified appraisal rolls for the 2025 tax year.

Taxpayer	Assessed Taxable Valuation 2025 Tax Roll	% of Tax Roll
Perry Homes LLC (a)	\$ 5,961,240	1.36%
Shea Homes Houston LLC (a)	5,012,010	1.15%
Chesmar Homes LLC (a)	2,879,250	0.66%
Drees Custom Homes LP (a)	2,631,490	0.60%
Enclave Serenity LLC (b)	2,496,840	0.57%
GR-M1 LTD (b)	1,757,557	0.40%
Highland Homes Houston (a)	1,556,860	0.36%
Homeowner	1,195,940	0.27%
Homeowner	1,075,130	0.25%
Homeowner	974,710	0.22%
Total	\$ 25,541,027	5.84%

(a) See "PRINCIPAL LANDOWNERS/DEVELOPER – Homebuilders within the District"

(b) See "PRINCIPAL LANDOWNERS/DEVELOPER"

LEGAL MATTERS

Legal Opinions

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas, payable from the proceeds of an annual ad valorem tax levied, without legal limitation as to rate or amount, upon all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Bond Counsel to a like effect and to the effect that, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Code (as defined herein), and (ii) is not an item of tax preference for purposes of 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" and "Use and Distribution of Bond Proceeds"), "THE DISTRICT—Authority," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however,

independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

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

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

No-Litigation Certificate

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

No Material Adverse Change

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

TAX MATTERS

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

Tax Exemption

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

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

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

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

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

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

Qualified Tax-Exempt Obligations

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

The District has designated the Bonds as "qualified tax-exempt obligations" and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2026 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 2026.

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

Additional Federal Income Tax Considerations

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

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

Ownership of tax-exempt obligations also may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds.

Prospective purchasers of the Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

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

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

Tax Accounting Treatment of Original Issue Discount: If the issue price of any maturity of the Bonds is less than the stated redemption price payable at maturity of such Bonds (the “OID Bonds”), the difference between (i) the amount payable at the maturity of each OID Bond, and (ii) the initial offering price to the public of such OID Bond constitutes original issue discount with respect to such OID Bond in the hands of any owner who has purchased such OID Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such OID Bond equal to that portion of the amount of such original issue discount allocable to the period that such OID Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions “TAX MATTERS – Tax Exemption” and “TAX MATTERS – Additional Federal Income Tax Considerations – Collateral Tax Consequences” and “—Tax Legislative Changes” generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

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

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

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

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

Tax Legislative Changes: Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any recently enacted, proposed, pending or future legislation.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB. The information to be updated with respect to the District includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement included under the headings “DISTRICT DEBT” (except for the subheading “—Estimated Direct and Overlapping Debt Statement”), “TAX DATA,” and in “APPENDIX A.” The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2026. The District will provide the updated information to the MSRB.

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of the Rule; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or obligated person, any of which reflect financial difficulties. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. The terms “obligated person” and “financial obligation” when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the “Rule”). In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information from EMMA

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

Limitations and Amendments

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

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of such rule or a court of final jurisdiction determines that such provisions are invalid, but in either case only to the extent that its right to do so would not prevent the 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 past five years, the District is in compliance in all material respects with its previous continuing disclosure undertakings made pursuant to SEC Rule 15c2-12.

OFFICIAL STATEMENT

General

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

Experts

The information contained in the Official Statement relating to engineering and to the description of the Utility System, and, in particular, that engineering information included in the sections entitled “THE DISTRICT—Description” and “THE UTILITY SYSTEM,” and “THE ROAD SYSTEM” has been provided by Edminster, Hinshaw, Russ and Associates, Inc. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

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

Certification as to Official Statement

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

Updating of Official Statement

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

CONCLUDING STATEMENT

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

This Official Statement was approved by the Board of Directors of Brazoria County Municipal Utility District No. 56 as of the date shown on the cover page.

/s/ Sandra Harrell
President, Board of Directors
Brazoria County Municipal Utility District No. 56

ATTEST:

/s/ Tamu Williams
Secretary, Board of Directors
Brazoria County Municipal Utility District No. 56

APPENDIX A
FINANCIAL STATEMENTS OF THE DISTRICT

**BRAZORIA COUNTY MUNICIPAL
UTILITY DISTRICT NO. 56**

BRAZORIA COUNTY, TEXAS

FINANCIAL REPORT

March 31, 2025

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McGRATH & CO., PLLC

Certified Public Accountants

2900 North Loop West, Suite 880

Houston, Texas 77092

Independent Auditor's Report

Board of Directors
Brazoria County Municipal Utility District No. 56
Brazoria County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Brazoria County Municipal Utility District No. 56 (the "District"), as of and for the year ended March 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Brazoria County Municipal Utility District No. 56, as of March 31, 2025, 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
Brazoria County Municipal Utility District No. 56
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
Brazoria County Municipal Utility District No. 56
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.

W. G. Hatcher & Co, P.C.

Houston, Texas
July 10, 2025

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Management's Discussion and Analysis

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***Brazoria County Municipal Utility District No. 56
Management's Discussion and Analysis
March 31, 2025***

Using this Annual Report

Within this section of the financial report of Brazoria County Municipal Utility District No. 56 (the "District") provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended March 31, 2025. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

Brazoria County Municipal Utility District No. 56
Management's Discussion and Analysis
March 31, 2025

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District's net position at March 31, 2025, was negative \$27,384,635. The District's net position is negative because the District incurs debt to construct road facilities which it conveys to the city of Manvel. A comparative summary of the District's overall financial position, as of March 31, 2025 and 2024, is as follows:

	2025	2024
Current and other assets	\$ 5,803,549	\$ 4,776,725
Capital assets	69,541,281	69,183,794
Total assets	<u>75,344,830</u>	<u>73,960,519</u>
Current liabilities	5,268,718	7,420,553
Long-term liabilities	97,460,747	88,666,782
Total liabilities	<u>102,729,465</u>	<u>96,087,335</u>
Net position		
Net investment in capital assets	(5,198,617)	(1,339,564)
Restricted	3,670,190	2,632,137
Unrestricted	(25,856,208)	(23,419,389)
Total net position	<u>\$ (27,384,635)</u>	<u>\$ (22,126,816)</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. 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

Brazoria County Municipal Utility District No. 56
Management's Discussion and Analysis
March 31, 2025

infrastructure assets and, as a result, the presentation of prior year data as it relates to these assets is not consistent with the current year presentation (see Notes 3 and 6).

The total net position of the District decreased during the current fiscal year by \$5,888,390. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2025	2024
Revenues		
Property taxes, penalties and interest	\$ 3,346,182	\$ 2,425,415
Water and sewer service	984,162	822,937
Other	645,981	482,357
Total revenues	<u>4,976,325</u>	<u>3,730,709</u>
Expenses		
Current service operations	1,442,841	1,404,481
Debt interest and fees	2,264,792	1,677,192
Developer interest	1,981,372	1,302,759
Debt issuance costs	1,348,037	1,469,760
Depreciation	1,799,542	1,712,386
Total expenses	<u>8,836,584</u>	<u>7,566,578</u>
Change in net position before other item	(3,860,259)	(3,835,869)
Other item		
Capital contribution		12,267,910
Transfers to other governments	<u>(2,028,131)</u>	<u>(1,521,246)</u>
Change in net position	(5,888,390)	6,910,795
Net position, beginning of year (2025 restated)	<u>(21,496,245)</u>	<u>(29,037,611)</u>
Net position, end of year	<u>\$ (27,384,635)</u>	<u>\$ (22,126,816)</u>

As previously noted, the District implemented GASBIG 2021-1, Question 5.1 during the current 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 March 31, 2025, were \$4,581,675, which consists of \$814,099 in the General Fund, \$3,629,678 in the Debt Service Fund, and \$137,898 in the Capital Projects Fund.

***Brazoria County Municipal Utility District No. 56
Management's Discussion and Analysis
March 31, 2025***

General Fund

A comparative summary of the General Fund's financial position as of March 31, 2025 and 2024, is as follows:

	2025	2024
Total assets	<u>\$ 1,204,044</u>	<u>\$ 1,032,655</u>
Total liabilities	\$ 370,084	\$ 402,656
Total deferred inflows	19,861	12,854
Total fund balance	814,099	617,145
Total liabilities, deferred inflows and fund balance	<u>\$ 1,204,044</u>	<u>\$ 1,032,655</u>

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

	2025	2024
Total revenues	\$ 1,703,850	\$ 1,486,942
Total expenditures	<u>(1,435,062)</u>	<u>(1,276,593)</u>
Revenues over expenditures	268,788	210,349
Other changes in fund balance	<u>(71,834)</u>	<u>15,893</u>
Net change in fund balance	<u>\$ 196,954</u>	<u>\$ 226,242</u>

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

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

***Brazoria County Municipal Utility District No. 56
Management's Discussion and Analysis
March 31, 2025***

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of March 31, 2025 and 2024, is as follows:

	2025	2024
Total assets	<u>\$ 3,897,824</u>	<u>\$ 2,885,068</u>
Total liabilities	\$ 2,829	\$ 19,859
Total deferred inflows	265,317	105,965
Total fund balance	<u>3,629,678</u>	<u>2,759,244</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 3,897,824</u>	<u>\$ 2,885,068</u>

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

	2025	2024
Total revenues	\$ 3,065,759	\$ 2,182,040
Total expenditures	<u>(2,842,500)</u>	<u>(1,522,082)</u>
Revenues over expenditures	223,259	659,958
Other changes in fund balance	647,175	399,819
Net change in fund balance	<u>\$ 870,434</u>	<u>\$ 1,059,777</u>

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

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of March 31, 2025 and 2024, is as follows:

	2025	2024
Total assets	<u>\$ 137,898</u>	<u>\$ 269,499</u>
Total liabilities	\$ -	\$ -
Total fund balance	<u>137,898</u>	<u>269,499</u>
Total liabilities and fund balance	<u>\$ 137,898</u>	<u>\$ 269,499</u>

Brazoria County Municipal Utility District No. 56
Management's Discussion and Analysis
March 31, 2025

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

	2025	2024
Total revenues	\$ 40,358	\$ 12,102
Total expenditures	(14,212,652)	(15,830,603)
Revenues under expenditures	(14,172,294)	(15,818,501)
Other changes in fund balance	14,040,693	15,751,296
Net change in fund balance	<u>\$ (131,601)</u>	<u>\$ (67,205)</u>

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2024 Unlimited Tax Bonds, Series 2024 Unlimited Tax Road Bonds and Series 2024 Bond Anticipation Note in the current year and proceeds from the issuance of its Series 2023 Unlimited Tax Bonds, Series 2023 Unlimited Tax Road Bonds and Series 2023 Bond Anticipation Note in the prior year.

Joint Water Plant Fund

The District's Joint Water Plant Fund was used to account for activities related to an interim water supply agreement with Brazoria County MUD 55 ("MUD 55"). The Second Amended and Restated Interconnect Agreement with MUD 55 was amended during the current fiscal year to discontinue the interim water supply component of the contract and the Joint Water Plant Fund was closed. A comparative summary of the Special Revenue Fund's financial position as of March 31, 2025 and 2024, is as follows:

	2025	2024
Total assets	<u>\$ -</u>	<u>\$ 94</u>
Total liabilities	\$ -	\$ 16,966
Total fund balance		(16,872)
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ 94</u>

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

	2025	2024
Total revenues	\$ -	\$ -
Total expenditures	(94)	(2,363)
Revenues under expenditures	(94)	(2,363)
Other changes in fund balance	16,966	
Net change in fund balance	<u>\$ 16,872</u>	<u>\$ (2,363)</u>

Brazoria County Municipal Utility District No. 56
Management's Discussion and Analysis
March 31, 2025

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 \$99,500 greater than budgeted. The *Budgetary Comparison Schedule* on page 42 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.

Capital assets held by the District at March 31, 2025 and 2024, are summarized as follows:

	2025	2024
Capital assets not being depreciated		
Land and improvements	\$ 11,965,380	\$ 11,198,558
Capital assets being depreciated		
Infrastructure	51,019,096	49,454,720
Recreational facilities	12,267,910	12,267,910
	<u>63,287,006</u>	<u>61,722,630</u>
Less accumulated depreciation		
Infrastructure	(4,484,313)	(3,123,998)
Recreational facilities	(1,226,792)	(613,396)
	<u>(5,711,105)</u>	<u>(3,737,394)</u>
Depreciable capital assets, net	<u>57,575,901</u>	<u>57,985,236</u>
Capital assets, net	<u>\$ 69,541,281</u>	<u>\$ 69,183,794</u>

As previously noted, the District implemented GASBIG 2021-1, Question 5.1 during the current 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 utilities to serve Meridiana Section 34A and water meters.

Additionally, the City of Manvel assumes responsibility for road facilities constructed within the boundaries of the District. Accordingly, these facilities are not considered assets of the District. The

Brazoria County Municipal Utility District No. 56
Management's Discussion and Analysis
March 31, 2025

estimated value of these assets is recorded as transfers to other governments upon completion of construction. This estimated cost is trued-up when the developer is reimbursed. For the year ended March 31, 2025, capital assets in the amount of \$2,028,131 have been recorded as transfers to other governments in the government-wide statements.

Long-Term Debt and Related Liabilities

As of March 31, 2025, the District owes approximately \$46,937,974 to the developer for completed projects. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 8, the District has an additional commitment in the amount of \$906,608 for projects under construction by the developer. As noted, the District will owe its developer for these projects upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

At March 31, 2025 and 2024, the District had total bonded debt outstanding as shown below:

Series	2025	2024
2022	\$ 13,070,000	\$ 13,415,000
2022 Road	7,620,000	7,790,000
2023 Road	4,850,000	4,885,000
2023	8,545,000	8,715,000
2024	11,900,000	
2024 Road	5,155,000	
	<u>\$ 51,140,000</u>	<u>\$ 34,805,000</u>

During the current year, the District issued \$11,900,000 in unlimited tax bonds and \$5,155,000 in unlimited tax road bonds. At March 31, 2025, the District had \$107,285,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and the refunding of such bonds; \$32,240,000 for parks and recreational facilities and the refunding of such bonds; and \$44,095,000 for road improvements and the refunding of such bonds.

During the current year, the District issued a \$3,606,000 bond anticipation note (BAN) to provide short-term financing for developer reimbursements. The District intends to repay the BAN with proceeds from the issuance of long-term debt. See Note 7 for additional information.

Property Taxes

The District's property tax base increased approximately \$96,563,000 for the 2025 tax year from \$364,466,178 to \$461,029,363, based on preliminary values. This increase was primarily due to new construction in the District and increased property values.

Brazoria County Municipal Utility District No. 56
Management's Discussion and Analysis
March 31, 2025

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 fiscal year's budget to current fiscal year actual amounts for the General Fund is as follows:

	<u>2025 Actual</u>	<u>2026 Budget</u>
Total revenues	\$ 1,703,850	\$ 1,702,948
Total expenditures	<u>(1,435,062)</u>	<u>(1,495,962)</u>
Revenues over expenditures	268,788	206,986
Other changes in fund balance	<u>(71,834)</u>	
Net change in fund balance	196,954	206,986
Beginning fund balance	<u>617,145</u>	<u>814,099</u>
Ending fund balance	<u><u>\$ 814,099</u></u>	<u><u>\$ 1,021,085</u></u>

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Basic Financial Statements

Brazoria County Municipal Utility District No. 56
Statement of Net Position and Governmental Funds Balance Sheet
March 31, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total
Assets				
Cash	\$ 330,096	\$ 166,836	\$ -	\$ 496,932
Investments	733,405	3,475,626	137,898	4,346,929
Taxes receivable	19,861	265,317		285,178
Customer service receivables	93,184			93,184
Internal balances	9,955	(9,955)		
Prepaid items	17,543			17,543
Prepaid bond insurance, net				
Capital assets not being depreciated				
Capital assets, net				
Total Assets	<u>\$ 1,204,044</u>	<u>\$ 3,897,824</u>	<u>\$ 137,898</u>	<u>\$ 5,239,766</u>
Liabilities				
Accounts payable	\$ 173,915	\$ -	\$ -	\$ 173,915
Other payables	3,669	2,829		6,498
Customer deposits	189,200			189,200
Unearned revenue	3,300			3,300
Accrued interest payable				
Bond anticipation note payable				
Due to developer				
Long-term debt				
Due within one year				
Due after one year				
Total Liabilities	<u>370,084</u>	<u>2,829</u>	<u></u>	<u>372,913</u>
Deferred Inflows of Resources				
Deferred property taxes	<u>19,861</u>	<u>265,317</u>	<u></u>	<u>285,178</u>
Fund Balances/Net Position				
Fund Balances				
Nonspendable	17,543			17,543
Restricted		3,629,678	137,898	3,767,576
Unassigned	796,556			796,556
Total Fund Balances	<u>814,099</u>	<u>3,629,678</u>	<u>137,898</u>	<u>4,581,675</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,204,044</u>	<u>\$ 3,897,824</u>	<u>\$ 137,898</u>	<u>\$ 5,239,766</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
\$ -	\$ 496,932
	4,346,929
	285,178
	93,184
	17,543
563,783	563,783
11,965,380	11,965,380
57,575,901	57,575,901
<u>70,105,064</u>	<u>75,344,830</u>
	173,915
	6,498
	189,200
	3,300
224,805	224,805
3,606,000	3,606,000
46,937,974	46,937,974
1,065,000	1,065,000
50,522,773	50,522,773
<u>102,356,552</u>	<u>102,729,465</u>
<u>(285,178)</u>	
(17,543)	
(3,767,576)	
(796,556)	
<u>(4,581,675)</u>	
(5,198,617)	(5,198,617)
3,670,190	3,670,190
(25,856,208)	(25,856,208)
<u>\$ (27,384,635)</u>	<u>\$ (27,384,635)</u>

Brazoria County Municipal Utility District No. 56
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended March 31, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Joint Water Plant Fund
Revenues				
Water service	\$ 568,208	\$ -	\$ -	\$ -
Sewer service	415,954			
Property taxes	210,831	2,913,285		
Penalties and interest	26,255	29,453		
Groundwater pumpage fees	4,320			
Tap connection and inspection	416,257			
Miscellaneous	35,221			
Investment earnings	26,804	123,021	40,358	
Total Revenues	<u>1,703,850</u>	<u>3,065,759</u>	<u>40,358</u>	
Expenditures/Expenses				
Current service operations				
Professional fees	344,252		163,003	
Contracted services	182,171	50,032		
Repairs and maintenance	410,893			
Utilities	117,456			
Administrative	158,483	6,439		94
Other	9,987		31	
Capital outlay	211,820		10,518,801	
Debt service				
Principal		720,000		
Interest and fees		2,066,029	201,408	
Developer interest			1,981,372	
Debt issuance costs			1,348,037	
Depreciation				
Total Expenditures/Expenses	<u>1,435,062</u>	<u>2,842,500</u>	<u>14,212,652</u>	<u>94</u>
Revenues Over (Under) Expenditures/Expenses	268,788	223,259	(14,172,294)	(94)
Other Financing Sources/(Uses)				
Proceeds from sale of bonds		647,175	16,407,825	
Proceeds from bond anticipation note			3,606,000	
Repayment of bond anticipation note			(6,028,000)	
Internal transfers	(71,834)		54,868	16,966
Other Items				
Transfers to other governments				
Net Change in Fund Balances	196,954	870,434	(131,601)	16,872
Change in Net Position				
Fund Balance/Net Position				
Beginning of the year, as reported	617,145	2,759,244	269,499	(16,872)
Change due to new accounting guidance (See Note 3)				
Beginning of the year, as restated	<u>617,145</u>	<u>2,759,244</u>	<u>269,499</u>	<u>(16,872)</u>
End of the year	<u>\$ 814,099</u>	<u>\$ 3,629,678</u>	<u>\$ 137,898</u>	<u>\$ -</u>

See notes to basic financial statements.

Total	Adjustments	Statement of Activities
\$ 568,208	\$ -	\$ 568,208
415,954		415,954
3,124,116	148,808	3,272,924
55,708	17,550	73,258
4,320		4,320
416,257		416,257
35,221		35,221
190,183		190,183
<u>4,809,967</u>	<u>166,358</u>	<u>4,976,325</u>
507,255		507,255
232,203		232,203
410,893		410,893
117,456		117,456
165,016		165,016
10,018		10,018
10,730,621	(10,730,621)	
720,000	(720,000)	
2,267,437	(2,645)	2,264,792
1,981,372		1,981,372
1,348,037		1,348,037
	1,799,542	1,799,542
<u>18,490,308</u>	<u>(9,653,724)</u>	<u>8,836,584</u>
(13,680,341)	9,820,082	(3,860,259)
17,055,000	(17,055,000)	
3,606,000	(3,606,000)	
(6,028,000)	6,028,000	
	(2,028,131)	(2,028,131)
952,659	(952,659)	
	(5,888,390)	(5,888,390)
3,629,016	(25,755,832)	(22,126,816)
	630,571	630,571
<u>3,629,016</u>	<u>(25,125,261)</u>	<u>(21,496,245)</u>
<u>\$ 4,581,675</u>	<u>\$ (31,966,310)</u>	<u>\$ (27,384,635)</u>

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of Brazoria County Municipal Utility District No. 56 (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, (TCEQ) dated August 16, 2007, and operates in accordance with Article XVI, Section 59 of the Texas Constitution and the Texas Water Code, Chapters 49 and 54. The District was granted road powers on August 28, 2007, pursuant to Article III, Section 52 of the Texas Constitution.

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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”

Brazoria County Municipal Utility District No. 56
Notes to Financial Statements
March 31, 2025

funds with non-major funds aggregated in a single column. The District has four governmental funds, which are all considered major funds.

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

- The General Fund is used to account for the operations of the District's water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes and water and sewer service fees. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt. The primary source of revenue for debt service is property taxes. During the current year, financial resources also included capitalized interest from the sale of bonds. 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.
- The Joint Water Plant Fund is used to account for operations and maintenance of the District's joint water plant facilities during the term in which the District provides interim water supply to Brazoria County Municipal Utility District No. 55. See Note 13 for more information. This agreement was amended during the year and the Joint Water Plant Fund was closed.

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.

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Use of Restricted Resources

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

Prepaid Items

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

Prepaid Bond Insurance

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At March 31, 2025, an allowance for uncollectible accounts was not considered necessary

Unbilled Service Revenues

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

Interfund Activity

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

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost that exceeds the capitalization threshold for the asset class and an estimated useful life in excess of one year. Capital assets that individually are below the capitalization threshold but, in the aggregate, are above the threshold are capitalized. Subsequent replacements of these assets that do not exceed the threshold are not capitalized. The District's capitalization threshold for infrastructure assets is \$50,000. The threshold for subscription-based information technology arrangements (SBITAs) is \$100,000.

Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the

Brazoria County Municipal Utility District No. 56
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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:

Assets	Useful Life
Infrastructure	10 - 45 years
Recreational facilities	20 years

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

Deferred Inflows and Outflows of Financial Resources

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

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

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District's nonspendable fund balance consists of prepaid items.

Brazoria County Municipal Utility District No. 56
Notes to Financial Statements
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Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District's restricted fund balances consist of unspent bond proceeds in the Capital Projects Fund and property taxes levied for debt service and capitalized interest from the sale of bonds in the Debt Service Fund.

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

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

Unassigned - all other spendable amounts in the General Fund and deficit balances in other funds.

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

Use of Estimates

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

Brazoria County Municipal Utility District No. 56
Notes to Financial Statements
March 31, 2025

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		\$ 4,581,675	
Prepaid bond insurance is recorded as an expenditure at the fund level, but is recorded as a prepaid asset and amortized to interest expense over the life of the bonds in the government wide statements.			563,783
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.			
Historical cost	\$ 75,252,386		
Less accumulated depreciation	<u>(5,711,105)</u>		
			69,541,281
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:			
Accrued interest payable	(224,805)		
Bond anticipation note payable	(3,606,000)		
Due to developer	(46,937,974)		
Bonds payable, net	<u>(51,587,773)</u>		
			(102,356,552)
Deferred inflows in the fund statements consist of property taxes receivable that have been levied and are due, but are not available to pay current period expenditures. These amounts are included in revenues in the government wide statements.			285,178
Total net position - governmental activities		<u><u>\$ (27,384,635)</u></u>	

Brazoria County Municipal Utility District No. 56
Notes to Financial Statements
March 31, 2025

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	\$ 952,659
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Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the <i>Statement of Activities</i> when earned. The difference is for property taxes.	166,358
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Financial reporting for capital assets varies significantly between the fund statements and the government wide statements. Reporting at the fund level focuses on the impact of transactions on financial resources (i.e., cash), while reporting at the government level seeks to allocate the cost of the acquisition of capital assets over their useful lives and to measure the economic impact of developer financing of capital assets used by the District or conveyed to other governmental entities.

Differences during the current year are for the following:

Capital outlays	\$ 10,730,621	
Depreciation expense	(1,799,542)	
Transfers to other governments	<u>(2,028,131)</u>	
		6,902,948

Financial reporting for certain obligations varies between the fund statements and the government wide statements. At the fund level, the focus is on increases and decreases of financial resources as debt is issued and repaid. At the government wide level, the focus is on measuring and reporting on changes in the District's obligation to repay liabilities in the future. Differences during the current year are for the following:

Issuance of long-term debt	(17,055,000)	
Issuance of bond anticipation note	(3,606,000)	
Repayment of bond anticipation note	6,028,000	
Principal payments	720,000	
Interest expense accrual	<u>2,645</u>	
		(13,910,355)

Change in net position of governmental activities	<u><u>\$ (5,888,390)</u></u>
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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

Brazoria County Municipal Utility District No. 56
Notes to Financial Statements
March 31, 2025

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*.

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 \$630,571 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) 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.

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Notes to Financial Statements
March 31, 2025

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

As of March 31, 2025, the District's investments consist of the following:

<u>Type</u>	<u>Fund</u>	<u>Carrying Value</u>	<u>Rating</u>	<u>Weighted Average Maturity</u>
TexSTAR	General	\$ 733,405	AAAm	38 days
	Debt Service	3,475,626		
	Capital Projects	137,898		
Total		<u>\$ 4,346,929</u>		

TexSTAR

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

TexSTAR uses amortized cost rather than fair value to report net assets to compute share price. Accordingly, investments in TexSTAR are stated at amortized cost which approximates fair value. Investments in TexSTAR may be withdrawn via wire transfer on a same day basis, as long as the transaction is executed by 4 p.m. ACH withdrawals made by 4 p.m. will settle on the next business day.

Investment Credit and Interest Rate Risk

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

Note 5 – Interfund Balances and Transactions

Amounts due to/from other funds at March 31, 2025, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 9,955	Maintenance tax collections not remitted as of year end

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

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In the previous fiscal year, the District recorded an internal balance between the General Fund and Capital Projects Fund in the amount of \$54,868 for bond issuance costs paid by the General Fund. It was anticipated that the General Fund would be reimbursed by the Capital Projects Fund during the current fiscal year. Since the reimbursement did not take place, the internal balance was eliminated, which resulted in an internal transfer being reported between the funds.

As discussed in Note 13, the District closed the Joint Water Plant Fund. As a result, the District recognized a \$16,966 internal transfer between the General Fund and Joint Water Plant Fund for the assumption of the Joint Water Plant Fund liabilities by the General Fund.

Note 6 – Capital Assets

A summary of changes in capital assets, for the year ended March 31, 2025, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 11,198,558	\$ 766,822	\$ 11,965,380
Capital assets being depreciated			
Infrastructure	50,259,460	759,636	51,019,096
Recreational facilities	12,267,910		12,267,910
	<u>62,527,370</u>	<u>759,636</u>	<u>63,287,006</u>
Less accumulated depreciation			
Infrastructure	(3,298,167)	(1,186,146)	(4,484,313)
Recreational facilities	(613,396)	(613,396)	(1,226,792)
	<u>(3,911,563)</u>	<u>(1,799,542)</u>	<u>(5,711,105)</u>
Subtotal depreciable capital assets, net	<u>58,615,807</u>	<u>(1,039,906)</u>	<u>57,575,901</u>
Capital assets, net	<u>\$ 69,814,365</u>	<u>\$ (273,084)</u>	<u>\$ 69,541,281</u>

Depreciation expense for the current fiscal year was \$1,799,542.

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.

Note 7 – Bond Anticipation Note

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

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At the beginning of the fiscal year, the District had a BAN outstanding in the amount of \$6,028,000. This BAN was repaid on July 24, 2024, with proceeds from the issuance of the District's Series 2024 Unlimited Tax Bonds.

On December 20, 2024, the District issued a \$3,606,000 BAN with an interest rate of 5.50%, which is due on December 20, 2025. This BAN will be repaid subsequent to year end.

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

Beginning balance	\$ 6,028,000
Amounts borrowed	3,606,000
Amounts repaid	(6,028,000)
Ending balance	<u><u>\$ 3,606,000</u></u>

Note 8 – Due to Developers

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

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

Due to developer, beginning of year	\$ 54,114,007
Developer reimbursements	(10,518,801)
Developer funded construction and adjustments	<u>3,342,768</u>
Due to developer, end of year	<u><u>\$ 46,937,974</u></u>

In addition, the District will owe the developers approximately \$906,608 which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District's auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	Contract Amount	Percent Complete
Meridiana Section 31B - utilities & paving	<u>\$ 906,608</u>	<u>39%</u>

Brazoria County Municipal Utility District No. 56
Notes to Financial Statements
March 31, 2025

Note 9 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 51,140,000
Unamortized premium	447,773
	<u>\$ 51,587,773</u>
Due within one year	<u>\$ 1,065,000</u>

The District's bonds payable at March 31, 2025, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2022	\$ 13,070,000	\$ 13,415,000	4.25% - 6.75%	September 1, 2024/2047	September 1, March 1,	September 1, 2028
2022 Road	7,620,000	7,790,000	4.375% - 6.00%	September 1, 2024/2047	September 1, March 1,	September 1, 2028
2023 Road	4,850,000	4,885,000	4.00% - 6.50%	September 1, 2024/2047	September 1, March 1,	May 1, 2029
2023	8,545,000	8,715,000	4.00% - 6.50%	September 1, 2024/2047	September 1, March 1,	July 1, 2029
2024	11,900,000	11,900,000	4.00% - 6.50%	September 1, 2025/2048	September 1, March 1,	July 1, 2030
2024 Road	5,155,000	5,155,000	4.00% - 5.50%	September 1, 2026/2048	September 1, March 1,	September 1, 2030
	<u>\$ 51,140,000</u>					

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

At March 31, 2025, the District had authorized but unissued bonds in the amount of \$107,285,000 for water, sewer and drainage facilities and the refunding of such bonds; \$32,240,000 for park and recreational facilities and the refunding of such bonds; \$44,095,000 for road improvements and the refunding of such bonds.

On July 24, 2024, the District issued its \$11,900,000 Series 2024 Unlimited Tax Bonds at a net effective interest rate of 4.406194%. Proceeds of the bonds were used to (1) reimburse developers for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds; (2) to repay a \$6,028,000 BAN issued in the previous fiscal year; and (3) to pay capitalized interest into the Debt Service Fund.

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Notes to Financial Statements
March 31, 2025

On September 12, 2024, the District issued its \$5,155,000 Series 2024 Unlimited Tax Road Bonds at a net effective interest rate of 4.279604%. Proceeds of the bonds were used to reimburse developers for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds and to pay capitalized interest into the Debt Service Fund.

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

Bonds payable, beginning of year	\$ 34,805,000
Bonds issued	17,055,000
Bonds retired	(720,000)
Bonds payable, end of year	<u>\$ 51,140,000</u>

As of March 31, 2025, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2026	\$ 1,065,000	\$ 2,335,631	\$ 3,400,631
2027	1,310,000	2,259,112	3,569,112
2028	1,365,000	2,174,492	3,539,492
2029	1,425,000	2,087,250	3,512,250
2030	1,500,000	1,995,987	3,495,987
2031	1,570,000	1,901,097	3,471,097
2032	1,640,000	1,804,294	3,444,294
2033	1,725,000	1,714,837	3,439,837
2034	1,815,000	1,635,755	3,450,755
2035	1,885,000	1,557,757	3,442,757
2036	1,980,000	1,477,202	3,457,202
2037	2,080,000	1,393,509	3,473,509
2038	2,175,000	1,305,593	3,480,593
2039	2,280,000	1,213,351	3,493,351
2040	2,390,000	1,116,657	3,506,657
2041	2,510,000	1,014,799	3,524,799
2042	2,625,000	907,369	3,532,369
2043	2,755,000	793,479	3,548,479
2044	2,890,000	672,910	3,562,910
2045	3,020,000	545,920	3,565,920
2046	3,170,000	412,163	3,582,163
2047	3,330,000	271,299	3,601,299
2048	3,490,000	123,084	3,613,084
2049	1,145,000	23,616	1,168,616
	<u>\$ 51,140,000</u>	<u>\$ 30,737,163</u>	<u>\$ 81,877,163</u>

Brazoria County Municipal Utility District No. 56
Notes to Financial Statements
March 31, 2025

Note 10 – Property Taxes

On November 6, 2007, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value. Additionally, on May 10, 2008, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing road maintenance costs limited to \$0.25 per \$100 of assessed value.

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 2025 fiscal year was financed through the 2024 tax levy, pursuant to which the District levied property taxes of \$0.90 per \$100 of assessed value, of which \$0.06 was allocated to maintenance and operations, \$0.54 was allocated to debt service and \$0.30 for road debt service. The resulting tax levy was \$3,280,196 on the adjusted taxable value of \$364,466,178.

Note 11 – Transfers to Other Governments

The City of Manvel assumes responsibility for the maintenance of public roads constructed within the District's Boundaries. Accordingly, road facilities are considered to be capital assets of the City of Manvel, not the District and are recorded as transfers to other governments on the *Statement of Activities* upon completion of construction. This cost is trued-up when the developer is subsequently reimbursed. For the year ended March 31, 2025, the District recorded transfers to other governments in the amount of \$2,028,131 for road facilities constructed by the developer within the District.

Note 12 – Shared Financing Agreement

On March 1, 2011, the District entered into a Shared Financing Agreement (the "Agreement") with the City of Manvel Texas (the "City"), Reinvestment Zone Number Three (the "Zone"), South Manvel Development Authority (the "Authority") and Brazoria County Municipal Utility District No 57 ("MUD 57") for the purpose of constructing TIRZ Projects which include various public works and improvements.

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

For any year in which the City collects or receives Tax Increment, the City will pay such Tax Increment to the Authority. For any year, the Authority receives payments from the City, in the amount of Project Costs to be paid from Tax Increment by the Authority ("TIRZ Share") to the District is the percentage

Brazoria County Municipal Utility District No. 56
Notes to Financial Statements
March 31, 2025

of the actual project costs set out in the Agreement. The District will begin to receive TIRZ Share payments no later than thirty days prior to the fall principal and interest payment date subsequent to the District issuance of bonds.

The term of the Agreement will expire on the later of January 1 in the year following completion of the TIRZ plan or the date that the Developer has been repaid in full for all eligible project costs. As of March 31, 2025, certain projects in the Zone have been completed and the District is in the process of submitting documentation for reimbursement. The amount of reimbursement is not known as of fiscal year end.

Note 13 – Interconnect and Interim Water Supply Agreements with MUD 55

On April 11, 2019, the District approved the Second Amended and Restated Interconnect and Interim Water Supply Agreement (the “Agreement”) with MUD 55. The District has agreed to provide MUD 55 with interim water supply up to a maximum of 1,000 equivalent single-family connections (“ESFC”) until MUD 55 has constructed sufficient capacity within its system to serve the area within its boundaries. On November 9, 2023, the District approved the First Amendment to the Agreement to reduce the water supply to a maximum of 500 ESFCs during the interim term. On April 11, 2024, the District approved the Second Amendment to the Agreement to terminate interim service. As specified in the Second Amendment, the interconnect shall continue to operate for emergency purposes only. Pursuant to the Agreement as amended, the district receiving water during an emergency period shall be billed at the rate of \$1.25 per 1,000 gallons supplied. The term of the agreement is 40 years.

Pursuant to the agreement, the District had established the Joint Water Plant Fund, a special revenue fund, to account for activities related to the operation and maintenance of the Joint Water Plant. During the current fiscal year, the District closed the Joint Water Plant Fund.

Note 14 – Interconnect Agreement with MUD 57

On October 10, 2024, the District and MUD 57 entered into an Interconnect Agreement to provide for the interim supply of potable water from the District to MUD 57. Pursuant to the Agreement, the District will supply up to 200 ESFCs (equivalent single-family connections) of interim water to the portion of MUD 57 located within the City of Manvel until the District completes its own water plant, anticipated by December 31, 2026.

Under the Agreement, the MUD 57 will own and maintain certain shared water line facilities unless conveyed to the District. The District is responsible for maintaining a joint water plant facilities account to manage operation and maintenance expenses, with MUD 57 making an initial deposit of \$2,500. Each District is responsible for its proportionate share of operation and maintenance expenses, based on the number of active water connections. The term of the Agreement is 40 years.

Note 15 – Interim Wastewater Capacity Supply Agreement with MUD 55

On March 9, 2023, the District approved the Second Amended and Restated Interim Wastewater Capacity Supply Agreement with MUD 55. Pursuant to the agreement, MUD 55 agrees to provide the

Brazoria County Municipal Utility District No. 56
Notes to Financial Statements
March 31, 2025

District wastewater capacity supply during the time the District is constructing its wastewater treatment plant. Each district is billed for its proportionate share of maintenance and operating expenditures based on the active equivalent single-family connections. The agreement shall be in force until the District completes construction of its wastewater treatment plant unless terminated by either party. During the prior fiscal year, the District completed the construction of its wastewater treatment plant. As of March 31, 2025, the District has not been billed for any such costs.

Note 16 – Wastewater Capacity Supply Agreement with MUD 57

On October 10, 2024, the District and MUD 57 entered into a Wastewater Capacity Supply Agreement. Under the terms of the agreement, MUD 57 will purchase up to 200 equivalent single-family connections (ESFCs) of wastewater treatment capacity in the District's Wastewater Treatment Plant to serve the portion of MUD 57 located within the City of Manvel, Texas.

The total estimated cost of the capacity purchased by the MUD 57 is \$6,262,580 (\$4,708.71 per ESFC), subject to adjustment based on final construction costs. MUD 57 is required to remit payment to the District no later than the date it connects to the treatment plant.

In addition to the capital cost, MUD 57 is responsible for its pro rata share of the operation and maintenance costs of the Wastewater Treatment Plant. These costs are allocated monthly based on the ratio of active wastewater connections in each district. The District will establish a joint wastewater treatment plant account for this purpose and will invoice MUD 57 on a monthly basis for MUD 57's pro-rata share. Additionally, MUD 57 is required to make an initial deposit of \$2,500 to fund initial operating costs. The agreement has a term of 40 years. As of March 31, 2025, the wastewater treatment plant fund has not been established.

Note 17 – Cost-Sharing Agreements

Adventure Cove

On November 14, 2024, the District entered into an amended and restated cost-sharing agreement with MUD 55 and MUD 57 to provide for the maintenance and operation of the Adventure Cove recreational center. Pursuant to the agreement, the District will have ownership of the facilities, and all participating districts agreed to share operational and maintenance costs based on their pro rata share of active residential water connections. Meridiana Community Association (the "Association") will cause Adventure Cove to be maintained, operated and repaired. The Association agrees to maintain insurance coverage for the Adventure Cove facilities. Under the agreement, the District will establish a Joint Recreational Facilities Account, which will be used exclusively for the payment of certain maintenance and operation expenses related to Adventure Cove expenses. Each of the participating districts will make an initial deposit of \$20,000 to provide initial funding to the Joint Recreational Facilities Account. As of March 31, 2025, the Joint Recreational Facilities Account has not been established.

In the previous fiscal year, GR-M1, LTD, conveyed the Adventure Cove recreational facilities to the District for maintenance and operation. The construction cost of the facilities was \$12,267,910, which will be financed by the Zone. The District has no liability or financial obligation for the cost of the

Brazoria County Municipal Utility District No. 56
Notes to Financial Statements
March 31, 2025

facilities. As a result, the District recorded a capital contribution in the amount of \$12,267,910 in the previous fiscal year.

Oasis Village

On November 14, 2024, the District entered into an amended and restated cost-sharing agreement with MUD 55 and MUD 57 to provide for the maintenance and operation of the Oasis Village recreational center. Pursuant to the agreement, BC 55 will have ownership of facilities, and all participating districts agreed to share operational and maintenance costs based on their pro rata share of active residential water connections. The Association will cause Oasis Village to be maintained, operated and repaired. The Association agrees to maintain insurance coverage for the Oasis Village facilities. Under the agreement, BC 55 will establish a Joint Recreational Facilities Account, which will be used exclusively for the payment of certain maintenance and operation expenses related to Oasis Village expenses. Each of the participating districts is required to make an initial deposit of \$10,000 to provide initial funding to the Joint Recreational Facilities Account. As of March 31, 2025, the District has not paid for any of such costs.

Note 18 – Risk Management

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

Note 19 – Subsequent Event

On June 26, 2025, the District approved the sale of its Series 2025 Unlimited Tax Bonds in the amount of \$7,505,000. Proceeds from the bonds will be used to reimburse the District's developer for infrastructure improvements in the District and to repay a \$3,606,000 BAN issued in the current fiscal year.

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Required Supplementary Information

Brazoria County Municipal Utility District No. 56
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended March 31, 2025

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water service	\$ 470,000	\$ 568,208	\$ 98,208
Sewer service	322,000	415,954	93,954
Property taxes	232,148	210,831	(21,317)
Penalties and interest	23,000	26,255	3,255
Tap connection and inspection	400,000	416,257	16,257
Groundwater pumpage fees		4,320	4,320
Miscellaneous		35,221	35,221
Investment earnings	20,000	26,804	6,804
Total Revenues	1,467,148	1,703,850	236,702
Expenditures			
Current service operations			
Professional fees	182,000	344,252	(162,252)
Contracted services	92,200	182,171	(89,971)
Repairs and maintenance	342,000	410,893	(68,893)
Utilities	107,000	117,456	(10,456)
Administrative	127,994	158,483	(30,489)
Other	19,500	9,987	9,513
Capital outlay	300,000	211,820	88,180
Total Expenditures	1,170,694	1,435,062	(264,368)
Revenues Over Expenditures	296,454	268,788	(27,666)
Other Financing Uses			
Internal transfers		(71,834)	(71,834)
Net Change in Fund Balance	296,454	196,954	(99,500)
Fund Balance			
Beginning of the year	617,145	617,145	
End of the year	\$ 913,599	\$ 814,099	\$ (99,500)

Brazoria County Municipal Utility District No. 56
Notes to Required Supplementary Information
March 31, 2025

Budgets and Budgetary Accounting

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

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Texas Supplementary Information

Brazoria County Municipal Utility District No. 56
TSI-1. Services and Rates
March 31, 2025

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

☒ Retail Water	☐ Wholesale Water	☐ Solid Waste / Garbage	☒ Drainage
☒ Retail Wastewater	☐ Wholesale Wastewater	☐ Flood Control	☐ Irrigation
☒ Parks / Recreation	☐ Fire Protection	☒ Roads	☐ Security
☒ Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)			
☐ Other (Specify): _____			

2. Retail Service Providers

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

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels	
Water:	\$ 28.80	10,000	N	\$ 2.60	10,001 to	20,000
				\$ 3.15	20,001 to	25,000
				\$ 3.95	25,001 to	no limit
Wastewater:	\$ 28.80	10,000	N	\$ 1.35	10,001 to	2,000
				\$ 1.60	20,001 to	25,000
				\$ 1.80	25,001 to	no limit
Surcharge:	\$ 0.03	1,000	Y	\$ 0.03	1,001 to	no limit
District employs winter averaging for wastewater usage?				☐ Yes ☐ No		
Total charges per 10,000 gallons usage:				Water \$ 29.10	Wastewater \$	28.80

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	272	269	x 1.0	269
1"	774	771	x 2.5	1,928
1.5"	1	1	x 5.0	5
2"	11	11	x 8.0	88
3"	1	1	x 15.0	15
4"			x 25.0	
6"	2	2	x 50.0	100
8"	1	1	x 80.0	80
10"			x 115.0	
Total Water	1,062	1,056		2,485
Total Wastewater	1,035	1,029	x 1.0	1,029

See accompanying auditor's report.

Brazoria County Municipal Utility District No. 56
TSI-1. Services and Rates
March 31, 2025

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

Gallons pumped into system:	<u>388,734,000</u>	Water Accountability Ratio:
Gallons billed to customers:	<u>352,470,000</u>	(Gallons billed / Gallons pumped)
		<u>90.67%</u>

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

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

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

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

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

5. Location of District:

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

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

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

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

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

Entirely ☐ Partly ☐ Not at all ☒

ETJs in which the District is located: _____

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

If Yes, by whom? _____

See accompanying auditor's report.

Brazoria County Municipal Utility District No. 56
TSI-2. General Fund Expenditures
For the Year Ended March 31, 2025

Professional fees	
Legal	\$ 88,161
Audit	42,250
Engineering	213,841
	<u>344,252</u>
Contracted services	
Bookkeeping	19,975
Operator	102,333
Tap connection and inspection	59,863
	<u>182,171</u>
Repairs and maintenance	<u>410,893</u>
Utilities	<u>117,456</u>
Administrative	
Directors fees	25,857
Printing and office supplies	49,742
Insurance	63,373
Other	19,511
	<u>158,483</u>
Other	<u>9,987</u>
Capital outlay	<u>211,820</u>
Total expenditures	<u><u>\$ 1,435,062</u></u>

See accompanying auditor's report.

March 31, 2025

See accompanying auditor's report.

Brazoria County Municipal Utility District No. 56
TSI-4. Taxes Levied and Receivable
March 31, 2025

	Maintenance Taxes	Debt Service Taxes	Road Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	\$ 12,854	\$ 61,278	\$ 34,258	\$ 108,390
Adjustments to Prior Year Tax Levy	(846)	(4,214)	(2,531)	(7,591)
Adjusted Receivable	12,008	57,064	31,727	100,799
2024 Original Tax Levy	209,338	1,884,041	1,046,689	3,140,068
Adjustments	9,342	84,077	46,709	140,128
Adjusted Tax Levy	218,680	1,968,118	1,093,398	3,280,196
Tax collections:				
Current year	203,600	1,832,401	1,018,001	3,054,002
Prior years	7,227	38,091	24,476	69,794
Total Collections	210,827	1,870,492	1,042,477	3,123,796
Taxes Receivable, End of Year	\$ 19,861	\$ 154,690	\$ 82,648	\$ 257,199
Taxes Receivable, By Years				
2024	\$ 15,080	\$ 135,717	\$ 75,397	\$ 226,194
2023	2,417	12,086	7,251	21,754
2022	2,364	6,887		9,251
Taxes Receivable, End of Year	\$ 19,861	\$ 154,690	\$ 82,648	\$ 257,199
	2024	2023	2022	2021
Property Valuations:				
Land	\$ 98,393,444	\$ 86,039,631	\$ 31,710,616	\$ 19,883,292
Improvements	346,962,691	241,747,749	105,326,930	32,660,840
Personal Property	1,914,180	1,469,630	738,080	110,700
Exemptions	(82,804,137)	(65,264,786)	(39,619,492)	(31,220,069)
Total Property Valuations	\$ 364,466,178	\$ 263,992,224	\$ 98,156,134	\$ 21,434,763
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.06	\$ 0.10	\$ 0.23	\$ 0.90
Debt service tax rates	0.54	0.50	0.67	
Road Tax Rate	0.30	0.30		
Total Tax Rates per \$100 Valuation	\$ 0.90	\$ 0.90	\$ 0.90	\$ 0.90
Adjusted Tax Levy:	\$ 3,280,196	\$ 2,375,930	\$ 883,405	\$ 192,913
Percentage of Taxes Collected to Taxes Levied **	93.10%	99.08%	98.95%	100.00%

* Maximum Maintenance Tax Rate Approved by Voters: \$1.25 on November 6, 2007

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

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

See accompanying auditor's report.

Brazoria County Municipal Utility District No. 56
TSI-5. Long-Term Debt Service Requirements
Series 2022--by Years
March 31, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2026	\$ 355,000	\$ 625,850	\$ 980,850
2027	370,000	601,381	971,381
2028	385,000	575,900	960,900
2029	400,000	549,406	949,406
2030	415,000	521,900	936,900
2031	435,000	493,213	928,213
2032	450,000	463,344	913,344
2033	470,000	435,819	905,819
2034	490,000	413,069	903,069
2035	510,000	391,819	901,819
2036	530,000	369,718	899,718
2037	550,000	346,768	896,768
2038	570,000	322,969	892,969
2039	595,000	298,213	893,213
2040	620,000	272,394	892,394
2041	645,000	245,110	890,110
2042	670,000	216,343	886,343
2043	695,000	186,484	881,484
2044	725,000	155,422	880,422
2045	750,000	123,156	873,156
2046	780,000	89,688	869,688
2047	815,000	54,797	869,797
2048	845,000	18,484	863,484
	<u>\$ 13,070,000</u>	<u>\$ 7,771,247</u>	<u>\$ 20,841,247</u>

See accompanying auditor's report.

Brazoria County Municipal Utility District No. 56
TSI-5. Long-Term Debt Service Requirements
Series 2022 Road--by Years
March 31, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2026	\$ 180,000	\$ 366,337	\$ 546,337
2027	190,000	355,238	545,238
2028	195,000	344,662	539,662
2029	210,000	334,537	544,537
2030	220,000	323,787	543,787
2031	230,000	312,537	542,537
2032	240,000	300,788	540,788
2033	255,000	288,412	543,412
2034	270,000	275,287	545,287
2035	280,000	261,538	541,538
2036	295,000	248,084	543,084
2037	315,000	234,741	549,741
2038	330,000	220,425	550,425
2039	345,000	205,238	550,238
2040	365,000	189,263	554,263
2041	385,000	172,388	557,388
2042	405,000	154,613	559,613
2043	425,000	134,875	559,875
2044	450,000	113,000	563,000
2045	470,000	90,000	560,000
2046	495,000	65,875	560,875
2047	520,000	40,500	560,500
2048	550,000	13,750	563,750
	<u>\$ 7,620,000</u>	<u>\$ 5,045,875</u>	<u>\$ 12,665,875</u>

See accompanying auditors' report.

Brazoria County Municipal Utility District No. 56
TSI-5. Long-Term Debt Service Requirements
Series 2023 Road--by Years
March 31, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2026	\$ 115,000	\$ 211,925	\$ 326,925
2027	125,000	204,125	329,125
2028	130,000	195,837	325,837
2029	135,000	187,225	322,225
2030	145,000	178,124	323,124
2031	150,000	169,287	319,287
2032	155,000	160,900	315,900
2033	165,000	153,337	318,337
2034	175,000	146,537	321,537
2035	180,000	139,437	319,437
2036	190,000	132,038	322,038
2037	200,000	124,237	324,237
2038	210,000	116,037	326,037
2039	220,000	107,437	327,437
2040	230,000	98,438	328,438
2041	245,000	88,938	333,938
2042	255,000	78,938	333,938
2043	270,000	68,438	338,438
2044	280,000	57,438	337,438
2045	295,000	45,938	340,938
2046	310,000	33,838	343,838
2047	325,000	20,935	345,935
2048	345,000	7,116	352,116
	<u>\$ 4,850,000</u>	<u>\$ 2,726,500</u>	<u>\$ 7,576,500</u>

See accompanying auditors' report.

Brazoria County Municipal Utility District No. 56
TSI-5. Long-Term Debt Service Requirements
Series 2023--by Years
March 31, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2026	\$ 180,000	\$ 382,919	\$ 562,919
2027	195,000	370,731	565,731
2028	205,000	357,731	562,731
2029	215,000	344,082	559,082
2030	230,000	329,763	559,763
2031	245,000	314,622	559,622
2032	260,000	299,012	559,012
2033	275,000	284,338	559,338
2034	290,000	271,662	561,662
2035	305,000	259,763	564,763
2036	325,000	247,162	572,162
2037	345,000	233,763	578,763
2038	365,000	219,562	584,562
2039	385,000	204,563	589,563
2040	410,000	188,662	598,662
2041	435,000	171,763	606,763
2042	460,000	153,575	613,575
2043	490,000	133,982	623,982
2044	520,000	113,150	633,150
2045	550,000	90,738	640,738
2046	585,000	66,618	651,618
2047	620,000	41,011	661,011
2048	655,000	13,919	668,919
	<u>\$ 8,545,000</u>	<u>\$ 5,093,091</u>	<u>\$ 13,638,091</u>

See accompanying auditors' report.

Brazoria County Municipal Utility District No. 56
TSI-5. Long-Term Debt Service Requirements
Series 2024--by Years
March 31, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2026	\$ 235,000	\$ 530,475	\$ 765,475
2027	300,000	513,087	813,087
2028	315,000	493,100	808,100
2029	325,000	472,300	797,300
2030	340,000	450,688	790,688
2031	355,000	428,100	783,100
2032	375,000	404,375	779,375
2033	390,000	383,656	773,656
2034	410,000	366,925	776,925
2035	425,000	350,225	775,225
2036	445,000	332,825	777,825
2037	465,000	314,625	779,625
2038	485,000	295,625	780,625
2039	510,000	275,725	785,725
2040	530,000	254,925	784,925
2041	555,000	233,225	788,225
2042	580,000	210,525	790,525
2043	605,000	186,825	791,825
2044	635,000	162,025	797,025
2045	660,000	135,713	795,713
2046	690,000	107,869	797,869
2047	725,000	78,684	803,684
2048	755,000	48,159	803,159
2049	790,000	16,294	806,294
	<u>\$ 11,900,000</u>	<u>\$ 7,045,975</u>	<u>\$ 18,945,975</u>

See accompanying auditors' report.

Brazoria County Municipal Utility District No. 56
TSI-5. Long-Term Debt Service Requirements
Series 2024 Road--by Years
March 31, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2026	\$ -	\$ 218,125	\$ 218,125
2027	130,000	214,550	344,550
2028	135,000	207,262	342,262
2029	140,000	199,700	339,700
2030	150,000	191,725	341,725
2031	155,000	183,338	338,338
2032	160,000	175,875	335,875
2033	170,000	169,275	339,275
2034	180,000	162,275	342,275
2035	185,000	154,975	339,975
2036	195,000	147,375	342,375
2037	205,000	139,375	344,375
2038	215,000	130,975	345,975
2039	225,000	122,175	347,175
2040	235,000	112,975	347,975
2041	245,000	103,375	348,375
2042	255,000	93,375	348,375
2043	270,000	82,875	352,875
2044	280,000	71,875	351,875
2045	295,000	60,375	355,375
2046	310,000	48,275	358,275
2047	325,000	35,372	360,372
2048	340,000	21,656	361,656
2049	355,000	7,322	362,322
	<u>\$ 5,155,000</u>	<u>\$ 3,054,475</u>	<u>\$ 8,209,475</u>

See accompanying auditors' report.

Brazoria County Municipal Utility District No. 56
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
March 31, 2025

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2026	\$ 1,065,000	\$ 2,335,631	\$ 3,400,631
2027	1,310,000	2,259,112	3,569,112
2028	1,365,000	2,174,492	3,539,492
2029	1,425,000	2,087,250	3,512,250
2030	1,500,000	1,995,987	3,495,987
2031	1,570,000	1,901,097	3,471,097
2032	1,640,000	1,804,294	3,444,294
2033	1,725,000	1,714,837	3,439,837
2034	1,815,000	1,635,755	3,450,755
2035	1,885,000	1,557,757	3,442,757
2036	1,980,000	1,477,202	3,457,202
2037	2,080,000	1,393,509	3,473,509
2038	2,175,000	1,305,593	3,480,593
2039	2,280,000	1,213,351	3,493,351
2040	2,390,000	1,116,657	3,506,657
2041	2,510,000	1,014,799	3,524,799
2042	2,625,000	907,369	3,532,369
2043	2,755,000	793,479	3,548,479
2044	2,890,000	672,910	3,562,910
2045	3,020,000	545,920	3,565,920
2046	3,170,000	412,163	3,582,163
2047	3,330,000	271,299	3,601,299
2048	3,490,000	123,084	3,613,084
2049	1,145,000	23,616	1,168,616
	<u>\$ 51,140,000</u>	<u>\$ 30,737,163</u>	<u>\$ 81,877,163</u>

See accompanying auditor's report.

Brazoria County Municipal Utility District No. 56
TSI-6. Change in Long-Term Bonded Debt
March 31, 2025

	Bond Issue			
	Series 2022	Series 2022 Road	Series 2023 Road	Series 2023
Interest rate	4.25% - 6.75%	4.375% - 6.00%	4.00% - 6.50%	4.00% - 6.50%
Dates interest payable	9/1 ; 3/1	9/1 ; 3/1	9/1 ; 3/1	9/1 ; 3/1
Maturity dates	9/1/24 - 9/1/47	9/1/24 - 9/1/47	9/1/24 - 9/1/47	9/1/24 - 9/1/47
Beginning bonds outstanding	\$ 13,415,000	\$ 7,790,000	\$ 4,885,000	\$ 8,715,000
Bonds issued				
Bonds retired	(345,000)	(170,000)	(35,000)	(170,000)
Ending bonds outstanding	<u>\$ 13,070,000</u>	<u>\$ 7,620,000</u>	<u>\$ 4,850,000</u>	<u>\$ 8,545,000</u>
Interest paid during fiscal year	<u>\$ 649,474</u>	<u>\$ 376,838</u>	<u>\$ 216,800</u>	<u>\$ 394,294</u>
Paying agent's name and city				
Series 2022, 2024 and 2024 Road	BOKF, NA, Dallas, Texas			
All other Series	Regions Bank, an Alabama banking corporation, Houston, Texas			
	Water, Sewer and Drainage Bonds and Refunding	Parks and Recreational Facilities Bonds and Refunding	Road Bonds and Refunding	
Bond Authority:				
Amount Authorized by Voters	\$ 141,315,000	\$ 32,240,000	\$ 61,925,000	
Amount Issued	(34,030,000)		(17,830,000)	
Remaining To Be Issued	<u>\$ 107,285,000</u>	<u>\$ 32,240,000</u>	<u>\$ 44,095,000</u>	

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

Debt Service Fund cash and investment balances as of March 31, 2025: \$ 3,642,462

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 3,411,548

See accompanying auditors' report.

Bond Issue		
Series 2024	Series 2024 Road	Totals
4.00% - 6.50%	4.00% - 5.50%	
9/1 ; 3/1	9/1 ; 3/1	
9/1/25 - 9/1/48	9/1/26 - 9/1/48	
\$ -	\$ -	\$ 34,805,000
11,900,000	5,155,000	17,055,000
		(720,000)
<u>\$ 11,900,000</u>	<u>\$ 5,155,000</u>	<u>\$ 51,140,000</u>
<u>\$ 324,362</u>	<u>\$ 102,398</u>	<u>\$ 2,064,166</u>

Brazoria County Municipal Utility District No. 56

***TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years***

	Amounts				
	2025	2024	2023	2022	2021
Revenues					
Water service	\$ 568,208	\$ 481,660	\$ 223,600	\$ 105,659	\$ 43,122
Sewer service	415,954	341,277	159,162	82,876	25,692
Property taxes	210,831	266,679	218,192	185,795	26,796
Penalties and interest	26,255	21,751	14,500	5,033	907
Tap connection and inspection	416,257	313,831	578,471	431,731	91,001
Groundwater pumpage fees	4,320	3,483	1,718	560	171
Miscellaneous	35,221	41,723	37,418	17,355	5,677
Investment earnings	26,804	16,538	5,054	101	529
Total Revenues	<u>1,703,850</u>	<u>1,486,942</u>	<u>1,238,115</u>	<u>829,110</u>	<u>193,895</u>
Expenditures					
Current service operations					
Professional fees	344,252	255,787	328,177	272,935	184,700
Contracted services	182,171	423,153	479,292	316,938	102,144
Repairs and maintenance	410,893	354,606	216,752	182,058	54,205
Utilities	117,456	101,745	43,244		
Administrative	158,483	130,685	81,669	44,687	29,520
Other	9,987	10,617	13,119	17,193	6,764
Capital outlay	211,820		94,870		
Total Expenditures	<u>1,435,062</u>	<u>1,276,593</u>	<u>1,257,123</u>	<u>833,811</u>	<u>377,333</u>
Revenues Over (Under) Expenditures	<u>\$ 268,788</u>	<u>\$ 210,349</u>	<u>\$ (19,008)</u>	<u>\$ (4,701)</u>	<u>\$ (183,438)</u>
Total Active Retail Water Connections	<u>1,056</u>	<u>944</u>	<u>629</u>	<u>332</u>	<u>89</u>
Total Active Retail Wastewater Connections	<u>1,029</u>	<u>921</u>	<u>611</u>	<u>319</u>	<u>86</u>

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2025	2024	2023	2022	2021
34%	33%	18%	13%	23%
24%	23%	13%	10%	13%
12%	18%	18%	22%	14%
2%	1%	1%	1%	*
24%	21%	47%	52%	47%
*	*	*	*	*
2%	3%	3%	2%	3%
2%	1%	*	*	*
100%	100%	100%	100%	100%
20%	17%	27%	33%	95%
11%	28%	39%	38%	53%
24%	24%	18%	22%	28%
7%	7%	3%		
9%	9%	7%	5%	15%
1%	1%	1%	2%	3%
12%		8%		
84%	86%	103%	100%	194%
16%	14%	(3%)	-	(94%)

Brazoria County Municipal Utility District No. 56

TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund

For the Last Three Fiscal Years

	Amounts		
	2025	2024	2023
Revenues			
Property taxes	\$ 2,913,285	\$ 2,066,056	\$ 614,756
Penalties and interest	29,453	21,304	3,014
Miscellaneous			950
Investment earnings	123,021	94,680	33,639
Total Revenues	<u>3,065,759</u>	<u>2,182,040</u>	<u>652,359</u>
Expenditures			
Tax collection services	56,471	43,529	22,731
Debt service			
Principal	720,000		
Interest and fees	<u>2,066,029</u>	<u>1,478,553</u>	<u>494,745</u>
Total Expenditures	<u>2,842,500</u>	<u>1,522,082</u>	<u>517,476</u>
Revenues Over Expenditures	<u>\$ 223,259</u>	<u>\$ 659,958</u>	<u>\$ 134,883</u>

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues		
2025	2024	2023
95%	95%	95%
1%	1%	*
		*
4%	4%	5%
100%	100%	100%
2%	2%	3%
23%		
67%	68%	76%
92%	70%	79%
8%	30%	21%

Brazoria County Municipal Utility District No. 56
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended March 31, 2025

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, TX 77027
District Business Telephone Number: (713) 860-6400
Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): May 16, 2024
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
(Set by Board Resolution -- TWC Section 49.060)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Lance E. Taylor**	05/24 - 05/28	\$ 7,956	\$ 2,090	President
Michael Albrecht	05/22 - 05/26	3,315	386	Vice President
Tamu Williams	05/24 - 05/28	6,630	2,873	Secretary
Sandra Harrell	04/23 - 05/26	5,083	1,386	Assistant Vice President
David Rivera	05/22 - 05/26	2,873	1,186	Assistant Secretary
Consultants				
Allen Boone Humphries Robinson, LLP	2007	<u>Amounts Paid</u>		Attorney
<i>General legal fees</i>		\$ 87,219		
<i>Bond counsel</i>		471,901		
Si Environmental, LLC	2019	755,990		Operator
Myrtle Cruz, Inc.	2007	27,921		Bookkeeper
Assessments of the Southwest, Inc.	2019	21,921		Tax Collector
Brazoria County Appraisal District	Legislation	19,842		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	2007	12,243		Delinquent Tax Attorney
EHRA Engineering	2019	179,453		Engineer
McGrath & Co., PLLC	2020	37,975		Auditor
Robert W. Baird & Co., Inc.	2019	375,299		Financial Advisor

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

** Director was paid in excess of statutory limits in the current fiscal year

See accompanying auditor's report.

APPENDIX B
SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN