**BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 40**

**(Brazoria County, Texas)**

**PRELIMINARY OFFICIAL STATEMENT**

**DATED: OCTOBER 28, 2026**

**$10,510,000**
**UNLIMITED TAX BONDS**
**SERIES 2026**

**BIDS FOR THE BONDS TO BE SUBMITTED BY: 9:30 A.M., CENTRAL TIME**

**WEDNESDAY, NOVEMBER 18, 2026**

**BONDS TO BE AWARDED: 11:30 A.M., CENTRAL TIME**

**WEDNESDAY, NOVEMBER 18, 2026**

CEDAR CREEK
MUNICIPAL ADVISORS

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

**PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 28, 2026**

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

**In the opinion of Bond Counsel, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals. See "TAX MATTERS" herein, including information regarding potential alternative minimum tax consequences for corporations.**

The Bonds will not be designated as "qualified tax-exempt obligations" for financial institutions.

NEW ISSUE – Book Entry Only

Moody's Ratings (Underlying).....“Baa2”
See "MUNICIPAL BOND INSURANCE"
and "MUNICIPAL BOND RATINGS" herein.

**BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 40**

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

**$10,510,000**
**UNLIMITED TAX BONDS**
**SERIES 2026**

**Dated: December 1, 2026**
**Interest accrues from: Date of Delivery** **Due: September 1, as shown on inside cover**

The $10,510,000 Unlimited Tax Bonds, Series 2026 (the "Bonds"), are obligations of Brazoria County Municipal Utility District No. 40 (the "District") and are not obligations of the State of Texas ("Texas"); Brazoria County, Texas (the "County"); the City of Manvel, Texas (the "City"); or any political subdivision or entity other than the District. Neither the full faith and credit nor the taxing power of Texas; the County; the City; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

Principal of the Bonds is payable upon presentation at the principal payment office of the paying agent/registrar, initially, Zions Bancorporation, National Association, Houston, Texas (the "Paying Agent/Registrar"). Interest accrues from the initial date of delivery (on or about December 18, 2026) (the "Date of Delivery"), and is payable September 1, 2027, and on each March 1 and September 1thereafter (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 ("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 "Record Date"). The Bonds are fully registered bonds in principal denominations of $5,000 or any integral multiple thereof.

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

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

When issued, the Bonds will constitute valid and legally binding obligations of the District and will be payable from the proceeds of a continuing direct ad valorem tax, without legal limit as to rate or amount, levied annually by the District against all taxable property located within the District. See "THE BONDS – Source of Payment."

Investment in the Bonds is subject to certain investment considerations as described herein. Prospective purchasers should review this entire Official Statement, including particularly the section of this Official Statement entitled "INVESTMENT CONSIDERATIONS," before making an investment decision.

The Bonds are offered when, as, and if issued by the District and accepted by the winning bidder of the Bonds (the "Initial Purchaser"), subject to the approval of the Attorney General of Texas and of Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about December 18, 2026.

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

**$10,510,000 Unlimited Tax Bonds, Series 2026**

| Maturity (September 1) | Principal Amount | Interest Rate | Initial Reoffering Yield (a) | CUSIP No. _____ (b) | Maturity (September 1) | Principal Amount | Interest Rate | Initial Reoffering Yield (a) | CUSIP No. _____ (b) |
|---|---|---|---|---|---|---|---|---|---|
| 2028 | $215,000 | _____% | _____% | ___ | 2040 (c) | $420,000 | _____% | _____% | ___ |
| 2029 | 225,000 | _____ | _____ | ___ | 2041 (c) | 440,000 | _____ | _____ | ___ |
| 2030 | 240,000 | _____ | _____ | ___ | 2042 (c) | 465,000 | _____ | _____ | ___ |
| 2031 | 255,000 | _____ | _____ | ___ | 2043 (c) | 495,000 | _____ | _____ | ___ |
| 2032 (c) | 265,000 | _____ | _____ | ___ | 2044 (c) | 525,000 | _____ | _____ | ___ |
| 2033 (c) | 280,000 | _____ | _____ | ___ | 2045 (c) | 555,000 | _____ | _____ | ___ |
| 2034 (c) | 300,000 | _____ | _____ | ___ | 2046 (c) | 585,000 | _____ | _____ | ___ |
| 2035 (c) | 315,000 | _____ | _____ | ___ | 2047 (c) | 620,000 | _____ | _____ | ___ |
| 2036 (c) | 335,000 | _____ | _____ | ___ | 2048 (c) | 655,000 | _____ | _____ | ___ |
| 2037 (c) | 355,000 | _____ | _____ | ___ | 2049 (c) | 690,000 | _____ | _____ | ___ |
| 2038 (c) | 375,000 | _____ | _____ | ___ | 2050 (c) | 730,000 | _____ | _____ | ___ |
| 2039 (c) | 395,000 | _____ | _____ | ___ | 2051 (c) | 775,000 | _____ | _____ | ___ |

(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 will be assigned to this issue 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) The 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. See "THE BONDS – Redemption of the Bonds."

## USE OF INFORMATION IN OFFICIAL STATEMENT

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

*This document, when further supplemented by adding additional information specifying the interest rates and certain other information relating to the Bonds shall constitute a "final official statement" of the District with respect to the Bonds, as such term is defined in Rule 15c2-12.*

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

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, for further information.

The Financial Advisor 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.

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. The District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and to the extent such information actually comes to its attention, the other matters described in this Official Statement, until delivery of the Bonds to the Initial Purchaser and thereafter only as specified in "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 purposes of, and as that term is defined in, Rule 15c2-12, as amended, of the United States Securities and Exchange Commission ("SEC").

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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 effective interest rate to the District, which was tendered by _____ (the "Initial Purchaser") to purchase the Bonds bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS" at a price of _____% of the par value thereof, which resulted in a net effective interest rate of _____%, as calculated pursuant to Chapter 1204 of the Texas Government Code.

### Prices and Marketability

Subject to certain restrictions described in the Official Notice of Sale for the Bonds, 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.

Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser. Subject to certain restrictions described in the Official Notice of Sale for the Bonds, 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 SEC under the Securities Act of 1933, as amended, in reliance upon exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities acts of any other jurisdictions. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds should not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

## MUNICIPAL BOND INSURANCE

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

## MUNICIPAL BOND RATINGS

Moody's has assigned an underlying credit rating of "Baa2" to the Bonds. An explanation of Moody's ratings may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. A security rating is not a recommendation to buy, sell, or hold securities. Furthermore, there is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's, if in its judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

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

## OFFICIAL STATEMENT SUMMARY

The following information 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

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|---|---|
| The District | Brazoria County Municipal Utility District No. 40 (the "District"), a political subdivision of the State of Texas ("Texas"), is located in Brazoria County, Texas (the "County"). See "THE DISTRICT." |
| The Bonds | The District is issuing $10,510,000 Unlimited Tax Bonds, Series 2026 (the "Bonds"). The Bonds are dated December 1, 2026, and mature on September 1 in each of the years and in the principal amounts set forth on the inside cover page hereof. Interest on the Bonds accrues from the initial date of delivery (on or about December 18, 2026) (the "Date of Delivery"), at the rates set forth on the inside cover page hereof, and is payable September 1, 2027, and each March 1 and September 1 thereafter until the earlier of stated maturity or redemption. See "THE BONDS." |
| Redemption | The Bonds maturing on and after September 1, 2032, are subject to redemption 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. 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, New York, New York ("DTC"), pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners (hereinafter defined) thereof. Principal of and interest on the Bonds will be payable by Zions Bancorporation, National Association, Houston, Texas (the "Paying Agent/Registrar"), to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "THE BONDS – Book-Entry-Only System." |
| Source of Payment | The Bonds are payable from the proceeds of a continuing direct ad valorem tax, without legal limit as to rate or amount, levied annually by the District against all taxable property located within the District. The Bonds are obligations of the District and are not obligations of Texas; the County; the City of Manvel, Texas (the "City"); or any entity other than the District. See "THE BONDS – Source of Payment." |
| Outstanding Bonds | The District has previously issued its $6,570,000 Unlimited Tax Bonds, Series 2020, $4,625,000 Unlimited Tax Road Bonds, Series 2020A, $5,695,000 Unlimited Tax Bonds, Series 2021, $3,155,000 Unlimited Tax Road Bonds, Series 2021A, $2,645,000 Unlimited Tax Bonds, Series 2022, $8,945,000 Unlimited Tax Road Bonds, Series 2022A; $3,050,000 Unlimited Tax Bonds, Series 2023; $3,435,000 Unlimited Tax Road Bonds, Series 2023; $10,210,000 Unlimited Tax |

Road Bonds, Series 2024; $5,780,000 Unlimited Tax Bonds, Series 2024; and $18,100,000 Unlimited Tax Bonds, Series 2025. As of the Date of Delivery of the Bonds, $67,305,000 principal amount of such bonds will remain outstanding (the "Outstanding Bonds"). See "THE BONDS – Outstanding Bonds."

Payment Record..... The District has never defaulted on the timely payment of principal or interest on its bonded indebtedness.

Authority for Issuance..... The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 8450 of the Texas Special District Local Laws Code; an election held within the District on November 6, 2018, as described below; a resolution authorizing the issuance of the Bonds adopted by the Board of Directors (the "Board") of the District on the date of sale of the Bonds (the "Bond Resolution"); and an order of the Texas Commission on Environmental Quality ("TCEQ").

At an election held within the District on November 6, 2018, voters of the District authorized the District's issuance of an aggregate of $275,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer, and storm water drainage facilities to serve the District (the "Utility System") and for the refunding of such bonds, and $80,000,000 principal amount of unlimited tax bonds for parks and recreational facilities and for the refunding of such bonds. Additionally, at an election held on May 4, 2019, voters of the District authorized the District's issuance of an aggregate of $100,000,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, acquiring and maintaining a road system to serve the District (the "Road System") and for the refunding of such bonds. Following the issuance of the Bonds, $222,650,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System and for the refunding of such bonds, $69,630,000 principal amount of unlimited tax bonds for the purpose of acquiring and maintaining the Road System and for the refunding of such bonds, and $80,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District and for the refunding of such bonds will remain authorized but unissued. See "THE BONDS – Authority for Issuance" and "– Issuance of Additional Debt."

Use of Bond Proceeds..... A portion of the proceeds of the Bonds will be used to reimburse the Developers (defined herein) for the improvements and related engineering and land costs set out herein under "THE BONDS –Use and Distribution of Bond Proceeds." Additionally, a portion of the proceeds will be used to pay developer interest, and certain costs associated with the issuance of the Bonds.

Not Qualified Tax-Exempt Obligations ..... The Bonds will not be designated as "Qualified Tax-Exempt Obligations" for financial institutions.

Municipal Bond Insurance ..... The District has made applications to provide municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and the payment of all costs associated with the insurance, including the premium charged by the insurance company and fees

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| | charged by rating companies, other than Moody's Ratings ("Moody's"), will be at the option and expense of the Initial Purchaser. The District will pay the rating fees charged by Moody's. See "MUNICIPAL BOND INSURANCE" herein. |
| Municipal Bond Ratings | Moody's has assigned an underlying credit rating to the Bonds of "Baa2." See "MUNICIPAL BOND RATINGS" herein. |
| Legal Opinion | Allen Boone Humphries Robinson LLP, Houston, Texas. See "LEGAL MATTERS." |
| Financial Advisor | Cedar Creek Municipal Advisors, LLC, Houston, Texas. |
| Disclosure Counsel | McCall, Parkhurst & Horton L.L.P., Houston, Texas. |

**THE DISTRICT**

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|---|---|
| Description | The District is a political subdivision of Texas, located approximately 18 miles south of the central business district of the City of Houston, Texas. The District lies entirely within the extraterritorial jurisdiction and limited purpose jurisdiction of the City. The District is a municipal utility district created by an order of the TCEQ effective January 23, 2007. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 8450 of the Texas Special District Local Laws Code, and other statutes of Texas applicable to municipal utility districts. The District consists of approximately 584.492 total acres. See "THE DISTRICT." |
| Pomona | The District is one of the two municipal utility districts that make up the approximate 1,100-acre, master-planned community known as "Pomona." Pomona is comprised of the District and Brazoria County Municipal Utility District No. 39 ("MUD 39"). Development and construction activity within Pomona has occurred in both the District and MUD 39. See "DEVELOPMENT OF THE DISTRICT" for a description of the status of development within Pomona in the District. |
| Development within the District | To date, approximately 309.68 acres within the District have been developed as the residential subdivisions of Pomona, Sections 9–16 and 24-28 (1,191 lots). As of October 5, 2026, the District included approximately 1,112 completed homes (approximately 1,085 occupied and 27 unoccupied); approximately 29 homes under construction; and approximately 50 vacant developed lots. The remaining land within the District includes the following: approximately 3.28 acres for Water Supply Plant No. 2; approximately 0.10 acres for Lift Station No. 2 serving Pomona; approximately 0.15 acres for Lift Station No. 3 serving Pomona; approximately 2.36 acres for a convenience store and retail building; approximately 1.39 acres for a day care; approximately 1.66 acres for a retail building, approximately 216.54 undevelopable acres consisting of easements, rights-of-way, and greenbelts; and approximately 49.33 undeveloped but developable acres. See "THE DEVELOPERS," "DEVELOPMENT OF THE DISTRICT," and "THE DISTRICT." |

| | |
|---|---|
| The Developers | Land within the District is being developed by MC 288, LLC, a Texas limited liability company ("MC 288") jointly owned by Hillwood Development Company, LLC ("Hillwood") and DFH Coventry LLC ("DFH Coventry").<br><br>Hillwood is a Dallas-based national real estate development company owned by H. Ross Perot, Jr., with over 30 years of experience developing land in Texas. Hillwood's development experience encompasses several product types, including: sports arenas, high-rise condominiums, offices, single-family residential communities, distribution centers, regional malls, mixed-use urban development, call centers, hotels, golf courses, airports, intermodal rail yards, corporate campuses, and major air facilities.<br><br>DFH Coventry is a privately held real estate development company and homebuilder that currently operates in four Texas markets: Houston, Dallas, Austin, and San Antonio under its brands Coventry Homes, Plantation Homes, and Wilshire Homes.<br><br>MC 288, LLC, Hillwood, DFH Coventry and their affiliates are collectively referred to herein as the "Developers." See "THE DEVELOPERS" and "DEVELOPMENT OF THE DISTRICT." |
| Homebuilders within the District | Homebuilders who are active in the District include Coventry Homes, Highland Homes, and David Weekley Homes. Homes being constructed in the District range in price from approximately $380,000 to $870,000 and in size from approximately 1,500 to 4,000 square feet. See "DEVELOPMENT OF THE DISTRICT – Homebuilders within the District." |

**INVESTMENT CONSIDERATIONS**

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

*[Remainder of Page Intentionally Left Blank]*

**SELECTED FINANCIAL INFORMATION**

**(UNAUDITED)**

| | | |
|---|---|---|
| 2026 Taxable Assessed Valuation | $ 552,360,938 | (a) |
| Estimated Assessed Valuation as of August 20, 2026 | $ 589,979,864 | (b) |
| Direct Debt: | | |
| Outstanding Bonds(as of Date of Delivery) | $ 67,305,000 | |
| The Bonds | 10,510,000 | |
| Total | $ 77,815,000 | |
| Estimated Overlapping Debt | $ 37,588,939 | (c) |
| Total Direct and Estimated Overlapping Debt | $ 115,403,939 | (c) |
| Direct Debt Ratios: | | |
| As a percentage of the 2026 Taxable Assessed Valuation | 14.09 % | |
| As a percentage of the Estimated Assessed Valuation as of August 20, 2026 | 13.19 % | |
| Direct and Estimated Overlapping Debt Ratios: | | |
| As a percentage of the 2026 Taxable Assessed Valuation | 20.89 % | |
| As a percentage of the Estimated Assessed Valuation as of August 20, 2026 | 19.53 % | |
| Capital Projects Fund Balance (as of October 28, 2026) | $ 47,552 | |
| Road System Debt Service Fund (as of October 28, 2026) | $ 1,360,111 | (d) |
| Utility System Debt Service Fund (as of October 28, 2026) | $ 1,540,511 | (e) |
| General Operating Fund Balance (as of October 28, 2026) | $ 2,444,304 | |

(a) Represents the taxable amount of assessed valuation of taxable properties in the District as of January 1, 2026, as provided by the Brazoria County Appraisal District (the "Appraisal District"). See "TAX DATA" and "TAXING PROCEDURES."

(b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the taxable value of all taxable property located within the District as of August 20, 2026, and includes an estimate of additional taxable value resulting from additional taxable improvements constructed in the District from January 1, 2026, to August 20, 2026. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."

(c) See "DISTRICT DEBT – Direct and Estimated Overlapping Debt Statement."

(d) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Road System Debt Service Fund. Monies in the Road System Debt Service Fund cannot be used to pay debt service on bonds issued by the District for the Utility System (herein defined), including the Bonds.

(e) 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).

| | | |
|---|---|---|
| 2026 Tax Rate per $100 of Taxable Assessed Valuation: | | |
| Road System Debt Service | $0.325 | |
| Utility System Debt Service | 0.580 | |
| Maintenance and Operation | 0.375 | |
| Total | $1.280 | |
| Estimated Average Annual Debt Service Requirement (2027-2051) | $4,835,279 | (a) |
| Estimated Maximum Annual Debt Service Requirement (2045) | $5,507,494 | (a) |
| Debt Service Tax Rate per $100 of Taxable Assessed Valuation Required to Pay Estimated Average Annual Debt Service Requirement at 95% Tax Collection (2027-2051) | | |
| Based on the 2026 Taxable Assessed Valuation | $0.93 | |
| Based on the Estimated Assessed Valuation as of August 20, 2026 | $0.87 | |
| Debt Service Tax Rate per $100 of Taxable Assessed Valuation Required to Pay Estimated Maximum Annual Debt Service Requirement at 95% Tax Collection (2045) | | |
| Based on the 2026 Taxable Assessed Valuation | $1.05 | |
| Based on the Estimated Assessed Valuation as of August 20, 2026 | $0.99 | |
| Single-Family Homes (including 29 homes under construction) | 1,141 | (b) |
| Estimated District Population | 3,731 | (c) |

(a) Requirement of debt service on the Bonds and the Outstanding Bonds. See "DISTRICT DEBT – Debt Service Requirement Schedule."
(b) Approximately 1,066 homes are occupied.
(c) Estimate based upon 3.5 residents per occupied single-family home.

**BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 40**

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

**$10,510,000**
**UNLIMITED TAX BONDS**
**SERIES 2026**

## INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Brazoria County Municipal Utility District No. 40 (the "District") of its $10,510,000 Unlimited Tax Bonds, Series 2026 (the "Bonds").

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 8450 of the Texas Special District Local Laws Code; an election held within the District on November 6, 2018, as described below; a resolution authorizing the issuance of the Bonds adopted by the Board of Directors (the "Board") of the District on the date of sale of the Bonds (the "Bond Resolution"); and an order of the Texas Commission on Environmental Quality ("TCEQ").

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Bond Resolution. This Official Statement includes descriptions of the Bonds, the Developers (herein defined), the Bond Resolution, and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027, upon payment of the costs of duplication therefor.

## THE BONDS

### General

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

The Bonds are dated December 1, 2026, and will accrue interest from the initial date of delivery (on or about December 18, 2026) (the "Date of Delivery"), with interest payable on September 1, 2027, and each March 1 and September 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 on the inside cover page of this Official Statement. Principal of the Bonds will be payable to the registered owners of the Bonds (the "Registered Owners") at maturity or redemption upon presentation at the principal payment office of the paying agent/registrar, initially, Zions Bancorporation, National Association, Houston, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will be payable by check, dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar to 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, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York ("DTC"), while the Bonds are registered in its nominee 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 and the Financial Advisor believe the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

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

*redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the 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 maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 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 rating of "AA+" from S&P Global Ratings. 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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

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

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

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

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

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

**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 Texas; or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds.

**Registration, Transfer and Exchange**

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

Registered Owner. 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 be of the same series, 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 the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

**Redemption of the Bonds**

The Bonds maturing on September 1, 2032, and thereafter 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. 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. The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

**Record Date for Interest Payment**

Interest on the Bonds will be paid to the registered owner appearing on the registration and transfer books of the Paying Agent/Registrar at the close of business on the "Record Date" (the fifteenth calendar day of the month next preceding each interest payment date) and shall be paid by the Paying Agent/Registrar (i) by check sent United States mail, first class postage prepaid, to the address of the registered owner recorded in the registration and transfer books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the principal payment office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

In the event of non-payment of interest on a scheduled payment date and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar when funds for the payment of such interest have been received. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of a Bond appearing in the registration and transfer books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing such notice.

**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.

**Annexation**

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

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

**Consolidation**

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water and wastewater systems with the water and wastewater systems of the district or districts with which it is consolidating, subject to voter approval. In their consolidation agreement, the consolidating districts may agree to assume each other's bonds, notes, and other obligations. If each district assumes the other's bonds, notes, and other obligations, taxes may be levied uniformly on all taxable property within the consolidated district in payment of same. If the districts do not assume each other's bonds, notes and other obligations, each district's taxes are levied on property in each of the original districts to pay said debts created by the respective original district as if no consolidation had taken place. No representation is made concerning whether the District will consolidate with any other district, but the District currently has no plans to do so.

**Outstanding Bonds**

The District has previously issued its $6,570,000 Unlimited Tax Bonds, Series 2020, $4,625,000 Unlimited Tax Road Bonds, Series 2020A, $5,695,000 Unlimited Tax Bonds, Series 2021, $3,155,000 Unlimited Tax Road Bonds, Series 2021A, $2,645,000 Unlimited Tax Bonds, Series 2022, $8,945,000 Unlimited Tax Road Bonds, Series 2022A; $3,050,000 Unlimited Tax Bonds, Series 2023; $3,435,000 Unlimited Tax Road Bonds, Series 2023; $10,210,000 Unlimited Tax Road Bonds, Series 2024; $5,780,000 Unlimited Tax Bonds, Series 2024; and $18,100,000 Unlimited Tax Bonds, Series 2025. As of the Date of Delivery of the Bonds, $67,305,000 principal amount of such bonds will remain outstanding (the "Outstanding Bonds").

**Authority for Issuance**

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 8450 of the Texas Special District Local Laws Code; an election held within the District on November 6, 2018, as described below; the Bond Resolution; and an order of the TCEQ.

At an election held within the District on November 6, 2018, voters of the District authorized the District's issuance of an aggregate $275,000,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, acquiring, and maintaining water, sanitary sewer, and storm water drainage facilities to serve the District (the "Utility System"), and for the further purpose of refunding such bonds, and $80,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational improvements within the District and for the further purpose of refunding such bonds. Additionally, at an election held on May 4, 2019, voters of the District authorized the District's issuance of an aggregate $100,000,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, acquiring, and maintaining roads serving the District (the "Road System"), and for the further purpose of refunding such bonds.

**Source of Payment**

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

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

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

**Issuance of Additional Debt**

The District's voters have authorized the issuance of $275,000,000 unlimited tax bonds for the Utility System, and for the refunding of such bonds; $100,000,000 unlimited tax bonds for the Road System, and for the refunding of such bonds; and $80,000,000 unlimited tax bonds for parks and recreational facilities, and for the refunding of such bonds.

The Bonds are the seventh (7) series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing the Utility System. After the issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: $222,650,000 principal amount of unlimited tax bonds for the Utility System and for the further purpose of refunding such bonds; $69,630,000 principal amount of unlimited tax bonds for the Road System and for the further purpose of refunding such bonds; and $80,000,000 principal amount of unlimited tax bonds for parks and recreational improvements and for the further purpose of refunding such bonds. 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.

Issuance of the remaining $222,650,000 principal amount of unlimited tax bonds for the Utility System and the $80,000,000 principal amount of unlimited tax bonds authorized for park and recreational improvements shall be subject to prior approval by the TCEQ. The District's issuance of the remaining $69,630,000 principal amount of unlimited tax bonds for acquiring or constructing the Road System is not subject to approval by the TCEQ.

Following reimbursement with the proceeds of the Bonds, the District will owe the Developers approximately $25,709,531 for expenditures to construct the Utility System, Road System, and park and recreational facilities. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-to-property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

The District is also authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) authorization of a detailed fire protection plan; (b) approval of the fire plan by the TCEQ; (c) approval of the fire plan by the voters of the District; and (d) approval of bonds, if any, by the Attorney General of Texas. If additional debt obligations are issued in the future by the District, such issuance may increase gross debt-property ratios and might adversely affect the investment security of the Bonds.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the park bond application for the issuance of bonds by the TCEQ and (b) approval of the bonds by the Attorney General of Texas. The District has not considered the preparation of a parks bond application at this time. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District at the time of issuance, unless 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.

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

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

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

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

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

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

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

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

**Registered Owners' Remedies**

Pursuant to Texas law, the Bond Resolution provides that, in the event the District defaults in the payment of the principal of or interest on any of the Bonds when due, fails to make payments required by the Bond Resolution into the respective debt service funds, 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 Texas.

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the District to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Resolution does not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay the principal of or interest on the Bonds.

The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners.

*[Remainder of Page Intentionally Left Blank]*

**Use and Distribution of Bond Proceeds**

A portion of the proceeds of the Bonds will be used to reimburse the Developers for the improvements and related engineering and land costs set out below. Additionally, a portion of the proceeds will be used to pay developer interest, and for certain costs shown below. Totals may not sum due to rounding.

The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District's auditor. The surplus funds, if any, may be expended for any lawful purpose for which surplus construction funds may be used, limited, however, to the purposes for which the Bonds were issued.

The Engineer has advised the District that proceeds of the sale of the Bonds should be sufficient to pay the costs of the below-described facilities. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required.

| **Construction Costs** | District's Share |
|---|---|
| A. Developer Contribution Items | |
| 1. WS&D to Serve Pomona Section 28 | $ 284,786 |
| 2. WS&D to Serve Orchard Park Lane Phase 2 | 443,921 |
| 3. Lake "I" to Serve Pomona | 176,451 |
| 4. Lake "D" Phase 4 to Serve Pomona | 204,909 |
| 5. Pomona Phase 1 Clearing & Grubbing | 50,686 |
| 6. Pomona Phase 2 Clearing & Grubbing | 112,468 |
| 7. Pomona Phase 3 Clearing & Grubbing | 238,758 |
| 8. Pomona Phase 4 Clearing & Grubbing | 518,175 |
| 9. Pomona Phase 5B Clearing & Grubbing | 358,774 |
| 10. Pomona Phase 6 Clearing & Grubbing | 603,662 |
| 11. Mustang Bayou Channel Improvements Phase 1 to Serve Pomona | 874,276 |
| 12. Mustang Bayou Channel Improvements Phase 2 to Serve Pomona | 492,818 |
| 13. Engineering, Surveying, Geotechnical and CPS (Items 1-12) | 519,742 |
| 14. SWPPP | 98,075 |
| 15. Special Engineering Reports | 79,106 |
| Total Developer Contribution Items | $ 5,056,608 |
| B. District Items | |
| 1. Land Costs | $ 87,057 |
| 2. Pomona Water Supply Plant No. 2, Phase 2 | 997,600 |
| 3. Pomona Lift Station No. 1 & WWTP Phase 5 | 1,166,200 |
| 4. Contingencies (10% of Items 2-3) | 216,380 |
| 5. Engineering, Surveying, Geotechnical and CPS (Items 2-3) | 837,389 |
| 6. SWPPP | 52,160 |
| Total District Items | $ 3,356,786 |
| **Subtotal Construction Costs** | $ 8,413,394 |
| **Less Surplus Funds** | (30,000) |
| **Total Construction Costs (79.77% of BIR)** | $ 8,383,394 |
| **Non-Construction Costs** | |
| A. Legal Fees | $ 250,200 |
| B. Fiscal Agent Fees | 180,100 |
| C. Interest | |
| 1. Developer Interest | 1,317,309 |
| D. Bond Discount (Estimated 2.00%) | 210,200 |
| E. Bond Issuance Expenses | 53,022 |
| F. TCEQ Bond Issuance Fee (0.25%) | 26,275 |
| G. Attorney General Fee (0.10%) | 9,500 |
| H. Bond Application Report Costs | 80,000 |
| **Total Non-Construction Costs (20.23% of BIR)** | $ 2,126,606 |
| **TOTAL BOND ISSUE REQUIREMENT** | **$10,510,000** |

## THE DISTRICT

### Authority

The District was created by order of the TCEQ, dated January 23, 2007, and by a confirmation election held within the District on May 10, 2008, and operates under Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 8450 of the Texas Special District Local Laws Code, and other general laws of Texas applicable to municipal utility districts.

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 construct, develop and maintain park and recreational facilities using operating revenues or by issuing bonds payable from taxes. In 2019, legislation was enacted granting the District the power to finance roads and improvements in aid thereof. In addition, the District is authorized, upon TCEQ and voter approval, to establish, operate, and maintain a fire department, independently or with one or more other conservation and reclamation districts, and provide such facilities and services to the customers of the District.

### Description

At the time of the confirmation election, the District encompassed 454.453 acres. Thereafter, the District has undergone four exclusions and four annexations of acreage, as follows: on February 18, 2014, 93.841 acres were annexed into the District and 15.696 acres were excluded from the District; on December 19, 2014, 31.995 acres were annexed into the District and 15.054 acres were excluded from the District; on May 24, 2016, 10.609 acres were excluded from the District; on January 28, 2020, 5.000 acres were annexed into the District; on March 7, 2023, approximately 8.682 acres were excluded from the District; and on March 7, 2023, approximately 49.244 acres were annexed into the District. The District currently comprises approximately 584.492 acres. The District is located wholly within the County and lies approximately 18 miles south of the central business district of the City of Houston, Texas, as well as approximately 3 miles north of the intersection of State Highway 6 and Highway 288. The District lies entirely within the ETJ and limited purpose jurisdiction of the City.

The District is one of the two municipal utility districts that make up the approximate 1,100-acre, master-planned community known as "Pomona." Pomona is comprised of the District and Brazoria County Municipal Utility District No. 39 ("MUD 39"). Development and construction activity within Pomona has occurred in both the District and MUD 39. See "DEVELOPMENT OF THE DISTRICT" for a description of the status of development within Pomona in the District.

### Management of the District

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

| Name | Title | Term Expires May |
|---|---|---|
| Alicia Skinner | President | 2028 |
| Charles Eastland | Vice President | 2028 |
| Meagan Burgin | Secretary | 2030 |
| Eric Gross | Assistant Secretary | 2028 |
| David Kubala | Assistant Vice President | 2030 |

**Investment Policy**

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

*Bookkeeper*: The District's bookkeeper is Municipal Accounts & Consulting, L.P.

*Auditor*: The audited financial statements of the District for the fiscal year ended March 31, 2026, attached as "APPENDIX A" to this Official Statement, have been audited by McGrath & Co., PLLC, independent auditors. The District did not request McGrath & Co., PLLC, to perform any updating procedures subsequent to the date of its audit opinion on the March 31, 2026, financial statements.

*Utility System Operator*: The District's water and sewer system is operated by Si Environmental LLC (the "Operator").

*Engineer*: The District's engineer is LJA, Inc. (the "Engineer").

*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*: McCall, Parkhurst & Horton L.L.P., Houston, Texas, serves as disclosure counsel ("Disclosure Counsel") to the District in connection with the issuance of the Bonds. The fee to be paid Disclosure Counsel for services rendered in connection with the issuance of the Bonds is contingent on the issuance, sale and delivery of the Bonds.

*Financial Advisor*: Cedar Creek Municipal Advisors, LLC is employed as financial advisor to the District in connection with the issuance of the Bonds (the "Financial Advisor"). 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.

## DEVELOPMENT AGREEMENT AND STRATEGIC PARTNERSHIP AGREEMENT

The District is a party to that certain Development Agreement dated effective March 13, 2006, made by and between the City, the Developers, the District, and MUD 39. The Development Agreement has been amended numerous times, and, as amended, is herein referred to as the "Development Agreement."

The Development Agreement acknowledges that the District and MUD 39 are created within the City's ETJ over lands owned by the Developers (the "Land") for the purpose of providing water supply and distribution, wastewater collection and treatment, drainage, road, and recreational facilities to service development within the District and MUD 39. The City has consented to the creation of the District for said purpose, and among other terms and provisions, the Development Agreement provides that the City will not annex the District for full purposes until the following conditions have been met: (i) all of the District's water, wastewater, drainage, road, and recreational facilities have been constructed and (ii) the Developers have been reimbursed by the District to the maximum extent permitted by the TCEQ or the City assumes any obligation of the District for such reimbursement to the Developers under such rules. Thereafter, the City may, but is not required to, annex the portion of the Land in the District for full purposes in accordance with applicable law.

Notwithstanding the above-referenced provisions concerning full-purpose annexation, the Development Agreement provides that the City may annex any portion of the Land at any time for limited purposes in accordance with the Strategic Partnership Agreement, described below.

The District has entered into that Strategic Partnership Agreement dated May 29, 2007, as amended, with the City (the "SPA"). The terms and provisions of the SPA that relate to limited-purpose annexation provide that the City is authorized to annex any land within the District for the limited purpose of levying and collecting its sales and use taxes within the area of limited purpose annexation in accordance with applicable law. In accordance with the SPA, the City has annexed all of the District for the limited purpose of sales and use tax collections.

*[Remainder of Page Intentionally Left Blank]*

## DEVELOPMENT OF THE DISTRICT

To date, approximately 309.68 acres within the District have been developed as the residential subdivisions of Pomona, Sections 9–16 and 24-28 (1,191 lots). As of October 5, 2026, the District included approximately 1,112 completed homes (approximately 1,085 occupied and 27 unoccupied); approximately 29 homes under construction; and approximately 50 vacant developed lots. The remaining land within the District includes the following: approximately 3.28 acres for Water Supply Plant No. 2; approximately 0.10 acres for Lift Station No. 2 serving Pomona; approximately 0.15 acres for Lift Station No. 3 serving Pomona; approximately 2.36 acres for a convenience store and retail building; approximately 1.39 acres for a day care; approximately 1.66 acres for a retail building, approximately 216.54 undevelopable acres consisting of easements, rights-of-way, and greenbelts; and approximately 49.33 undeveloped but developable acres.

### Status of Development within the District

The following shows the status of construction of single-family housing within the District as of October 5, 2026:

| Pomona | Section Acreage | Section Lots | Homes Completed | Homes Under Construction | Vacant Lots |
|---|---|---|---|---|---|
| Section 9 | 21.29 | 76 | 76 | 0 | 0 |
| Section 10 | 16.55 | 76 | 76 | 0 | 0 |
| Section 11 | 9.52 | 36 | 36 | 0 | 0 |
| Section 12 | 18.69 | 84 | 84 | 0 | 0 |
| Section 13 | 21.36 | 70 | 70 | 0 | 0 |
| Section 14 | 13.74 | 42 | 42 | 0 | 0 |
| Section 15 | 33.13 | 84 | 84 | 0 | 0 |
| Section 16 | 29.25 | 118 | 118 | 0 | 0 |
| Section 24 | 24.98 | 100 | 100 | 0 | 0 |
| Section 25 | 26.74 | 121 | 121 | 0 | 0 |
| Section 26 | 14.43 | 51 | 47 | 4 | 0 |
| Section 27 | 34.29 | 93 | 93 | 0 | 0 |
| Section 28 | 45.71 | 240 | 165 | 25 | 50 |
| Totals | 309.68 | 1,191 | 1,112 | 29 | 50 |
| Commercial | 5.41 | | | | |
| Water Supply Plant No. 2 | 3.28 | | | | |
| Lift Station No. 2 | 0.10 | | | | |
| Lift Station No. 3 | 0.15 | | | | |
| Undevelopable | 216.54 | | | | |
| Remaining Developable | 49.33 | | | | |
| District Total | 584.49 | | | | |

### Homebuilders within the District

Homebuilders who are active in the District include Coventry Homes, Lennar, Highland Homes, Toll Brothers, David Weekley Homes, and Perry Homes. New homes being constructed in the District range in price from approximately $380,000 to $870,000 and in size from approximately 1,500 to 4,000 square feet. Coventry Homes is a homebuilding entity associated with DFH Coventry LLC, a developer of land within the District. See "THE DEVELOPERS – The Developers."

**Lot-Sales Contracts**

The Developers have entered into lot sales contracts with each of Coventry Homes, Highland Homes, Toll Brothers, David Weekley Homes, and Perry Homes. The contracts for the sale of lots between the Developers and the builders require that earnest money be deposited with a title company, typically 10% of the total price of the completed lots. The sales contracts establish certain required lot purchases quarterly, with the earnest money deposit being returned to the builders upon purchase of the last lots under each contract. The Developers' sole remedy for builders not purchasing lots in accordance with the contracts is cancellation of the contract and retention of the earnest money on deposit, which, currently is $0. According to the Developers, each of the builders is in compliance with their respective lot-sales contracts. As of October 5, 2026, the total number of lots contracted and purchased by each builder is listed below:

| Homebuilder | Total Lots Contracted | Total Lots Purchased |
|---|---|---|
| Coventry Homes (a) | 605 | 605 |
| Highland Homes | 214 | 206 |
| Toll Brothers | 112 | 112 |
| Perry Homes | 141 | 141 |
| David Weekley | 119 | 95 |
| Totals | 1,191 | 1,159 |

(a) Associated with DFH Coventry LLC. See "THE DEVELOPERS – The Developers."

## THE DEVELOPERS

**Role of the Developers**

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

### The Developers

Land within the District is being developed by MC 288, LLC, a Texas limited liability company jointly owned by Hillwood Development Company, LLC ("Hillwood") and DFH Coventry LLC ("DFH Coventry").

Hillwood is a Dallas-based national real estate development company owned by H. Ross Perot, Jr., with over 30 years of experience developing land in Texas. Hillwood's development experience encompasses several product types, including: sports arenas, high-rise condominiums, offices, single-family residential communities, distribution centers, regional malls, mixed-use urban development, call centers, hotels, golf courses, airports, intermodal rail yards, corporate campuses, and major air facilities.

DFH Coventry is a privately held real estate development company and homebuilder that currently operates in four Texas markets: Houston, Dallas, Austin, and San Antonio under its brands Coventry Homes and Wilshire Homes. Coventry Homes is building and marketing homes within the District. See "DEVELOPMENT OF THE DISTRICT – Homebuilders within the District."

MC 288, LLC, Hillwood, DFH Coventry, and their affiliates are collectively referred to herein as the "Developers." The Developers currently own approximately 49.33 acres of undeveloped but developable land, and, as of October 1, 2026, the Developers owned approximately 50 vacant developed residential lots in the District.

## THE ROAD SYSTEM

The Road System has been and will be funded with proceeds from unlimited tax bonds issued by the District for the Road System. See "INVESTMENT CONSIDERATIONS – Future Debt" and "THE BONDS – Issuance of Additional Debt." Construction of the District's roads is subject to certain regulations by the City and the County. To date, construction of the Road System includes, but is not limited to, the following: a portion of Pomona Parkway, a portion of Kirby Drive, a portion of Orchard Park Lane, and the internal road system which serves Pomona, Sections 9-16 and 24-28. The roads constructed within the District have been accepted by the County for maintenance with the exception of the internal road system which services Pomona, Sections 26 and 28, which are still within the warranty period and Pomona, Section 13, which is a private gated section. The roads in the District are constructed with reinforced concrete pavement with curbs on cement or lime stabilized subgrade.

## 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, Brazoria County Drainage District No. 4, and the County. According to the 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 Supply

In order to provide water services to the District residents, the District shares a public water system with MUD 39. Water Supply Plant No. 1 consists of a 1,500 gallon per minute ("gpm") well, two (2) 15,000 gallon hydropneumatic tanks, two (2) 125,000 gallon ground storage tanks, and 4,800 gpm of booster pump capacity. Water Supply Plant No. 2 consists of a 1,400 gpm well, one 15,000 gallon hydropneumatic tank, one 250,000 gallon ground storage tank, and 3,500 gpm of booster pump capacity. According to the Engineer, the combined water system is currently capable of serving 2,500 equivalent single-family connections ("esfc"). In addition, the District and MUD 39's shared water system has an emergency water supply interconnect with neighboring Brazoria County Municipal Utility District No. 25.

**Wastewater Treatment**

In order to provide wastewater services to the District residents, the District shares a lease-to-purchase contract with MUD 39 for a 500,000 gallon per day ("gpd") wastewater treatment facility to serve Pomona. The lease-to-purchase contract is with AUC Group, LLC. According to the Engineer, the facility is capable of serving 2,222 ESFC.

The District has awarded the contract for the construction of Phase 5 of the wastewater treatment plant facility, which will increase the capacity to 900,000 gpd. According to the Engineer, the facility will be capable of serving 4,000 ESFCs upon completion of the Phase 5 expansion. The expansion is planned to be completed in the third quarter of 2027.

The District received a Notice of Enforcement from the TCEQ on May 12, 2026 (the "Notice of Enforcement") due to the effluent from the wastewater treatment plant facility exceeding the permitted limits for Total Suspended Solids. The Environmental Protection Agency (the "EPA") instituted a similar enforcement action on June 16, 2026 for violation of the Clean Water Act, 33 U.S.C. Section 1251.

The Texas Legislature has granted the TCEQ broad enforcement powers and the TCEQ also has a broad array of remedies available in enforcement actions including, but not limited to, issuance of administrative orders with or without penalties; referrals for civil or criminal judicial proceedings; permit, license, registration, or certificate revocation or suspension; or resolution informally without a contested case proceeding pursuant to an agreed order. Penalties may be assessed in amounts up to $25,000 per violation per day. The Administrative Order from the EPA does not assess a monetary penalty; however, it does require compliance with applicable federal regulations. Costs associated with these compliance activities could be substantial.

The District's Operator currently anticipates resolving the outstanding alleged violations with an agreed order which will set forth certain corrective actions to be taken by the District, which may include payment of an administrative penalty assessed by the TCEQ. The District submitted a Supplemental Environmental Project ("SEP") application to the TCEQ proposing to complete modifications to the wastewater treatment facility in lieu of paying a penalty for the effluent violations. The SEP application is scheduled to be considered at the TCEQ Commissioner's meeting on November 18, 2026. As of the date hereof, an agreed order from the TCEQ has not been received by the District. See "INVESTMENT CONSIDERATIONS – Recent TCEQ Action."

The District has and continues to work with the TCEQ on all requested and necessary steps to remediate the issues included in the Notice of Enforcement. The anticipated delivery of Phase 5 of the wastewater treatment plant facility in the third quarter of 2027 is expected to ensure that the District will be able to maintain adequate plant operations going forward.

**100 Year Flood Plain**

According to the FEMA Flood Insurance Rate Map Panel No. 48039 C0020K dated December 30, 2020, approximately 216 acres within the District are located in the 100-year flood plain. Approximately 106 acres of flood plain were filled in connection with development within the District and were removed from the flood plain through four LOMR's based on Fill (Case No. 18-06-4028A, dated November 19, 2018, Case No. 19-06-3857A, dated November 27, 2019, Case No. 20-06-0832A, dated February 25, 2020, Case No. 23-06-0490A, dated January 17, 2023, Case No. 25-06-0468A, dated January 31, 2025 and Case No. 25-06-0903A, dated March 3, 2025). Approximately 6 acres of flood plain will be filled in connection with future development and a Letter of Map Revision based on Fill will be filed to remove the future developed areas from the flood plain. The remaining area within the flood plain is not considered to be developable.

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency ("FEMA") has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years.

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the District. The application of such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

**Joint Facilities/Cost Sharing Agreement**

MUD 39 has entered into a certain Joint Facilities/Cost Sharing Agreement (the "Agreement") with the District. Under the Agreement, the District and MUD 39 will share in the operation and use of water supply facilities and sewage treatment plant facilities for the benefit of both parties and to meet the demands for water supply and wastewater treatment in each district. Among other terms and provisions, the Agreement provides that the District may purchase or lease excess capacity within the facilities.

*[Remainder of Page Intentionally Left Blank]*

## General Fund Operating Statement

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

| | Fiscal Year Ending March 31, | | | | |
|---|---|---|---|---|---|
| **Revenues** | **2026** | **2025** | **2024** | **2023** | **2022** |
| Water Service | $ 500,219 | $ 387,076 | $ 301,046 | $ 282,170 | $ 232,210 |
| Sewer Service | 656,913 | 491,281 | 357,112 | 334,188 | 303,745 |
| Property Taxes | 1,084,011 | 1,831,205 | 1,374,161 | 768,463 | 1,141,152 |
| Penalty & Interest | 20,837 | 17,827 | 11,489 | 11,916 | 17,317 |
| Tap Connection & Inspection Fees | 342,873 | 681,468 | 274,028 | 57,131 | 214,197 |
| Miscellaneous Revenues | 18,785 | 82,618 | 7,600 | 7,142 | 9,565 |
| Investment Revenues | 124,703 | 129,457 | 94,753 | 40,781 | 2,038 |
| Total | $ 2,748,341 | $ 3,620,932 | $ 2,420,189 | $ 1,501,791 | $ 1,920,224 |
| **Expenditures** | | | | | |
| Purchased Services | $ 519,522 | $ 578,193 | $ 540,279 | $ 236,026 | $ 162,860 |
| Professional Fees | 136,550 | 130,900 | 100,651 | 116,339 | 133,931 |
| Contracted Services | 825,411 | 588,253 | 525,017 | 275,097 | 336,805 |
| Repairs & Maintenance | 659,118 | 575,281 | 592,145 | 441,673 | 397,940 |
| Utilities | 31,940 | 21,882 | 17,326 | 16,845 | 14,442 |
| Administrative | 64,847 | 54,897 | 51,476 | 40,786 | 36,867 |
| Other | 25,110 | 32,218 | 12,116 | 10,983 | 16,419 |
| Capital Outlay (a) | 936,705 | 358,430 | - | 62,721 | 11,005 |
| Total | $ 3,199,203 | $ 2,340,054 | $ 1,839,010 | $ 1,200,470 | $ 1,110,269 |
| NET REVENUES | $ (450,862) | $ 1,280,878 | $ 581,179 | $ 301,321 | $ 809,955 |
| Other financing uses | | | | | |
| Internal Transfers | $ - | $ - | $ - | $ (54,482) | $ - |
| Beginning fund balance | $ 3,786,619 | $ 2,505,741 | $ 1,924,562 | $ 1,677,723 | $ 867,768 |
| Ending fund balance | $ 3,335,757 | $ 3,786,619 | $ 2,505,741 | $ 1,924,562 | $ 1,677,723 |

(a) Represents tap connection expense, sewer treatment plant costs, joint water plant costs, crosswalk creation costs and costs of creating a sprint pond.

**PHOTOGRAPHS TAKEN WITHIN THE DISTRICT**

**(October 2026)**













**PHOTOGRAPHS TAKEN WITHIN THE DISTRICT**

**(October 2026)**













**Aerial Photograph of the District**

**(October 2026)**



## DISTRICT DEBT

### Debt Service Requirement Schedule

The following schedule sets forth the debt service requirements on the Outstanding Bonds and the principal and estimated interest requirement on the Bonds, assuming an interest rate of 5.75%. Totals may not sum due to rounding.

| Year Ending 12/31 | Outstanding Debt Service | Plus: The Bonds | | Total Debt Service |
|---|---|---|---|---|
| | | Principal | Interest | |
| 2027 | $ 4,557,931 | $ - | $ 426,385 | $ 4,984,316 |
| 2028 | 4,536,831 | 215,000 | 604,325 | 5,356,156 |
| 2029 | 4,534,881 | 225,000 | 591,963 | 5,351,844 |
| 2030 | 4,519,756 | 240,000 | 579,025 | 5,338,781 |
| 2031 | 4,496,144 | 255,000 | 565,225 | 5,316,369 |
| 2032 | 4,492,919 | 265,000 | 550,563 | 5,308,481 |
| 2033 | 4,492,119 | 280,000 | 535,325 | 5,307,444 |
| 2034 | 4,502,800 | 300,000 | 519,225 | 5,322,025 |
| 2035 | 4,501,875 | 315,000 | 501,975 | 5,318,850 |
| 2036 | 4,525,113 | 335,000 | 483,863 | 5,343,975 |
| 2037 | 4,544,119 | 355,000 | 464,600 | 5,363,719 |
| 2038 | 4,568,288 | 375,000 | 444,188 | 5,387,475 |
| 2039 | 4,587,700 | 395,000 | 422,625 | 5,405,325 |
| 2040 | 4,606,200 | 420,000 | 399,913 | 5,426,113 |
| 2041 | 4,622,569 | 440,000 | 375,763 | 5,438,331 |
| 2042 | 4,638,125 | 465,000 | 350,463 | 5,453,588 |
| 2043 | 4,662,063 | 495,000 | 323,725 | 5,480,788 |
| 2044 | 4,668,456 | 525,000 | 295,263 | 5,488,719 |
| 2045 | 4,687,419 | 555,000 | 265,075 | 5,507,494 |
| 2046 | 4,039,081 | 585,000 | 233,163 | 4,857,244 |
| 2047 | 3,566,063 | 620,000 | 199,525 | 4,385,588 |
| 2048 | 2,807,488 | 655,000 | 163,875 | 3,626,363 |
| 2049 | 2,381,475 | 690,000 | 126,213 | 3,197,688 |
| 2050 | 1,279,200 | 730,000 | 86,538 | 2,095,738 |
| 2051 | - | 775,000 | 44,563 | 819,563 |
| | $ 100,818,613 | $ 10,510,000 | $ 9,553,360 | $120,881,972 |

Estimated Average Annual Debt Service Requirement (2027-2051)..... $4,835,279

Estimated Maximum Annual Debt Service Requirement (2045) ..... $5,507,494

**Bonded Indebtedness**

| | | |
|---|---|---|
| 2026 Taxable Assessed Valuation | $ 552,360,938 | (a) |
| Estimated Assessed Valuation as of August 20, 2026 | $ 589,979,864 | (b) |
| Direct Debt: | | |
| Outstanding Bonds(as of Date of Delivery) | $ 67,305,000 | |
| The Bonds | 10,510,000 | |
| Total | $ 77,815,000 | |
| Estimated Overlapping Debt | $ 37,588,939 | (c) |
| Total Direct and Estimated Overlapping Debt | $ 115,403,939 | (c) |
| Direct Debt Ratios: | | |
| As a percentage of the 2026 Taxable Assessed Valuation | 14.09 % | |
| As a percentage of the Estimated Assessed Valuation as of August 20, 2026 | 13.19 % | |
| Direct and Estimated Overlapping Debt Ratios: | | |
| As a percentage of the 2026 Taxable Assessed Valuation | 20.89 % | |
| As a percentage of the Estimated Assessed Valuation as of August 20, 2026 | 19.53 % | |
| Capital Projects Fund Balance (as of October 28, 2026) | $ 47,552 | |
| Road System Debt Service Fund (as of October 28, 2026) | $ 1,360,111 | (d) |
| Utility System Debt Service Fund (as of October 28, 2026) | $ 1,540,511 | (e) |
| General Operating Fund Balance (as of October 28, 2026) | $ 2,444,304 | |
| 2026 Tax Rate per $100 of Taxable Assessed Valuation: | | |
| Road System Debt Service | $0.325 | |
| Utility System Debt Service | 0.580 | |
| Maintenance and Operation | 0.375 | |
| Total | $1.280 | |

(a) Represents the taxable amount of assessed valuation of taxable properties in the District as of January 1, 2026, as provided by the Brazoria County Appraisal District (the "Appraisal District"). See "TAX DATA" and "TAXING PROCEDURES."

(b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the taxable value of all taxable property located within the District as of August 20, 2026, and includes an estimate of additional taxable value resulting from additional taxable improvements constructed in the District from January 1, 2026, to August 20, 2026. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."

(c) See "Direct and Estimated Overlapping Debt Statement" herein.

(d) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Road System Debt Service Fund. Monies in the Road System Debt Service Fund cannot be used to pay debt service on bonds issued by the District for the Utility System, including the Bonds.

(e) 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).

**Direct and Estimated Overlapping Debt Statement**

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

| | Outstanding Debt | Overlapping | |
|---|---|---|---|
| Taxing Jurisdiction | September 30, 2026 | Percent | Amount |
| Brazoria County | $ 228,443,313 | 0.83% | $ 1,906,162 |
| Alvin Independent School District | 993,670,000 | 3.47% | 34,617,849 |
| Alvin Community College District | 46,170,000 | 2.30% | 1,064,928 |
| Total Estimated Overlapping Debt | | | $ 37,588,939 |
| The District (a) | | | $ 77,815,000 |
| Total Direct & Estimated Overlapping Debt (a) | | | $115,403,939 |

(a) Includes the Bonds and the Outstanding Bonds.

**Debt Ratios**

| | |
|---|---|
| Direct Debt Ratios: | |
| As a percentage of the 2026 Taxable Assessed Valuation | 14.09 % |
| As a percentage of the Estimated Assessed Valuation as of August 20, 2026 | 13.19 % |
| Direct and Estimated Overlapping Debt Ratios: | |
| As a percentage of the 2026 Taxable Assessed Valuation | 20.89 % |
| As a percentage of the Estimated Assessed Valuation as of August 20, 2026 | 19.53 % |

## TAXING PROCEDURES

### Authority to Levy Taxes

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

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

Title I of the Texas Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized herein. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the 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 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 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; travel trailers; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years of age or older and certain disabled persons, to the extent deemed advisable by the Board of the District. The District may be required to offer such exemptions if a majority of voters approve the 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 certain surviving dependents of disabled veterans, 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 of full value of the veteran's residential 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, and surviving spouses of a deceased veteran who had received a disability rating of 100% are entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

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

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

*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 but not less than $5,000, if any exemption is granted, from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted 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 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 and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. At this time, the County has not designated any of the area within the District as a reinvestment zone.

**Valuation of Property for Taxation**

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

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

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

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

**Tax Payment Installments 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.

**District and Taxpayer Remedies**

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

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

**Levy and Collection of Taxes**

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

**Rollback of Operation and Maintenance Tax Rate**

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

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

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

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

*The District*: A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board on an annual basis. For the 2026 tax year, the Board classified 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 "THE BONDS" and "INVESTMENT CONSIDERATIONS." For the 2026 tax year, the District levied a total tax rate of $1.280 per $100 of taxable assessed valuation composed of the following: a tax of $0.580 per $100 of taxable assessed valuation for payment of debt service on the bonds issued by the District for the Utility System; a tax of $0.325 per $100 of taxable assessed valuation for payment of debt service on bonds issued by the District for the Road System; and a tax of $0.375 per $100 of taxable assessed valuation for maintenance and operations. The District is authorized to levy separate debt service taxes, both of which are unlimited as to rate or amount, for payment of debt service on bonds issued for the Utility System and bonds issued for the Road System. See "THE BONDS – Source of Payment."

### Tax Rate Limitation

| | |
|---|---|
| Utility System Debt Service: | Unlimited (no legal limit as to rate or amount). |
| Road System Debt Service: | Unlimited (no legal limit as to rate or amount). |
| Maintenance: | $1.50 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 have been issued or may be issued in the future. See "Tax Rate Distribution" below.

### Additional Penalties

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

### 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 – Direct and Estimated Overlapping Debt Statement"), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative, or general revenue purposes.

Set forth below is an estimation of all 2026 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. No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

| Taxing Jurisdiction | 2026 Tax Rates |
|---|---|
| The District | $ 1.280000 |
| Brazoria County | 0.262690 |
| Brazoria County Road & Bridge | 0.042068 |
| Brazoria County Drainage District No. 4 | 0.111267 |
| Brazoria County Emergency Services District No. 3 | 0.087910 |
| Alvin Community College | 0.156543 |
| Alvin Independent School District | 1.124900 |
| Estimated Total Tax Rate | $ 3.065378 |

**Tax Rate Calculations**

The tax rate calculations set forth below are presented to indicate the combined debt service tax rates per $100 of taxable assessed valuation that would be required to meet certain debt service requirements on the Outstanding Bonds and the Bonds if no growth in the District's tax base occurs beyond the taxable assessed valuation as of January 1, 2026 ($552,360,938), and the Estimated Assessed Valuation as of August 20, 2026 ($589,979,864). The calculations assume collection of 95% of taxes levied, the sale of the Bonds but not the sale of any additional bonds by the District.

Estimated Average Annual Debt Service Requirement (2027-2051) ..... $4,835,279
Debt Service Tax Rate of $0.93 on the 2026 Taxable Assessed Valuation produces ..... $4,880,109
Debt Service Tax Rate of $0.87 on the Estimated Assessed Valuation as of August 20, 2026, produces ..... $4,876,184

Estimated Maximum Annual Debt Service Requirement (2045) ..... $5,507,494
Debt Service Tax Rate of $1.05 on the 2026 Taxable Assessed Valuation produces ..... $5,509,800
Debt Service Tax Rate of $0.99 on the Estimated Assessed Valuation as of August 20, 2026, produces ..... $5,548,761

**Tax Rate Distribution**

| Tax Year | 2026 | 2025 | 2024 | 2023 | 2022 |
|---|---|---|---|---|---|
| Road Debt Service | $ 0.325 | $ 0.440 | $ 0.550 | $ 0.530 | $ 0.550 |
| Utility Debt Service | 0.580 | 0.620 | 0.260 | 0.370 | 0.580 |
| Maintenance & Operations | 0.375 | 0.240 | 0.540 | 0.500 | 0.330 |
| **Total** | $ 1.280 | $ 1.300 | $ 1.350 | $ 1.400 | $ 1.460 |

**Historical Tax Collections**

| Year | Taxable Assessed Valuation | Tax Rate per $100 (a) | Tax Levy | % of Current Collections | Tax Year Ending 9/30 | Collections as 9/30/2026 |
|---|---|---|---|---|---|---|
| 2021 | $ 137,184,311 | $ 1.50 | $ 2,057,764 | 100.00% | 2022 | 100.00% |
| 2022 | 226,629,189 | 1.46 | 3,308,786 | 100.00% | 2023 | 100.00% |
| 2023 | 281,396,880 | 1.40 | 3,939,556 | 99.99% | 2024 | 100.00% |
| 2024 | 341,450,945 | 1.35 | 4,609,588 | 99.64% | 2025 | 99.95% |
| 2025 | 439,682,474 | 1.30 | 5,715,872 | 99.31% | 2026 | 99.31% |
| 2026 | 552,360,938 | 1.28 | 7,070,220 | (b) | 2027 | (b) |

(a) See "Tax Rate Distribution" herein.
(b) In the process of collection. Taxes for the 2026 tax year are due with no penalty by January 31, 2027.

### Taxable Assessed Valuation Summary

The following represents the type of property comprising the 2022–2026 tax rolls as certified by the Appraisal District.

| Type of Property | 2026 Taxable Assessed Valuation | 2025 Taxable Assessed Valuation | 2024 Taxable Assessed Valuation | 2023 Taxable Assessed Valuation | 2022 Taxable Assessed Valuation |
|---|---|---|---|---|---|
| Land | $ 122,606,478 | $ 120,487,601 | $ 107,611,164 | $ 60,064,575 | $ 46,862,021 |
| Improvements | 461,373,131 | 345,596,096 | 265,516,394 | 254,938,739 | 202,445,930 |
| Personal Property | 4,087,440 | 3,470,780 | 1,963,050 | 2,203,040 | 1,836,270 |
| Exemptions | (35,706,111) | (29,872,003) | (33,639,663) | (35,809,474) | (24,515,032) |
| Total | $ 552,360,938 | $ 439,682,474 | $ 341,450,945 | $ 281,396,880 | $ 226,629,189 |

### Principal Taxpayers

The following are the principal taxpayers in the District as a percentage of the certified 2026 taxable assessed valuation.

| Taxpayer | Property Type | Taxable Assessed Valuation 2026 Tax Roll | % of Value |
|---|---|---|---|
| Weekley Homes LLC (a) | Land & Improvements | $ 4,299,170 | 0.78% |
| STNL Orchard Park LLC | Land | 3,823,740 | 0.69% |
| Pomona HD Specialty LLC | Land & Improvements | 3,147,180 | 0.57% |
| Three Star Operations LLC | Land & Improvements | 2,900,000 | 0.53% |
| Highland Homes - Houston LLC (a) | Land & Improvements | 2,212,109 | 0.40% |
| DFH Coventry LLC (a) (b) | Land & Improvements | 1,860,950 | 0.34% |
| Homeowner | Land & Improvements | 1,273,800 | 0.23% |
| Homeowner | Land & Improvements | 1,230,580 | 0.22% |
| Homeowner | Land & Improvements | 1,189,110 | 0.22% |
| Homeowner | Land & Improvements | 1,131,480 | 0.20% |
| Total | | $ 23,068,119 | 4.19% |
| Percent of the 2026 Taxable Assessed Valuation | | | |

(a) See "DEVELOPMENT OF THE DISTRICT – Homebuilders within the District."
(b) See "THE DEVELOPERS."

## INVESTMENT CONSIDERATIONS

### General

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

**Factors Affecting Taxable Values and Tax Payments**

*Economic Factors*: The rate of development of the District is directly related to the vitality of the residential housing industry in the Houston metropolitan area. 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/Developers*: There is no commitment by, or legal requirement of, the principal landowners, the Developers, or any other landowner in 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 their 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," "THE DEVELOPERS," and "TAX DATA – Principal Taxpayers."

*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 2026 Taxable Assessed Valuation is $552,360,938, and the Estimated Assessed Valuation as of August 20, 2026, is $589,979,864. See "TAX DATA."

After issuance of the Bonds, the District's estimated maximum annual debt service requirement on the Outstanding Bonds and the Bonds will be $5,507,494 (2045), and the estimated average annual debt service requirement on the Outstanding Bonds and the Bonds will be $4,835,279 (2027-2051). Assuming no decrease to the District's 2026 Taxable Assessed Valuation, tax rates of $1.05 and $0.93 per $100 of assessed valuation at a 95% tax collection rate would be necessary to pay the estimated maximum annual debt service requirement and the estimated average annual debt service requirement, respectively. Assuming no decrease from the Estimated Assessed Valuation as of August 20, 2026, tax rates of $0.99 and $0.87 per $100 of assessed valuation at a 95% tax collection rate would be necessary to pay the estimated maximum annual debt service requirement and the estimated 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. For the 2026 tax year, the District levied a total tax rate of $1.280 per $100 of taxable assessed valuation composed of the following: a tax of $0.580 per $100 of taxable assessed valuation for payment of debt service on the bonds issued by the District for the Utility System; a tax of $0.325 per $100 of taxable assessed valuation for payment of debt service on bonds issued by the District for the Road System; and a tax of $0.375 per $100 of taxable assessed valuation for maintenance and operations.

*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," for the 2026 tax year, the District's principal taxpayers owned property located within the District the aggregate assessed valuation of which comprised approximately 4.19% of the District's total taxable assessed valuation. In the event that the Developers, any other taxpayer, or any combination of taxpayers should default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds 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."

**Recent TCEQ Action**

The District received a Notice of Enforcement from the TCEQ on May 12, 2026 due to the effluent from the wastewater treatment plant facility exceeding the permitted limits for Total Suspended Solids. The EPA instituted a similar enforcement action on June 16, 2026 for violation of the Clean Water Act, 33 U.S.C. Section 1251.

The Texas Legislature has granted the TCEQ broad enforcement powers and the TCEQ also has a broad array of remedies available in enforcement actions including, but not limited to, issuance of administrative orders with or without penalties; referrals for civil or criminal judicial proceedings; permit, license, registration, or certificate revocation or suspension; or resolution informally without a contested case proceeding pursuant to an agreed order. Penalties may be assessed in amounts up to $25,000 per violation per day. The Administrative Order from the EPA does not assess a monetary penalty; however, it does require compliance with applicable federal regulations. Costs associated with these compliance activities could be substantial.

The District's Operator currently anticipates resolving the outstanding alleged violations with an agreed order which will set forth certain corrective actions to be taken by the District, which may include payment of an administrative penalty assessed by the TCEQ. The District submitted a Supplemental Environmental Project ("SEP") application to the TCEQ proposing to complete modifications to the wastewater treatment facility in lieu of paying a penalty for the effluent violations. The SEP application is scheduled to be considered at the TCEQ Commissioner's meeting on November 18, 2026. As of the date hereof, an agreed order from the TCEQ has not been received by the District.

The District has and continues to work with the TCEQ on all requested and necessary steps to remediate the issues included in the Notice of Enforcement. The anticipated delivery of Phase 5 of the wastewater treatment plant facility in the third quarter of 2027 is expected to ensure that the District will be able to maintain adequate plant operations going forward.

**Undeveloped Acreage and Vacant Developed Lots**

There are 50 vacant developed single-family lots and approximately 51 undeveloped but developable acres of land within the District that have not been fully provided with road, water, sewer and storm drainage and detention facilities necessary for the construction of taxable improvements. The District makes no representation as to when or if development of this acreage will occur or if the homebuilding program will be successful. See "DEVELOPMENT OF THE DISTRICT."

**Atlas 14**

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the District. The application of such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

**Potential Effects of Oil Price Volatility on the Houston Area**

The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values within the District. The District cannot predict the impact that negative conditions in the oil industry could have on property values in the District.

**Increase in Costs of Building Materials**

As a result of supply issues, shipping constraints, and ongoing trade disputes (including tariffs), there have been recent substantial increases in the cost of lumber and other building materials, causing many homebuilders and general contractors to experience budget overruns. Further, the unpredictable nature of current trade policy (including the threatened imposition of tariffs) may impact the ability of the developers or homebuilders in the District to estimate costs. Additionally, immigration policies may affect the State's workforce, and any labor shortages that could occur may impact the rate of construction within the District.

Uncertainty surrounding availability and cost of materials may result in decreased levels of construction activity, and may restrict the growth of property values in the District. The District makes no representations regarding the probability of development or homebuilding continuing in a timely manner or the effects that current or future economic or governmental circumstances may have on any plans of the developers or homebuilders.

**Competitive Nature of Houston Residential Housing Market**

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

**Tax Collection Limitations**

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other 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 (2) 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 taxpayer's 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 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 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 Bonds are the seventh issuance of bonds out of an aggregate of $275,000,000 of unlimited tax bonds authorized for the purpose of acquiring or constructing the Utility System, and for the further purpose of refunding such bonds. Following the issuance of the Bonds, the District will have $222,650,000 in principal amount of authorized but unissued unlimited tax bonds for Utility System purposes.

Additionally, voters of the District have authorized $100,000,000 in principal amount of unissued unlimited tax bonds for Road System purposes and for refunding Road System bonds, and $80,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational improvements to serve the District and for the further purpose of refunding such bonds.

Following the issuance of the Bonds, the District has the right to issue the remaining $222,650,000 principal amount of unlimited tax bonds authorized but unissued for the Utility System and for the refunding of such bonds; $69,630,000 principal amount of unlimited tax bonds authorized but unissued for the Road System and for the refunding of such bonds; $80,000,000 principal amount of unlimited tax bonds authorized for park and recreational improvements and for the refunding of such bonds, and any additional bonds as may hereafter be approved by both the Board of Directors of the District and the voters of the District. See "THE BONDS – Issuance of Additional Debt."

Issuance of the remaining $222,650,000 principal amount of unlimited tax bonds for the Utility System and the $80,000,000 principal amount of unlimited tax bonds for park and recreational improvements shall be subject to prior approval by the TCEQ. If the District does issue park bonds, the outstanding principal amount of such bonds an amount equal to one percent (1%) of the value of the taxable property in the District at the time of issuance, unless for the issuance of bonds issued for the purpose of constructing or acquiring parks and recreational improvements, 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 not exceed an amount equal to one percent (1%) and up to three (3%) of the value of the taxable property in the District. The District's issuance of the remaining $69,630,000 principal amount of unlimited tax bonds for acquiring or constructing the Road System is not subject to approval by the TCEQ.

Following reimbursement with the proceeds of the Bonds, the District will owe the Developers approximately $25,709,531 for expenditures to construct the Utility System, Road System, and park and recreational facilities. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-to-property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

**Continuing Compliance with Certain Covenants**

The Bond 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 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 Polyflouroalkyl Substances ("PFAS"), which requires public water systems to perform certain monitoring and remediation measures. Public water systems may be subject to additional PFAS regulation in the future, which could increase the cost of constructing, operating, and maintaining water production and distribution facilities.

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

The District is subject to the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which was issued by the TCEQ 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. The District has applied for coverage under the MS4 Permit and is awaiting final approval from the TCEQ. In order to maintain compliance with the MS4 Permit, the District continues to develop, implement, and maintain the required 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. Costs associated with these compliance activities could be substantial in the future.

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

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

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

**Potential Impact of Natural Disaster**

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

There can be no assurance that a casualty loss to taxable property within the District 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 are adversely affected.

**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.

**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.

**Cybersecurity**

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

**The 90th Texas Legislature**

The regular session of the 90th Texas Legislature (the "Legislature") is scheduled to commence on January 12, 2027. The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. Texas Governor Greg Abbott has identified on his agenda property tax relief as a legislative priority. The District cannot predict the likelihood of legislative property tax reform at the legislative level or the impacts therefrom, if implemented.

**Bond Insurance Risk Factors**

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

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

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the bond insurers 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 insurers are unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the money 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 insurers and their claim paying ability. The bond insurers' 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 "MUNICIPAL BOND RATINGS" herein.

The obligations of the Bond Insurers are contractual obligations and in an event of default by the bond insurers, 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 insurers, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE" and "MUNICIPAL BOND RATINGS" herein for further information provided by the Bond Insurers and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

## LEGAL MATTERS

**Legal Opinions**

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas, payable from the proceeds of an annual ad valorem tax levied, without legal 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 "– Estimated Use and Distribution of Bond Proceeds"), "THE DISTRICT – Authority," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS," "DEVELOPMENT AGREEMENT AND STRATEGIC PARTNERSHIP AGREEMENT" 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. Certain legal matters will be passed upon for the District by McCall, Parkhurst & Horton L.L.P., Houston, Texas, Disclosure Counsel.

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 or Vice President and Secretary or Assistant 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.

**Not Qualified Tax-Exempt Obligations**

The Bonds will not be designated as "qualified tax-exempt obligations" for financial institutions.

**Additional Federal Income Tax Considerations**

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

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

Ownership of tax-exempt obligations also may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium

assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds.

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

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

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

*Tax Accounting Treatment of Original Issue Discount*: If the issue price of any maturity 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 Initial Purchaser 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 annually 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 under the subheading "Direct and Estimated Overlapping Debt Statement"), "TAX DATA," and in "APPENDIX A" (Audited Financial Statements of the District). The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2027. Any information provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time 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 the audit report becomes available.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule").

The 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 status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13)

consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and "financial obligation" when used in this paragraph shall have the meanings ascribed to them under the "Rule". The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution make any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

**Availability of Information from EMMA**

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

**Limitations and Amendments**

The District has agreed to update information and to provide notices of specified 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 United States Securities and Exchange Commission amends or repeals the applicable provisions of such rule or a court of final jurisdiction determines that such provisions are invalid, but in either case only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

**Compliance with Prior Undertakings**

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

## OFFICIAL STATEMENT

### General

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

The District's financial statements for the year ended March 31, 2026, were audited by McGrath & Co., PLLC, and have been attached hereto as "APPENDIX A." McGrath & Co., PLLC has consented to the publication of such financial statements in this Official Statement.

### Experts

The information contained in this Official Statement relating to engineering and to the description of the Utility System and the Road System, and, in particular, that engineering information included in the sections entitled "THE BONDS –Use and Distribution of Bond Proceeds," "THE DISTRICT – Description," "DEVELOPMENT OF THE DISTRICT – Status of Development within the District," "THE ROAD SYSTEM," and "THE UTILITY SYSTEM" has been provided by the Engineer 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 this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" was provided by the Tax Assessor/Collector and the Appraisal District. Such information has been included herein in reliance upon the Tax Assessor/Collector's authority as an expert in the field of tax collection and the Appraisal District's authority as an expert in the field of appraisal.

### 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 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. 40 as of the date shown on the cover page hereof.

/s/ _____
President, Board of Directors
Brazoria County Municipal Utility District No. 40

ATTEST:

/s/ _____
Secretary, Board of Directors
Brazoria County Municipal Utility District No. 40

**APPENDIX A**

**Audited Financial Statements of the District**

# BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 40

# BRAZORIA COUNTY, TEXAS

# FINANCIAL REPORT

**March 31, 2026**

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# McGRATH & CO., PLLC

*Certified Public Accountants*
2950 North Loop West, Suite 810
Houston, Texas 77092


## Independent Auditor's Report

Board of Directors
Brazoria County Municipal Utility District No. 40
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. 40 (the "District"), as of and for the year ended March 31, 2026, 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. 40, as of March 31, 2026, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

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

### Responsibilities of Management for the Financial Statements

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

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

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

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

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

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

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

**Required Supplementary Information**

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

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.



Houston, Texas
July 15, 2026

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# Management's Discussion and Analysis

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## Using this Annual Report

This section of the financial report of Brazoria County Municipal Utility District No. 40 (the "District") provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended March 31, 2026. 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.

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, 2026, was negative $31,034,158. The District's net position is negative because the District incurs debt to construct public road facilities which it conveys to Brazoria County. A comparative summary of the District's overall financial position, as of March 31, 2026 and 2025, is as follows:

| | 2026 | 2025 |
|---|---|---|
| Current and other assets | $ 10,410,224 | $ 9,446,393 |
| Capital assets | 52,513,258 | 45,932,113 |
| Total assets | 62,923,482 | 55,378,506 |
| | | |
| Current liabilities | 3,053,051 | 2,224,074 |
| Long-term liabilities | 90,904,589 | 82,777,367 |
| Total liabilities | 93,957,640 | 85,001,441 |
| | | |
| Net position | | |
| Net investment in capital assets | (11,657,700) | (9,117,606) |
| Restricted | 5,877,661 | 3,880,369 |
| Unrestricted | (25,254,119) | (24,385,698) |
| Total net position | $ (31,034,158) | $ (29,622,935) |

The total net position of the District decreased during the current fiscal year by $1,411,223. A comparative summary of the District's *Statement of Activities* for the past two fiscal years is as follows:

| | 2026 | 2025 |
|---|---|---|
| Revenues | | |
| Water and sewer service | $ 1,157,132 | $ 878,357 |
| Property taxes, penalties and interest | 5,763,179 | 4,646,283 |
| Participant billings | 1,532,801 | 1,287,828 |
| Other | 691,505 | 1,079,685 |
| Total revenues | 9,144,617 | 7,892,153 |
| Expenses | | |
| Current service operations | 3,314,407 | 2,996,833 |
| Debt interest and fees | 2,235,725 | 1,629,190 |
| Developer interest | 1,559,052 | 1,351,775 |
| Debt issuance costs | 1,343,742 | 1,126,595 |
| Depreciation and amortization | 1,839,066 | 1,389,214 |
| Total expenses | 10,291,992 | 8,493,607 |
| Change in net position before other items | (1,147,375) | (601,454) |
| Other items | | |
| Transfers to other governments | (263,848) | (9,024,805) |
| Change in net position | (1,411,223) | (9,626,259) |
| Net position, beginning of year | (29,622,935) | (19,996,676) |
| Net position, end of year | $ (31,034,158) | $ (29,622,935) |

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

The District's combined fund balances, as of March 31, 2026, were $9,302,743, which consists of $3,335,757 in the General Fund, $5,911,168 in the Debt Service Fund, $52,868 in the Capital Projects Fund, and $2,950 in the Joint Wastewater Treatment Plant Fund.

*General Fund*

A comparative summary of the General Fund's financial position as of March 31, 2026 and 2025, is as follows:

| | 2026 | 2025 |
|---|---|---|
| Total assets | $ 4,074,684 | $ 4,349,437 |
| Total liabilities | $ 706,049 | $ 499,764 |
| Total deferred inflows | 32,878 | 63,054 |
| Total fund balance | 3,335,757 | 3,786,619 |
| Total liabilities, deferred inflows and fund balance | $ 4,074,684 | $ 4,349,437 |

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

| | 2026 | 2025 |
|---|---|---|
| Total revenues | $ 2,748,341 | $ 3,620,932 |
| Total expenditures | (3,199,203) | (2,340,054) |
| Revenues over/(under) expenditures | $ (450,862) | $ 1,280,878 |

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

*Debt Service Fund*

A comparative summary of the Debt Service Fund's financial position as of March 31, 2026 and 2025, is as follows:

| | 2026 | 2025 |
|---|---|---|
| Total assets | $ 6,117,087 | $ 4,069,398 |
| Total liabilities | $ 56,135 | $ 29,450 |
| Total deferred inflows | 149,784 | 108,740 |
| Total fund balance | 5,911,168 | 3,931,208 |
| Total liabilities, deferred inflows and fund balance | $ 6,117,087 | $ 4,069,398 |

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

| | 2026 | 2025 |
|---|---|---|
| Total revenues | $ 4,799,433 | $ 2,955,236 |
| Total expenditures | (3,233,711) | (2,517,272) |
| Revenues over expenditures | 1,565,722 | 437,964 |
| Other changes in fund balance | 414,238 | |
| Net change in fund balance | $ 1,979,960 | $ 437,964 |

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

*Capital Projects Fund*

A comparative summary of the Capital Projects Fund's financial position as of March 31, 2026 and 2025, is as follows:

| | 2026 | 2025 |
|---|---|---|
| Total assets | $ 59,798 | $ 717,738 |
| Total liabilities | $ 6,930 | $ 1,581 |
| Total fund balance | 52,868 | 716,157 |
| Total liabilities and fund balance | $ 59,798 | $ 717,738 |

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

| | 2026 | 2025 |
|---|---|---|
| Total revenues | $ 14,918 | $ 24,788 |
| Total expenditures | (18,363,969) | (15,618,470) |
| Revenues under expenditures | (18,349,051) | (15,593,682) |
| Other changes in fund balance | 17,685,762 | 15,990,000 |
| Net change in fund balance | $ (663,289) | $ 396,318 |

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2025 Unlimited Tax Bonds and surplus funds from its Series 2024 Unlimited Tax Road Bonds in the current fiscal year and the sale of its Series 2024 Unlimited Tax Bonds and Series 2024 Unlimited Tax Road Bonds in the prior fiscal year.

*Joint Water Plant Fund*

The Joint Water Plant Fund is used to account for the operating and maintenance costs of a joint water plant in accordance with the District's contract with Brazoria County Municipal Utility District No. 39 (see Note 13).

A comparative summary of the Joint Water Plant Fund's financial position as of March 31, 2026 and 2025, is as follows:

| | 2026 | 2025 |
|---|---|---|
| Total assets | $ 87,511 | $ 70,479 |
| Total liabilities | $ 87,511 | $ 70,479 |

A comparative summary of activities for the Joint Water Plant Fund's current and prior fiscal year is as follows

| | 2026 | 2025 |
|---|---|---|
| Total revenues | $ 380,203 | $ 294,023 |
| Total expenditures | (380,203) | (294,023) |
| Revenues over/(under) expenditures | $ - | $ - |

Revenues in the Joint Water Plant Fund primarily consist of charges to participants. The amount the District charges is based upon the actual cost of providing services and each participating district's pro-rata share. Consequently, revenues will equal expenditures each year.

*Joint Wastewater Treatment Plant Fund*

The Joint Wastewater Treatment Plant Fund is used to account for the operating and maintenance costs of a joint wastewater treatment plant in accordance with the District's contract with Brazoria County Municipal Utility District No. 39 (see Note 13).

A comparative summary of the Joint Wastewater Treatment Plant Fund's financial position as of March 31, 2026 and 2025, is as follows:

| | 2026 | 2025 |
|---|---|---|
| Total assets | $ 531,610 | $ 331,981 |
| Total liabilities | $ 528,660 | $ 329,031 |
| Total fund balance | 2,950 | 2,950 |
| Total liabilities and fund balance | $ 531,610 | $ 331,981 |

A comparative summary of activities for the Joint Wastewater Treatment Plant Fund's current and prior fiscal year is as follows

| | 2026 | 2025 |
|---|---|---|
| Total revenues | $ 1,190,853 | $ 993,825 |
| Total expenditures | (1,190,853) | (1,052,520) |
| Revenues over/(under) expenditures | $ - | $ (58,695) |

Revenues in the Joint Wastewater Treatment Plant Fund primarily consist of charges to participants. The amount the District charges is based upon the actual cost of providing services and each participating district's pro-rata share. During the prior fiscal year, the District recognized expenditures related to the lease of a temporary wastewater treatment plant that in a prior year, the District had billed participants for and recognized as prepaid items rather than an expenditure, which resulted in a decrease in fund balance in the prior year.

**General Fund Budgetary Highlights**

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was $1,002,156 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 developers for the financing of the construction of capital assets within the District. Developers 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, 2026 and 2025, are summarized as follows:

| | 2026 | 2025 |
|---|---|---|
| Capital assets not being depreciated | | |
| Land and improvements | $ 3,297,245 | $ 3,134,091 |
| Construction in progress | 1,265,598 | 174,033 |
| | 4,562,843 | 3,308,124 |
| Capital assets being depreciated/amortization | | |
| Infrastructure | 42,097,693 | 38,786,492 |
| Landscaping improvements | 11,761,595 | 7,907,304 |
| Right-to-use leased assets | 766,147 | 766,147 |
| | 54,625,435 | 47,459,943 |
| Less accumulated depreciation/amortization | | |
| Infrastructure | (4,435,671) | (3,385,159) |
| Landscaping improvements | (1,962,237) | (1,374,155) |
| Right-to-use leased assets | (277,112) | (76,640) |
| | (6,675,020) | (4,835,954) |
| Depreciable capital assets, net | 47,950,415 | 42,623,989 |
| Capital assets, net | $ 52,513,258 | $ 45,932,113 |

Capital asset additions during the current fiscal year include the following:

- Lift Station No. 3
- Water meters
- Landscaping improvements to serve Pomona Orchard Park, Pomona HD Park, Pomona Orchard Park Lane, Pomona Section 25 Park, and Pomona East Mustang Bayou

The District's construction in progress is for the construction and engineering fees of the following:

- Pomona Parkway crosswalks, Phase 3
- Pomona Wastewater Treatment Plant, Phase 5
- Pomona Water Plant No. 2, Phase 2
- Sprint Pond drainage improvements

Additionally, Brazoria County assumes responsibility (after a one-year maintenance period) for road facilities constructed within the boundaries of the District. Accordingly, these facilities are not considered assets of the District. For the year ended March 31, 2026, capital assets in the amount of

$263,848 have been recorded as transfers to other governments in the government-wide statements. Additional information is present in Note 10.

**Lease Obligations**

The District has entered into various equipment lease obligations for interim wastewater treatment plants. The District recognized right-to-use leased assets and lease obligations in the amount of $766,147 for these leases. The balance due for the leases as of March 31, 2026, was $459,029.

**Long-Term Debt and Related Liabilities**

As of March 31, 2026, the District owes approximately $23,180,451 to developers for completed projects. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. The District intends to reimburse the developers from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developers are trued up when the developers are reimbursed.

At March 31, 2026 and 2025, the District had total bonded debt outstanding as shown below:

| Series | 2026 | 2025 |
|---|---|---|
| 2020 | $ 5,750,000 | $ 5,965,000 |
| 2020A Road | 4,095,000 | 4,235,000 |
| 2021 | 5,155,000 | 5,340,000 |
| 2021A Road | 2,855,000 | 2,955,000 |
| 2022 | 2,465,000 | 2,530,000 |
| 2022A Road | 8,495,000 | 8,725,000 |
| 2023 | 2,915,000 | 2,985,000 |
| 2023A Road | 3,285,000 | 3,365,000 |
| 2024 Road | 10,210,000 | 10,210,000 |
| 2024 | 5,780,000 | 5,780,000 |
| 2025 | 18,100,000 | |
| | $ 69,105,000 | $ 52,090,000 |

During the current fiscal year, the District issued $18,100,000 in unlimited tax bonds. At March 31, 2026, the District had $233,160,000 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; $80,000,000 for parks and recreational facilities and the refunding of such bonds; $69,630,000 for road improvements and the refunding of such bonds.

**Property Taxes**

The District's property tax base increased approximately $133,792,000 for the 2026 tax year from $440,296,030 to $574,087,990, based on preliminary values. This increase was primarily due to new construction in the District and increased property values.

## 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:

| | 2026 Actual | 2027 Budget |
|---|---|---|
| Total revenues | $ 2,748,341 | $ 2,584,200 |
| Total expenditures | (3,199,203) | (2,495,698) |
| Revenues over/(under) expenditures | (450,862) | 88,502 |
| Other changes in fund balance | | 213,090 |
| Net change in fund balance | (450,862) | 301,592 |
| Beginning fund balance | 3,786,619 | 3,335,757 |
| Ending fund balance | $ 3,335,757 | $ 3,637,349 |

# Basic Financial Statements

***Brazoria County Municipal Utility District No. 40***
***Statement of Net Position and Governmental Funds Balance Sheet***
***March 31, 2026***

| | General Fund | Debt Service Fund | Capital Projects Fund | Joint Water Plant Fund | Joint Wastewater Treatment Plant Fund |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash | $ 251,430 | $ 205,389 | $ 405 | $ 47,130 | $ 383,199 |
| Investments | 3,083,944 | 5,743,896 | 59,393 | | |
| Taxes receivable | 32,878 | 149,784 | | | |
| Customer service receivables | 171,158 | | | | |
| Due from participants | 91,066 | | | 25,568 | 67,479 |
| Interfund receivables | 46,210 | | | 14,813 | 29,237 |
| Accrued interest receivable | 27,792 | 18,018 | | | |
| Prepaid items | | | | | 51,695 |
| Operating reserve | 370,206 | | | | |
| Capital assets not being depreciated | | | | | |
| Capital assets, net | | | | | |
| Total Assets | $ 4,074,684 | $ 6,117,087 | $ 59,798 | $ 87,511 | $ 531,610 |
| **Liabilities** | | | | | |
| Accounts payable | $ 380,449 | $ - | $ 4,778 | $ 29,787 | $ 48,995 |
| Other payables | 2,341 | 12,077 | | | |
| Customer deposits | 172,700 | | | | |
| Retainage payable | 82,269 | | | | |
| Unearned revenue | 24,240 | | | | |
| Interfund payables | 44,050 | 44,058 | 2,152 | | |
| Operating reserve | | | | 57,724 | 479,665 |
| Accrued interest payable | | | | | |
| Due to developers | | | | | |
| Obligations under leases | | | | | |
| Due within one year | | | | | |
| Due after one year | | | | | |
| Long-term debt | | | | | |
| Due within one year | | | | | |
| Due after one year | | | | | |
| Total Liabilities | 706,049 | 56,135 | 6,930 | 87,511 | 528,660 |
| **Deferred Inflows of Resources** | | | | | |
| Deferred property taxes | 32,878 | 149,784 | | | |
| **Fund Balances/Net Position** | | | | | |
| **Fund Balances** | | | | | |
| Nonspendable | 370,206 | | | | 2,950 |
| Restricted | | 5,911,168 | 52,868 | | |
| Unassigned | 2,965,551 | | | | |
| Total Fund Balances | 3,335,757 | 5,911,168 | 52,868 | | 2,950 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | $ 4,074,684 | $ 6,117,087 | $ 59,798 | $ 87,511 | $ 531,610 |
| **Net Position** | | | | | |
| Net investment in capital assets | | | | | |
| Restricted for debt service | | | | | |
| Unrestricted | | | | | |
| Total Net Position | | | | | |

See notes to basic financial statements.

| Total | Adjustments | Statement of Net Position |
|---|---|---|
| $ 887,553 | $ - | $ 887,553 |
| 8,887,233 | | 8,887,233 |
| 182,662 | | 182,662 |
| 171,158 | | 171,158 |
| 184,113 | | 184,113 |
| 90,260 | (90,260) | |
| 45,810 | | 45,810 |
| 51,695 | | 51,695 |
| 370,206 | (370,206) | |
| | 4,562,843 | 4,562,843 |
| | 47,950,415 | 47,950,415 |
| $ 10,870,690 | 52,052,792 | 62,923,482 |
| | | |
| $ 464,009 | | 464,009 |
| 14,418 | | 14,418 |
| 172,700 | | 172,700 |
| 82,269 | | 82,269 |
| 24,240 | | 24,240 |
| 90,260 | (90,260) | |
| 537,389 | (370,206) | 167,183 |
| | 183,291 | 183,291 |
| | 23,180,451 | 23,180,451 |
| | | |
| | 144,941 | 144,941 |
| | 314,088 | 314,088 |
| | | |
| | 1,800,000 | 1,800,000 |
| | 67,410,050 | 67,410,050 |
| 1,385,285 | 92,572,355 | 93,957,640 |
| | | |
| 182,662 | (182,662) | |
| | | |
| | | |
| 373,156 | (373,156) | |
| 5,964,036 | (5,964,036) | |
| 2,965,551 | (2,965,551) | |
| 9,302,743 | (9,302,743) | |
| | | |
| $ 10,870,690 | | |
| | | |
| | (11,657,700) | (11,657,700) |
| | 5,877,661 | 5,877,661 |
| | (25,254,119) | (25,254,119) |
| | $ (31,034,158) | $ (31,034,158) |

***Brazoria County Municipal Utility District No. 40***
***Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances***
***For the Year Ended March 31, 2026***

| | General Fund | Debt Service Fund | Capital Projects Fund | Joint Water Plant Fund | Joint Wastewater Treatment Plant Fund |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| Water service | $ 500,219 | $ - | $ - | $ - | $ - |
| Sewer service | 656,913 | | | | |
| Property taxes | 1,084,011 | 4,621,781 | | | |
| Penalties and interest | 20,837 | 25,681 | | | |
| Participant billings | | | | 358,509 | 1,174,292 |
| Tap connection and inspection | 342,873 | | | | |
| Miscellaneous | 18,785 | 5,474 | | 21,694 | 15,775 |
| Investment earnings | 124,703 | 146,497 | 14,918 | | 786 |
| Total Revenues | 2,748,341 | 4,799,433 | 14,918 | 380,203 | 1,190,853 |
| **Expenditures/Expenses** | | | | | |
| Current service operations | | | | | |
| Purchased services | 519,522 | | | | |
| Professional fees | 136,550 | | 33,474 | 3,500 | 3,500 |
| Contracted services | 825,411 | 78,632 | 1,773 | 64,685 | 145,812 |
| Repairs and maintenance | 659,118 | | | 95,067 | 359,594 |
| Utilities | 31,940 | | | 96,018 | 62,724 |
| Lease | | | | | 26,580 |
| Administrative | 64,847 | 7,864 | | 23,062 | 25,376 |
| Other | 25,110 | | 160 | 9,512 | 14,576 |
| Capital outlay | 936,705 | | 15,425,768 | 88,359 | 255,811 |
| Debt service | | | | | |
| Principal | | 1,085,000 | | | |
| Interest and fees | | 2,062,215 | | | |
| Developer interest | | | 1,559,052 | | |
| Debt issuance costs | | | 1,343,742 | | |
| Lease - principal | | | | | 141,830 |
| Lease - interest | | | | | 155,050 |
| Depreciation and amortization | | | | | |
| Total Expenditures/Expenses | 3,199,203 | 3,233,711 | 18,363,969 | 380,203 | 1,190,853 |
| **Revenues Over/(Under) Expenditures/Expenses** | (450,862) | 1,565,722 | (18,349,051) | | |
| **Other Financing Sources** | | | | | |
| Proceeds from sale of bonds | | 414,238 | 17,685,762 | | |
| **Other Items** | | | | | |
| Transfers to other governments | | | | | |
| **Net Change in Fund Balances** | (450,862) | 1,979,960 | (663,289) | | |
| **Change in Net Position** | | | | | |
| Fund Balance/Net Position | | | | | |
| Beginning of the year | 3,786,619 | 3,931,208 | 716,157 | | 2,950 |
| **End of the year** | $ 3,335,757 | $ 5,911,168 | $ 52,868 | $ - | $ 2,950 |

See notes to basic financial statements.

| Total | Adjustments | Statement of Activities |
|---|---|---|
| $ 500,219 | $ - | $ 500,219 |
| 656,913 | | 656,913 |
| 5,705,792 | 10,869 | 5,716,661 |
| 46,518 | | 46,518 |
| 1,532,801 | | 1,532,801 |
| 342,873 | | 342,873 |
| 61,728 | | 61,728 |
| 286,904 | | 286,904 |
| 9,133,748 | 10,869 | 9,144,617 |
| | | |
| 519,522 | | 519,522 |
| 177,024 | | 177,024 |
| 1,116,313 | | 1,116,313 |
| 1,113,779 | | 1,113,779 |
| 190,682 | | 190,682 |
| 26,580 | | 26,580 |
| 121,149 | | 121,149 |
| 49,358 | | 49,358 |
| 16,706,643 | (16,706,643) | |
| | | |
| 1,085,000 | (1,085,000) | |
| 2,062,215 | 18,460 | 2,080,675 |
| 1,559,052 | | 1,559,052 |
| 1,343,742 | | 1,343,742 |
| 141,830 | (141,830) | |
| 155,050 | | 155,050 |
| | 1,839,066 | 1,839,066 |
| 26,367,939 | (16,075,947) | 10,291,992 |
| | | |
| (17,234,191) | 16,086,816 | (1,147,375) |
| | | |
| 18,100,000 | (18,100,000) | |
| | | |
| | (263,848) | (263,848) |
| 865,809 | (865,809) | |
| | (1,411,223) | (1,411,223) |
| | | |
| 8,436,934 | (38,059,869) | (29,622,935) |
| $ 9,302,743 | $ (40,336,901) | $ (31,034,158) |

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## Note 1 – Summary of Significant Accounting Policies

The accounting policies of Brazoria County Municipal Utility District No. 40 (the "District") conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB"). The following is a summary of the most significant policies:

### Creation

The District was organized, created and established pursuant to an order of the Texas Commission on Environmental Quality, dated January 23, 2007, pursuant to Article XVI, Section 59 of the Texas Constitution and operates in accordance with the Texas Water Code, Chapters 49 and 54. The District also operates under Article III, Section 52 of the Texas Constitution. The Board of Directors held its first meeting on June 29, 2007, and the first bonds were issued on August 27, 2020.

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

### Reporting Entity

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

### Government-Wide and Fund Financial Statements

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

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have many funds; however, governmental financial statements focus on the most important or "major"

funds with non-major funds aggregated in a single column. The District has five 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 fiscal 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, park and recreational and road facilities.
- The Joint Water Plant Fund is used to account for the operations of the water plant jointly owned by the District and Brazoria County Municipal Utility District No. 39 ("MUD 39"). See Note 13 for additional information.
- The Joint Wastewater Treatment Plant Fund is used to account for the operations of the wastewater treatment plant jointly owned by the District and MUD 39. See Note 13 for additional information.

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

**Measurement Focus and Basis of Accounting**

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

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

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

**Use of Restricted Resources**

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

**Prepaid Items**

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

**Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At March 31, 2026, 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 eliminated in the government-wide 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 $250,000.

Capital assets are recorded at historical cost or estimated historical cost. Right-to-use leased assets are valued at the present value of future lease payments. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal

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

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

| Assets | Useful Life |
|---|---|
| Infrastructure | 10-45 years |
| Landscaping improvements | 20 years |
| Right-to-use leased assets | 5 years |

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

**Deferred Inflows and Outflows of Financial Resources**

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

At the fund level, property taxes receivable that are 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 and operating reserves paid to the Joint Water Plant Fund and the Joint Wastewater Treatment Plant Fund.

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.

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 developers; and the value of capital assets for which the developers have 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.

## 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 | | $ 9,302,743 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. | | |
| Historical cost | $ 59,188,278 | |
| Less accumulated depreciation and amortization | (6,675,020) | |
| | | 52,513,258 |
| 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 | (183,291) | |
| Lease obligations | (459,029) | |
| Due to developers | (23,180,451) | |
| Bonds payable, net | (69,210,050) | |
| | | (93,032,821) |
| Deferred inflows in the fund statements consist of property taxes receivable and related penalties and interest 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. | | 182,662 |
| Total net position - governmental activities | | $ (31,034,158) |

**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 | | $ 865,809 |
| Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. The difference is for property taxes and related penalties and interest. | | 10,869 |
| 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 | $ 16,706,643 | |
| Transfers to other governments | (263,848) | |
| Depreciation/amortization expense | (1,839,066) | |
| | | 14,603,729 |
| Financial reporting for long-term 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 liabilities are acquired 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: | | |
| Principal payments - leases | 141,830 | |
| Issuance of long term debt | (18,100,000) | |
| Principal payments - bonds | 1,085,000 | |
| Interest expense accrual | (18,460) | |
| | | (16,891,630) |
| Change in net position of governmental activities | | $ (1,411,223) |

## Note 3 – Deposits and Investments

### Deposit Custodial Credit Risk

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

act further specifies the types of securities that can be used as collateral. The District's written investment policy establishes additional requirements for collateralization of deposits.

**Use of Surplus Funds**

During the current fiscal year, the District used surplus funds in the amount of $472,437 from the Series 2024 Unlimited Tax Road Bonds to reimburse its developers for capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds.

**Investments**

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

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

As of March 31, 2026, the District's investments consist of the following:

| Type | Fund | Carrying Value | Percentage of Total | Rating | Weighted Average Maturity |
|---|---|---|---|---|---|
| Certificates of deposit | General | $ 1,275,000 | | | |
| | Debt Service | 705,000 | | | |
| | | 1,980,000 | 22% | N/A | N/A |
| Texas CLASS | General | 1,808,944 | | | |
| | Debt Service | 5,038,896 | | | |
| | Capital Projects | 59,393 | | | |
| | | 6,907,233 | 78% | AAAm | 49 days |
| Total | | $ 8,887,233 | 100% | | |

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

**Texas CLASS**

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

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

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

**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 4 – Interfund Balances**

Amounts due to/from other funds at March 31, 2026, consist of the following:

| Receivable Fund | Payable Fund | Amounts | Purpose |
|---|---|---|---|
| General Fund | Debt Service Fund | $ 44,058 | Maintenance tax collections not remitted as of year end |
| General Fund | Capital Projects Fund | 2,152 | Bond application fees paid by the General Fund |
| Joint Water Plant Fund | General Fund | 14,813 | Participant billings not remitted as of year end |
| Joint Wastewater Treatment Plant Fund | General Fund | 29,237 | Participant billings 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.

## Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended March 31, 2026, is as follows:

| | Beginning Balances | Additions/ Adjustments | Ending Balances |
|---|---|---|---|
| Capital assets not being depreciated | | | |
| Land and improvements | $ 3,134,091 | $ 163,154 | $ 3,297,245 |
| Construction in progress | 174,033 | 1,091,565 | 1,265,598 |
| | 3,308,124 | 1,254,719 | 4,562,843 |
| Capital assets being depreciated/amortized | | | |
| Infrastructure | 38,786,492 | 3,311,201 | 42,097,693 |
| Landscaping improvements | 7,907,304 | 3,854,291 | 11,761,595 |
| Right to use leased assets | 766,147 | | 766,147 |
| | 47,459,943 | 7,165,492 | 54,625,435 |
| Less accumulated depreciation/amortization | | | |
| Infrastructure | (3,385,159) | (1,050,512) | (4,435,671) |
| Landscaping improvements | (1,374,155) | (588,082) | (1,962,237) |
| Right to use leased assets | (76,640) | (200,472) | (277,112) |
| | (4,835,954) | (1,839,066) | (6,675,020) |
| Subtotal depreciable capital assets, net | 42,623,989 | 5,326,426 | 47,950,415 |
| Capital assets, net | $ 45,932,113 | $ 6,581,145 | $ 52,513,258 |

Depreciation/amortization expense for the current fiscal year was $1,839,066.

The District has contractual commitments for construction project as follows:

| | Contract Amount | Paid To Date | Remaining Amount * |
|---|---|---|---|
| Spring pond drainage improvements to serve Pomona | $ 457,114 | $ 344,297 | $ 112,817 |

* Includes retainage
**District's estimated share of project

## Note 6 – Due to Developers

The District has entered into financing agreements with its developers for the financing of the construction of water, sewer, drainage, and park and recreational facilities and road improvements. Under the agreements, the developers will construct facilities on behalf of the District. The developers 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 developers are reimbursed.

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

| | | |
|---|---|---|
| Due to developers, beginning of year | $ | 31,203,035 |
| Developer reimbursements | | (15,161,922) |
| Developer funded construction and adjustments | | 7,139,338 |
| Due to developers, end of year | $ | 23,180,451 |

## Note 7 – Lease Obligations

The District has entered into multiple equipment lease agreements for interim wastewater treatment plants. The terms of certain of these leases resulted in the recognition of right-to-use leased assets and lease obligations in the government-wide statements measured at the present value of future lease payments. See Note 12 for discussion of leases that did not result in the recognition of assets and liabilities.

The following table summarizes the key terms of the District's lease obligations:

| Description | Remaining Balance | Original Liability | Monthly Payment | Commencement Date | Term | Interest Rate |
|---|---|---|---|---|---|---|
| Phase 3 | $ 6,461 | $ 80,132 | $ 2,950 | 8/1/2021 | 60 months | 8.5% |
| Phase 4 | 452,568 | 694,842 | 21,790 | 3/1/2024 | 60 months | 11.5% |
| | $ 459,029 | | | | | |

Annual requirements to amortize long-term lease obligations and related interest are as follows:

| Fiscal Year | Principal | Interest | Total |
|---|---|---|---|
| 2027 | $ 144,941 | $ 128,339 | $ 273,280 |
| 2028 | 155,272 | 106,208 | 261,480 |
| 2029 | 158,816 | 80,874 | 239,690 |
| | $ 459,029 | $ 315,421 | $ 774,450 |
| Due within one year | $ 144,941 | $ 128,339 | $ 273,280 |

All leases contain standard lease terms that state that the leases shall automatically be extended on a month-to-month basis after the initial term of the lease, unless otherwise terminated.

The District is responsible for all ordinary expenses related to repairing and maintaining the equipment under all leases. Additionally, all leases require the pre-payment of the last month's lease payment, which is included with lease payments for April 2026 in Prepaid items on the *Balance Sheet* and *Statement of Net Position.*

The allocation of lease payments between principal and interest for the current fiscal year is as follows:

| Description | Annual Payment | Principal | Interest |
|---|---|---|---|
| Phase 3 | $ 35,400 | $ 18,325 | $ 17,075 |
| Phase 4 | 261,480 | 123,505 | 137,975 |
| | $ 296,880 | $ 141,830 | $ 155,050 |

**Note 8 – Long-Term Debt**

Long-term debt is comprised of the following:

| | |
|---|---|
| Bonds payable | $ 69,105,000 |
| Unamortized discounts | (107,940) |
| Unamortized premiums | 212,990 |
| | $ 69,210,050 |
| | |
| Due within one year | $ 1,800,000 |

The District's bonds payable at March 31, 2026, consists of unlimited tax bonds as follows:

| Series | Amounts Outstanding | Original Issue | Interest Rates | Maturity Date, Serially, Beginning/ Ending | Interest Payment Dates | Call Dates |
|---|---|---|---|---|---|---|
| 2020 | $ 5,750,000 | $ 6,570,000 | 2.00% - 4.50% | September 1, 2022/2045 | September 1, March 1 | September 1, 2025 |
| 2020A Road | 4,095,000 | 4,625,000 | 2.25% - 4.75% | September 1, 2022/2045 | September 1, March 1 | September 1, 2025 |
| 2021 | 5,155,000 | 5,695,000 | 1.00% - 3.50% | September 1, 2023/2046 | September 1, March 1 | September 1, 2026 |
| 2021A Road | 2,855,000 | 3,155,000 | 1.00% - 3.00% | September 1, 2023/2046 | September 1, March 1 | September 1, 2026 |
| 2022 | 2,465,000 | 2,645,000 | 4.00% - 5.00% | September 1, 2023/2047 | September 1, March 1 | July 1, 2028 |
| 2022A Road | 8,495,000 | 8,945,000 | 3.50% - 6.00% | September 1, 2024/2047 | September 1, March 1 | July 1, 2028 |
| 2023 | 2,915,000 | 3,050,000 | 4.00% - 6.00% | September 1, 2024/2048 | September 1, March 1 | August 1, 2029 |
| 2023A Road | 3,285,000 | 3,435,000 | 4.00% - 5.50% | September 1, 2024/2048 | September 1, March 1 | August 1, 2029 |
| 2024 Road | 10,210,000 | 10,210,000 | 4.00% - 6.50% | September 1, 2026/2049 | September 1, March 1 | September 1, 2030 |
| 2024 | 5,780,000 | 5,780,000 | 4.00% - 6.50% | September 1, 2026/2049 | September 1, March 1 | September 1, 2030 |
| 2025 | 18,100,000 | 18,100,000 | 4.00% - 6.50% | September 1, 2026/2050 | September 1, March 1 | September 1, 2030 |
| | $ 69,105,000 | | | | | |

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, 2026, the District had authorized but unissued bonds in the amount of $233,160,000 for water, sewer, and drainage facilities and refunding of such bonds; $80,000,000 for park and recreational facilities and refunding of such bonds; and $69,630,000 for road improvements and refunding of such bonds.

On December 18, 2025, the District issued its $18,100,000 Series 2025 Unlimited Tax Bonds at a net effective interest rate of 4.482630%. 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; and (2) 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 | $ | 52,090,000 |
| Bonds issued | | 18,100,000 |
| Bonds retired | | (1,085,000) |
| Bonds payable, end of year | $ | 69,105,000 |

As of March 31, 2026, annual debt service requirements on bonds outstanding are as follows:

| Year | Principal | Interest | Totals |
|---|---|---|---|
| 2027 | $ 1,800,000 | $ 2,647,451 | $ 4,447,451 |
| 2028 | 1,955,000 | 2,554,882 | 4,509,882 |
| 2029 | 2,030,000 | 2,458,358 | 4,488,358 |
| 2030 | 2,125,000 | 2,359,819 | 4,484,819 |
| 2031 | 2,210,000 | 2,257,952 | 4,467,952 |
| 2032 | 2,290,000 | 2,154,534 | 4,444,534 |
| 2033 | 2,390,000 | 2,052,520 | 4,442,520 |
| 2034 | 2,490,000 | 1,957,460 | 4,447,460 |
| 2035 | 2,590,000 | 1,867,339 | 4,457,339 |
| 2036 | 2,680,000 | 1,775,994 | 4,455,994 |
| 2037 | 2,795,000 | 1,682,116 | 4,477,116 |
| 2038 | 2,910,000 | 1,583,703 | 4,493,703 |
| 2039 | 3,035,000 | 1,480,494 | 4,515,494 |
| 2040 | 3,160,000 | 1,371,949 | 4,531,949 |
| 2041 | 3,290,000 | 1,256,884 | 4,546,884 |
| 2042 | 3,425,000 | 1,135,346 | 4,560,346 |
| 2043 | 3,565,000 | 1,007,596 | 4,572,596 |
| 2044 | 3,720,000 | 872,759 | 4,592,759 |
| 2045 | 3,865,000 | 730,438 | 4,595,438 |
| 2046 | 4,030,000 | 583,248 | 4,613,248 |
| 2047 | 3,530,000 | 442,572 | 3,972,572 |
| 2048 | 3,190,000 | 311,775 | 3,501,775 |
| 2049 | 2,560,000 | 194,481 | 2,754,481 |
| 2050 | 2,240,000 | 95,337 | 2,335,337 |
| 2051 | 1,230,000 | 24,600 | 1,254,600 |
| | $ 69,105,000 | $ 34,859,607 | $ 103,964,607 |

## Note 9 – Property Taxes

On May 10, 2008, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to $1.50 per $100 of assessed value. In addition, on November 6, 2018, the voters of the District authorized the District's Board of Directors to levy taxes annually for road maintenance limited to $0.25 per $100 of assessed value. The District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term

debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

All property values and exempt status, if any, are determined by the Brazoria Central 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 2026 fiscal year was financed through the 2025 tax levy, pursuant to which the District levied property taxes of $1.30 per $100 of assessed value, of which $0.24 was allocated to maintenance and operations, $0.62 was allocated to utility debt service, and $0.44 was allocated to road debt service. The resulting tax levy was $5,723,848 on the adjusted taxable value of $440,296,030.

Property taxes receivable, at March 31, 2026, consisted of the following:

| | | |
|---|---|---|
| Current year taxes receivable | $ | 159,357 |
| Prior years taxes receivable | | 8,646 |
| | | 168,003 |
| Penalty and interest receivable | | 14,659 |
| Property taxes receivable | $ | 182,662 |

**Note 10 – Transfers to Other Governments**

Brazoria County assumes responsibility for the maintenance of public roads constructed within the county limits. Accordingly, road facilities are considered to be capital assets of Brazoria County, not the District and are recorded as transfers to other governments on the *Statement of Activities* upon completion of construction. For the year ended March 31, 2026, the District recorded transfers to other governments in the amount of $263,848 for road facilities constructed within the District.

**Note 11 – Financing and Reimbursement Agreement**

On April 26, 2022, the District and DFH Coventry, LLC ("DFH") entered a financing and reimbursement agreement for water, sewer, drainage, park and recreational, and road facilities. DFH will advance funds to the District for the construction of facilities on the condition that it will be reimbursed in the future. The District agrees to reimburse DFH in the future for the funds advanced to or on behalf of the District for the design and construction of the facilities as permitted under the rules of the TCEQ.

**Note 12 – Lease Agreement**

On August 8, 2018, the District entered into a lease agreement for a temporary wastewater treatment plant. The initial term of this 60-month lease expired during 2025. The lease is currently on a month-to-month basis. Accordingly, the District does not have an associated lease obligation because the payments are month to month. Monthly payments for the lease are $2,215 with a total cost for the current fiscal year of $26,580. Standard lease terms required the District to prepay the last month's

lease payment upon inception of the lease. All such amounts are recorded as Prepaid items on the *Statement of Net Position*. The District is responsible for all ordinary expenses related to repairing and maintaining the equipment.

**Note 13 – Joint Facilities and Cost Sharing Agreement**

On February 27, 2018, amended October 16, 2024, the District and MUD 39 entered into an agreement for the construction and ownership of shared water, wastewater, detention, and recreational facilities. The term of the agreement is 40 years. Development within the MUD 39 commenced prior to the development within the District. To provide water supply within MUD 39, MUD 39 entered into various leases and contracts for the construction and installation of water and wastewater treatment facilities. As both districts develop, they intend to operate the two water and wastewater systems as an open system with shared costs.

*Water Supply*

The District has established a Joint Water Plant Fund to account for the operating and maintenance costs of the joint water plant. Fixed expenses are allocated to each district based on their pro rata share of total capacity in the facilities. Variable expenses are allocated to each district based on the amount of wastewater treated or water produced for the benefit of the applicable district served by the facilities as a percentage of the total wastewater treated or water produced for both districts served by the facilities. During the current year, MUD 39 was billed $158,894 and the District was billed $199,615 for their respective share of operation and maintenance costs. Additionally, the District established and operating reserve of two months of budgeted operating expenses to provide liquidity. MUD 39 paid $26,971 toward the operating reserve and the District paid $30,752.

*Wastewater Treatment Plant*

The District has established a Joint Wastewater Treatment Plant Fund to account for the operating and maintenance costs of the joint wastewater treatment plant. Fixed expenses are allocated to each district based on their pro rata share of total capacity in the facilities. Variable expenses are allocated to each district based on the amount of wastewater treated or water produced for the benefit of the applicable district served by the facilities as a percentage of the total wastewater treated or water produced for both districts served by the facilities. During the current year, MUD 39 was billed $565,306 and the District was billed $608,986 for their respective share of operating and maintenance costs. Additionally, the District established an operating reserve of two months of budgeted operating expenses to provide liquidity. MUD 39 paid $140,211 toward the operating reserve and the District paid $339,454.

*Regional Detention and Recreational Facilities*

Each District is authorized, individually or in conjunction with the other District, to construct and repair regional detention and recreational facilities. The Districts agree that each District shall own legal title to the facilities within their boundaries for the benefit of both Districts, although the District shall be the operator of the regional detention and recreational facilities on behalf of both Districts. As of March 31, 2026, the District has constructed such facilities within its boundaries and MUD 39

has also constructed such facilities within its boundaries. Each District will continue to construct regional detention and recreational facilities as they develop.

*Cost Sharing Agreement for Law Enforcement Services and Equipment*

On September 22, 2020, the District entered into a Cost Sharing Agreement for Law Enforcement Services with MUD 39 and Pomona Residential Community Association ("the Association") for the purpose of providing security services by Brazoria County to both districts. The agreement was amended and restated on February 23, 2021. Each district agrees to pay the Association for one-third of the service cost on a monthly basis, plus a vehicle cost of $70,000 The agreement was amended and restated on January 24, 2023, to include another officer, the cost of which is split between the District and MUD 39. The agreements shall continue in force unless terminated by any party with 60 days written notice.

On July 25, 2023, the District entered into a Cost Sharing Agreement for Law Enforcement Equipment with MUD 39 and the Association for the purpose of providing security equipment by Flock Group, Inc., to both districts. On November 19, 2025, the District entered into an additional Cost Sharing Agreement for Law Enforcement Equipment with MUD 39. The Agreement shall continue in force unless terminated by any party with 60 days written notice.

For the current fiscal year, the District has paid $160,169 for security services and equipment related to the agreements.

**Note 14 – 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.

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# Required Supplementary Information

***Brazoria County Municipal Utility District No. 40***
***Required Supplementary Information - Budgetary Comparison Schedule - General Fund***
***For the Year Ended March 31, 2026***

| | Original and Final Budget | Actual | Variance Positive (Negative) |
|---|---|---|---|
| **Revenues** | | | |
| Water service | $ 395,200 | $ 500,219 | $ 105,019 |
| Sewer service | 499,800 | 656,913 | 157,113 |
| Property taxes | 1,814,300 | 1,084,011 | (730,289) |
| Penalties and interest | 18,500 | 20,837 | 2,337 |
| Tap connection and inspection | 253,100 | 342,873 | 89,773 |
| Miscellaneous | 11,200 | 18,785 | 7,585 |
| Investment earnings | 128,500 | 124,703 | (3,797) |
| Total Revenues | 3,120,600 | 2,748,341 | (372,259) |
| **Expenditures** | | | |
| Current service operations | | | |
| Purchased services | 436,764 | 519,522 | (82,758) |
| Professional fees | 160,700 | 136,550 | 24,150 |
| Contracted services | 642,300 | 825,411 | (183,111) |
| Repairs and maintenance | 499,300 | 659,118 | (159,818) |
| Utilities | 22,450 | 31,940 | (9,490) |
| Administrative | 56,300 | 64,847 | (8,547) |
| Other | 38,200 | 25,110 | 13,090 |
| Capital outlay | 2,717,604 | 936,705 | 1,780,899 |
| Total Expenditures | 4,573,618 | 3,199,203 | 1,374,415 |
| **Revenues Under Expenditures** | (1,453,018) | (450,862) | 1,002,156 |
| **Fund Balance** | | | |
| Beginning of the year | 3,786,619 | 3,786,619 | |
| **End of the year** | $ 2,333,601 | $ 3,335,757 | $ 1,002,156 |

***Brazoria County Municipal Utility District No. 40***
***Required Supplementary Information - Budgetary Comparison Schedule -***
***Joint Water Plant Fund***
***For the Year Ended March 31, 2026***

| | Original and Final Budget | Actual | Variance Positive (Negative) |
|---|---|---|---|
| **Revenues** | | | |
| Participant billings | $ 346,340 | $ 358,509 | $ 12,169 |
| Miscellaneous | | 21,694 | 21,694 |
| Total Revenues | 346,340 | 380,203 | 33,863 |
| | | | |
| **Expenditures** | | | |
| Current service operations | | | |
| Professional fees | 6,800 | 3,500 | 3,300 |
| Contracted services | 40,600 | 64,685 | (24,085) |
| Repairs and maintenance | 96,500 | 95,067 | 1,433 |
| Utilities | 89,800 | 96,018 | (6,218) |
| Administrative | 22,340 | 23,062 | (722) |
| Other | 9,300 | 9,512 | (212) |
| Capital outlay | 81,000 | 88,359 | (7,359) |
| Total Expenditures | 346,340 | 380,203 | (33,863) |
| | | | |
| **Revenues Over/(Under) Expenditures** | - | - | - |
| | | | |
| **Fund Balance** | | | |
| Beginning of the year | | | |
| **End of the Year** | $ - | $ - | $ - |

***Brazoria County Municipal Utility District No. 40***
***Required Supplementary Information - Budgetary Comparison Schedule -***
***Joint Wastewater Treatment Plant Fund***
***For the Year Ended March 31, 2026***

| | Original and Final Budget | Actual | Variance Positive (Negative) |
|---|---|---|---|
| **Revenues** | | | |
| Participant billings | $ 2,877,990 | $ 1,174,292 | $ (1,703,698) |
| Miscellaneous | | 15,775 | 15,775 |
| Investment earnings | | 786 | 786 |
| Total Revenues | 2,877,990 | 1,190,853 | (1,687,137) |
| **Expenditures** | | | |
| Current service operations | | | |
| Professional fees | 23,500 | 3,500 | 20,000 |
| Contracted services | 118,200 | 145,812 | (27,612) |
| Repairs and maintenance | 167,200 | 359,594 | (192,394) |
| Utilities | 60,700 | 62,724 | (2,024) |
| Lease expense | 407,500 | 26,580 | 380,920 |
| Administrative | 24,690 | 25,376 | (686) |
| Other | 17,600 | 14,576 | 3,024 |
| Capital outlay | 2,058,600 | 255,811 | 1,802,789 |
| Debt service | | | |
| Lease principal | | 141,830 | (141,830) |
| Lease interest | | 155,050 | (155,050) |
| Total Expenditures | 2,877,990 | 1,190,853 | 1,687,137 |
| **Revenues Over/(Under) Expenditures** | | - | - |
| **Fund Balance** | | | |
| Beginning of the year | 2,950 | 2,950 | |
| **End of the period** | $ 2,950 | $ 2,950 | $ - |

**Budgets and Budgetary Accounting**

An annual unappropriated budget is adopted for the General Fund, Joint Water Plant Fund, and Joint Wastewater Treatment Plant Fund by the District's Board of Directors. The budgets are prepared using the same method of accounting as for financial reporting. There were no amendments to the budgets during the year.

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# Texas Supplementary Information

***Brazoria County Municipal Utility District No. 40***
***TSI-1. Services and Rates***
***March 31, 2026***

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

| | | | |
|---|---|---|---|
| [X] Retail Water | [ ] Wholesale Water | [X] Solid Waste / Garbage | [X] Drainage |
| [X] Retail Wastewater | [ ] Wholesale Wastewater | [ ] Flood Control | [ ] Irrigation |
| [X] Parks / Recreation | [ ] Fire Protection | [X] Roads | [X] Security |

[X] 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 5/8" meter (or equivalent):

| | Minimum Charge | Minimum Usage | Flat Rate (Y / N) | Rate per 1,000 Gallons Over Minimum Usage | Usage Levels |
|---|---|---|---|---|---|
| Water: | $ 32.00 | 10,000 | N | $ 2.90 | 10,001 to 20,000 |
| | | | | $ 3.50 | 20,001 to 25,000 |
| | | | | $ 4.40 | 25,001 to unlimited |
| Wastewater: | $ 52.00 | 10,000 | N | $ 1.50 | 10,001 to 20,000 |
| | | | | $ 1.75 | 20,001 to 25,000 |
| | | | | $ 2.00 | 25,001 unlimited |
| Surcharge: | $ 0.03 | 1,000 | N | $ 0.03 | 1,001 to unlimited |

District employs winter averaging for wastewater usage? [ ] Yes [X] No

Total charges per 10,000 gallons usage: Water $ 32.30 Wastewater $ 52.00

| Meter Size | Total Connections | Active Connections | ESFC Factor | Active ESFC'S |
|---|---|---|---|---|
| Unmetered | | | x 1.0 | |
| less than 3/4" | 593 | 588 | x 1.0 | 588 |
| 1" | 540 | 537 | x 2.5 | 1,343 |
| 1.5" | 1 | 1 | x 5.0 | 5 |
| 2" | 13 | 13 | x 8.0 | 104 |
| 3" | | | x 15.0 | |
| 4" | | | x 25.0 | |
| 6" | 1 | 1 | x 50.0 | 50 |
| 8" | | | x 80.0 | |
| 10" | | | x 115.0 | |
| Total Water | 1,148 | 1,140 | | 2,090 |
| Total Wastewater | 1,099 | 1,091 | x 1.0 | 1,091 |

See accompanying auditor's report.

***Brazoria County Municipal Utility District No. 40***
***TSI-1. Services and Rates***
***March 31, 2026***

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

| | | |
|---|---|---|
| Gallons pumped into system: | 246,227,000 | Water Accountability Ratio: (Gallons billed / Gallons pumped) |
| Gallons billed to customers: | 114,355,000 | |
| *Gallons sold: | 127,423,000 | 98.19% |

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

Does the District have Debt Service standby fees? Yes [ ] No [X]

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

Does the District have Operation and Maintenance standby fees? Yes [ ] No [X]

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

5. Location of District:

Is the District located entirely within one county? Yes [X] No [ ]

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

Is the District located within a city? Entirely [ ] Partly [ ] Not at all [X]

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

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

Entirely [X] Partly [ ] Not at all [ ]

ETJs in which the District is located: City of Manvel

Are Board members appointed by an office outside the district? Yes [ ] No [X]

If Yes, by whom? _____

*Gallons sold to Brazoria County MUD 39.

See accompanying auditor's report.

***Brazoria County Municipal Utility District No. 40***
***TSI-2. General Fund Expenditures***
***For the Year Ended March 31, 2026***

| | | |
|---|---|---|
| Purchased services | $ | 519,522 |
| Professional fees | | |
| Legal | | 61,572 |
| Audit | | 18,000 |
| Engineering | | 56,978 |
| | | 136,550 |
| Contracted services | | |
| Bookkeeping | | 70,600 |
| Operator | | 277,677 |
| Garbage collection | | 219,937 |
| Inspection | | 87,028 |
| Security | | 160,169 |
| Arbitrage analysis | | 10,000 |
| | | 825,411 |
| Repairs and maintenance | | 659,118 |
| Utilities | | 31,940 |
| Administrative | | |
| Directors fees | | 11,713 |
| Printing and office supplies | | 13,458 |
| Insurance | | 9,946 |
| Other | | 29,730 |
| | | 64,847 |
| Other | | 25,110 |
| Capital outlay | | 936,705 |
| Total expenditures | $ | 3,199,203 |

See accompanying auditor's report.

***Brazoria County Municipal Utility District No. 40***
***TSI-3. Investments***
***March 31, 2026***

| Fund | Interest Rate | Maturity Date | Balance at End of Year | Interest Receivable |
|---|---|---|---|---|
| General | | | | |
| Texas CLASS | Variable | N/A | $ 1,808,944 | $ - |
| Certificate of deposit | 4.25% | 07/16/26 | 100,000 | 3,004 |
| Certificate of deposit | 4.00% | 07/14/26 | 235,000 | 6,696 |
| Certificate of deposit | 3.75% | 09/21/26 | 235,000 | 241 |
| Certificate of deposit | 3.85% | 10/06/26 | 235,000 | 4,363 |
| Certificate of deposit | 4.15% | 04/19/26 | 235,000 | 9,245 |
| Certificate of deposit | 3.90% | 06/14/26 | 235,000 | 4,243 |
| | | | 3,083,944 | 27,792 |
| Debt Service | | | | |
| Texas CLASS | Variable | N/A | 5,038,896 | |
| Certificate of deposit | 4.25% | 08/21/26 | 235,000 | 6,074 |
| Certificate of deposit | 4.15% | 08/21/26 | 235,000 | 5,932 |
| Certificate of deposit | 4.22% | 08/18/26 | 235,000 | 6,012 |
| | | | 5,743,896 | 18,018 |
| Capital Projects | | | | |
| Texas CLASS | Variable | N/A | 59,393 | |
| Total - All Funds | | | $ 8,887,233 | $ 45,810 |

See accompanying auditor's report.

***Brazoria County Municipal Utility District No. 40***
***TSI-4. Taxes Levied and Receivable***
***March 31, 2026***

| | Maintenance Taxes | Debt Service Taxes | Road Debt Service Taxes | Totals |
|---|---|---|---|---|
| Taxes Receivable, Beginning of Year | $ 63,054 | $ 30,389 | $ 63,692 | $ 157,135 |
| Adjustments to Prior Year Tax Levy | (2,874) | (1,384) | (2,929) | (7,187) |
| Adjusted Receivable | 60,180 | 29,005 | 60,763 | 149,948 |
| 2025 Original Tax Levy | 1,035,978 | 2,676,277 | 1,899,293 | 5,611,548 |
| Adjustments | 20,732 | 53,558 | 38,010 | 112,300 |
| Adjusted Tax Levy | 1,056,710 | 2,729,835 | 1,937,303 | 5,723,848 |
| Total to be accounted for | 1,116,890 | 2,758,840 | 1,998,066 | 5,873,796 |
| Tax collections: | | | | |
| Current year | 1,027,291 | 2,653,834 | 1,883,366 | 5,564,491 |
| Prior year | 56,721 | 27,340 | 57,241 | 141,302 |
| Total Collections | 1,084,012 | 2,681,174 | 1,940,607 | 5,705,793 |
| Taxes Receivable, End of Year | $ 32,878 | $ 77,666 | $ 57,459 | $ 168,003 |
| Taxes Receivable, By Years | | | | |
| 2025 | $ 29,419 | $ 76,001 | $ 53,937 | $ 159,357 |
| 2024 | 3,459 | 1,665 | 3,522 | 8,646 |
| Taxes Receivable, End of Year | $ 32,878 | $ 77,666 | $ 57,459 | $ 168,003 |

| | 2025 | 2024 | 2023 | 2022 |
|---|---|---|---|---|
| Property Valuations: | | | | |
| Land | $ 120,487,601 | $ 107,611,164 | $ 60,064,575 | $ 46,862,021 |
| Improvements | 345,596,096 | 265,516,394 | 254,938,739 | 202,445,930 |
| Personal Property | 3,470,780 | 1,963,050 | 2,203,040 | 1,836,270 |
| Exemptions | (29,258,447) | (33,639,663) | (35,809,474) | (24,515,032) |
| Total Property Valuations | $ 440,296,030 | $ 341,450,945 | $ 281,396,880 | $ 226,629,189 |
| Tax Rates per $100 Valuation: | | | | |
| Maintenance and operations | $ 0.24 | $ 0.54 | $ 0.50 | $ 0.33 |
| Debt service | 0.62 | 0.26 | 0.37 | 0.58 |
| Road debt service | 0.44 | 0.55 | 0.53 | 0.55 |
| Total Tax Rates per $100 Valuation | $ 1.30 | $ 1.35 | $ 1.40 | $ 1.46 |
| Adjusted Tax Levy: | $ 5,723,848 | $ 4,609,588 | $ 3,939,556 | $ 3,308,786 |
| Percentage of Taxes Collected to Taxes Levied ** | 97.22% | 99.81% | 100.00% | 100.00% |

* Maximum Maintenance Tax Rate Approved by Voters: $1.50 on May 10, 2008

** Maximum Road Maintenance Tax Rate Approved by Voters: $0.25 on November 6, 2018

*** 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. 40***
***TSI-5. Long-Term Debt Service Requirements***
***Series 2020--by Years***
***March 31, 2026***

| Due During Fiscal Years Ending | Principal Due September 1 | Interest Due September 1, March 1 | Total |
|---|---|---|---|
| 2027 | $ 220,000 | $ 120,425 | $ 340,425 |
| 2028 | 225,000 | 115,975 | 340,975 |
| 2029 | 230,000 | 111,425 | 341,425 |
| 2030 | 240,000 | 106,725 | 346,725 |
| 2031 | 245,000 | 101,875 | 346,875 |
| 2032 | 250,000 | 96,925 | 346,925 |
| 2033 | 260,000 | 91,825 | 351,825 |
| 2034 | 265,000 | 86,575 | 351,575 |
| 2035 | 275,000 | 81,175 | 356,175 |
| 2036 | 280,000 | 75,625 | 355,625 |
| 2037 | 290,000 | 69,925 | 359,925 |
| 2038 | 295,000 | 63,891 | 358,891 |
| 2039 | 305,000 | 57,516 | 362,516 |
| 2040 | 310,000 | 50,981 | 360,981 |
| 2041 | 320,000 | 44,088 | 364,088 |
| 2042 | 330,000 | 36,775 | 366,775 |
| 2043 | 340,000 | 29,238 | 369,238 |
| 2044 | 350,000 | 21,256 | 371,256 |
| 2045 | 355,000 | 12,884 | 367,884 |
| 2046 | 365,000 | 4,334 | 369,334 |
| | $ 5,750,000 | $ 1,379,438 | $ 7,129,438 |

See accompanying auditor's report.

***Brazoria County Municipal Utility District No. 40***
***TSI-5. Long-Term Debt Service Requirements***
***Series 2020A Road--by Years***
***March 31, 2026***

| Due During Fiscal Years Ending | Principal Due September 1 | Interest Due September 1, March 1 | Total |
|---|---|---|---|
| 2027 | $ 145,000 | $ 97,294 | $ 242,294 |
| 2028 | 150,000 | 91,213 | 241,213 |
| 2029 | 155,000 | 85,113 | 240,113 |
| 2030 | 160,000 | 80,213 | 240,213 |
| 2031 | 165,000 | 76,556 | 241,556 |
| 2032 | 170,000 | 72,788 | 242,788 |
| 2033 | 180,000 | 68,850 | 248,850 |
| 2034 | 185,000 | 64,744 | 249,744 |
| 2035 | 190,000 | 60,525 | 250,525 |
| 2036 | 195,000 | 56,194 | 251,194 |
| 2037 | 205,000 | 51,694 | 256,694 |
| 2038 | 210,000 | 47,025 | 257,025 |
| 2039 | 220,000 | 42,188 | 262,188 |
| 2040 | 225,000 | 37,181 | 262,181 |
| 2041 | 235,000 | 32,006 | 267,006 |
| 2042 | 245,000 | 26,606 | 271,606 |
| 2043 | 250,000 | 21,038 | 271,038 |
| 2044 | 260,000 | 15,300 | 275,300 |
| 2045 | 270,000 | 9,338 | 279,338 |
| 2046 | 280,000 | 3,150 | 283,150 |
| | $ 4,095,000 | $ 1,039,016 | $ 5,134,016 |

See accompanying auditor's report.

***Brazoria County Municipal Utility District No. 40***
***TSI-5. Long-Term Debt Service Requirements***
***Series 2021--by Years***
***March 31, 2026***

| Due During Fiscal Years Ending | Principal Due September 1 | Interest Due September 1, March 1 | Total |
|---|---|---|---|
| 2027 | $ 190,000 | $ 107,775 | $ 297,775 |
| 2028 | 195,000 | 102,975 | 297,975 |
| 2029 | 200,000 | 100,025 | 300,025 |
| 2030 | 205,000 | 98,000 | 303,000 |
| 2031 | 210,000 | 94,875 | 304,875 |
| 2032 | 215,000 | 90,625 | 305,625 |
| 2033 | 220,000 | 86,275 | 306,275 |
| 2034 | 225,000 | 81,825 | 306,825 |
| 2035 | 230,000 | 77,275 | 307,275 |
| 2036 | 235,000 | 72,625 | 307,625 |
| 2037 | 240,000 | 67,875 | 307,875 |
| 2038 | 250,000 | 62,819 | 312,819 |
| 2039 | 255,000 | 57,453 | 312,453 |
| 2040 | 260,000 | 51,819 | 311,819 |
| 2041 | 270,000 | 45,856 | 315,856 |
| 2042 | 275,000 | 39,553 | 314,553 |
| 2043 | 280,000 | 32,963 | 312,963 |
| 2044 | 290,000 | 26,194 | 316,194 |
| 2045 | 295,000 | 19,063 | 314,063 |
| 2046 | 305,000 | 11,563 | 316,563 |
| 2047 | 310,000 | 3,875 | 313,875 |
| | $ 5,155,000 | $ 1,331,308 | $ 6,486,308 |

See accompanying auditor's report.

***Brazoria County Municipal Utility District No. 40***
***TSI-5. Long-Term Debt Service Requirements***
***Series 2021A Road--by Years***
***March 31, 2026***

| Due During Fiscal Years Ending | Principal Due September 1 | Interest Due September 1, March 1 | Total |
|---|---|---|---|
| 2027 | $ 105,000 | $ 60,838 | $ 165,838 |
| 2028 | 105,000 | 58,738 | 163,738 |
| 2029 | 110,000 | 57,138 | 167,138 |
| 2030 | 115,000 | 55,438 | 170,438 |
| 2031 | 115,000 | 53,138 | 168,138 |
| 2032 | 120,000 | 50,788 | 170,788 |
| 2033 | 120,000 | 48,388 | 168,388 |
| 2034 | 125,000 | 45,938 | 170,938 |
| 2035 | 130,000 | 43,388 | 173,388 |
| 2036 | 130,000 | 40,788 | 170,788 |
| 2037 | 135,000 | 38,053 | 173,053 |
| 2038 | 140,000 | 35,131 | 175,131 |
| 2039 | 140,000 | 32,069 | 172,069 |
| 2040 | 145,000 | 28,863 | 173,863 |
| 2041 | 150,000 | 25,450 | 175,450 |
| 2042 | 150,000 | 21,888 | 171,888 |
| 2043 | 155,000 | 18,266 | 173,266 |
| 2044 | 160,000 | 14,525 | 174,525 |
| 2045 | 165,000 | 10,563 | 175,563 |
| 2046 | 170,000 | 6,375 | 176,375 |
| 2047 | 170,000 | 2,125 | 172,125 |
| | $ 2,855,000 | $ 747,888 | $ 3,602,888 |

See accompanying auditor's report.

***Brazoria County Municipal Utility District No. 40***
***TSI-5. Long-Term Debt Service Requirements***
***Series 2022--by Years***
***March 31, 2026***

| Due During Fiscal Years Ending | Principal Due September 1 | Interest Due September 1, March 1 | Total |
|---|---|---|---|
| 2027 | $ 70,000 | $ 105,038 | $ 175,038 |
| 2028 | 75,000 | 101,413 | 176,413 |
| 2029 | 75,000 | 97,663 | 172,663 |
| 2030 | 80,000 | 93,788 | 173,788 |
| 2031 | 85,000 | 89,663 | 174,663 |
| 2032 | 85,000 | 85,413 | 170,413 |
| 2033 | 90,000 | 81,037 | 171,037 |
| 2034 | 95,000 | 76,887 | 171,887 |
| 2035 | 100,000 | 72,987 | 172,987 |
| 2036 | 100,000 | 68,987 | 168,987 |
| 2037 | 105,000 | 64,887 | 169,887 |
| 2038 | 110,000 | 60,587 | 170,587 |
| 2039 | 115,000 | 56,087 | 171,087 |
| 2040 | 120,000 | 51,387 | 171,387 |
| 2041 | 125,000 | 46,487 | 171,487 |
| 2042 | 130,000 | 41,224 | 171,224 |
| 2043 | 135,000 | 35,594 | 170,594 |
| 2044 | 140,000 | 29,750 | 169,750 |
| 2045 | 150,000 | 23,588 | 173,588 |
| 2046 | 155,000 | 17,106 | 172,106 |
| 2047 | 160,000 | 10,413 | 170,413 |
| 2048 | 165,000 | 3,506 | 168,506 |
| | $ 2,465,000 | $ 1,313,492 | $ 3,778,492 |

See accompanying auditor's report.

***Brazoria County Municipal Utility District No. 40***
***TSI-5. Long-Term Debt Service Requirements***
***Series 2022A Road--by Years***
***March 31, 2026***

| Due During Fiscal Years Ending | Principal Due September 1 | Interest Due September 1, March 1 | Total |
|---|---|---|---|
| 2027 | $ 240,000 | $ 375,012 | $ 615,012 |
| 2028 | 250,000 | 360,312 | 610,312 |
| 2029 | 260,000 | 345,012 | 605,012 |
| 2030 | 275,000 | 328,962 | 603,962 |
| 2031 | 285,000 | 312,162 | 597,162 |
| 2032 | 295,000 | 296,238 | 591,238 |
| 2033 | 310,000 | 281,113 | 591,113 |
| 2034 | 325,000 | 265,238 | 590,238 |
| 2035 | 335,000 | 248,738 | 583,738 |
| 2036 | 350,000 | 232,925 | 582,925 |
| 2037 | 365,000 | 217,731 | 582,731 |
| 2038 | 380,000 | 201,900 | 581,900 |
| 2039 | 395,000 | 185,431 | 580,431 |
| 2040 | 415,000 | 168,219 | 583,219 |
| 2041 | 430,000 | 150,263 | 580,263 |
| 2042 | 450,000 | 131,563 | 581,563 |
| 2043 | 470,000 | 112,013 | 582,013 |
| 2044 | 490,000 | 91,306 | 581,306 |
| 2045 | 510,000 | 69,431 | 579,431 |
| 2046 | 530,000 | 49,000 | 579,000 |
| 2047 | 555,000 | 30,013 | 585,013 |
| 2048 | 580,000 | 10,150 | 590,150 |
| | $ 8,495,000 | $ 4,462,732 | $ 12,957,732 |

See accompanying auditor's report.

***Brazoria County Municipal Utility District No. 40***
***TSI-5. Long-Term Debt Service Requirements***
***Series 2023--by Years***
***March 31, 2026***

| Due During Fiscal Years Ending | Principal Due September 1 | Interest Due September 1, March 1 | Total |
|---|---|---|---|
| 2027 | $ 75,000 | $ 123,125 | $ 198,125 |
| 2028 | 75,000 | 118,625 | 193,625 |
| 2029 | 80,000 | 113,975 | 193,975 |
| 2030 | 85,000 | 109,025 | 194,025 |
| 2031 | 90,000 | 104,675 | 194,675 |
| 2032 | 90,000 | 101,075 | 191,075 |
| 2033 | 95,000 | 97,375 | 192,375 |
| 2034 | 100,000 | 93,475 | 193,475 |
| 2035 | 105,000 | 89,375 | 194,375 |
| 2036 | 110,000 | 85,075 | 195,075 |
| 2037 | 115,000 | 80,575 | 195,575 |
| 2038 | 120,000 | 75,875 | 195,875 |
| 2039 | 125,000 | 70,975 | 195,975 |
| 2040 | 135,000 | 65,775 | 200,775 |
| 2041 | 140,000 | 60,275 | 200,275 |
| 2042 | 145,000 | 54,575 | 199,575 |
| 2043 | 155,000 | 48,478 | 203,478 |
| 2044 | 160,000 | 41,981 | 201,981 |
| 2045 | 165,000 | 35,278 | 200,278 |
| 2046 | 175,000 | 28,156 | 203,156 |
| 2047 | 185,000 | 20,506 | 205,506 |
| 2048 | 190,000 | 12,538 | 202,538 |
| 2049 | 200,000 | 4,250 | 204,250 |
| | $ 2,915,000 | $ 1,635,037 | $ 4,550,037 |

See accompanying auditor's report.

***Brazoria County Municipal Utility District No. 40***
***TSI-5. Long-Term Debt Service Requirements***
***Series 2023A Road--by Years***
***March 31, 2026***

| Due During Fiscal Years Ending | Principal Due September 1 | Interest Due September 1, March 1 | Total |
|---|---|---|---|
| 2027 | $ 80,000 | $ 138,513 | $ 218,513 |
| 2028 | 85,000 | 133,974 | 218,974 |
| 2029 | 90,000 | 129,163 | 219,163 |
| 2030 | 95,000 | 124,074 | 219,074 |
| 2031 | 100,000 | 118,713 | 218,713 |
| 2032 | 105,000 | 113,862 | 218,862 |
| 2033 | 110,000 | 109,563 | 219,563 |
| 2034 | 115,000 | 105,062 | 220,062 |
| 2035 | 120,000 | 100,363 | 220,363 |
| 2036 | 125,000 | 95,462 | 220,462 |
| 2037 | 130,000 | 90,363 | 220,363 |
| 2038 | 135,000 | 85,062 | 220,062 |
| 2039 | 145,000 | 79,463 | 224,463 |
| 2040 | 150,000 | 73,562 | 223,562 |
| 2041 | 155,000 | 67,463 | 222,463 |
| 2042 | 165,000 | 61,063 | 226,063 |
| 2043 | 170,000 | 54,363 | 224,363 |
| 2044 | 180,000 | 47,250 | 227,250 |
| 2045 | 190,000 | 39,619 | 229,619 |
| 2046 | 195,000 | 31,556 | 226,556 |
| 2047 | 205,000 | 23,056 | 228,056 |
| 2048 | 215,000 | 14,131 | 229,131 |
| 2049 | 225,000 | 4,781 | 229,781 |
| | $ 3,285,000 | $ 1,840,481 | $ 5,125,481 |

See accompanying auditor's report.

***Brazoria County Municipal Utility District No. 40***
***TSI-5. Long-Term Debt Service Requirements***
***Series 2024 Road--by Years***
***March 31, 2026***

| Due During Fiscal Years Ending | Principal Due September 1 | Interest Due September 1, March 1 | Total |
|---|---|---|---|
| 2027 | $ 235,000 | $ 445,925 | $ 680,925 |
| 2028 | 250,000 | 430,163 | 680,163 |
| 2029 | 260,000 | 413,588 | 673,588 |
| 2030 | 270,000 | 396,363 | 666,363 |
| 2031 | 285,000 | 379,038 | 664,038 |
| 2032 | 300,000 | 361,488 | 661,488 |
| 2033 | 315,000 | 344,613 | 659,613 |
| 2034 | 330,000 | 330,138 | 660,138 |
| 2035 | 345,000 | 316,638 | 661,638 |
| 2036 | 360,000 | 302,538 | 662,538 |
| 2037 | 375,000 | 287,838 | 662,838 |
| 2038 | 395,000 | 272,438 | 667,438 |
| 2039 | 415,000 | 256,237 | 671,237 |
| 2040 | 435,000 | 239,237 | 674,237 |
| 2041 | 455,000 | 221,437 | 676,437 |
| 2042 | 475,000 | 202,837 | 677,837 |
| 2043 | 500,000 | 183,337 | 683,337 |
| 2044 | 520,000 | 162,937 | 682,937 |
| 2045 | 545,000 | 141,637 | 686,637 |
| 2046 | 570,000 | 119,337 | 689,337 |
| 2047 | 600,000 | 95,937 | 695,937 |
| 2048 | 630,000 | 70,549 | 700,549 |
| 2049 | 655,000 | 43,243 | 698,243 |
| 2050 | 690,000 | 14,662 | 704,662 |
| | $ 10,210,000 | $ 6,032,155 | $ 16,242,155 |

See accompanying auditor's report.

***Brazoria County Municipal Utility District No. 40***
***TSI-5. Long-Term Debt Service Requirements***
***Series 2024--by Years***
***March 31, 2026***

| Due During Fiscal Years Ending | Principal Due September 1 | Interest Due September 1, March 1 | Total |
|---|---|---|---|
| 2027 | $ 140,000 | $ 254,781 | $ 394,781 |
| 2028 | 145,000 | 245,519 | 390,519 |
| 2029 | 150,000 | 235,931 | 385,931 |
| 2030 | 160,000 | 225,856 | 385,856 |
| 2031 | 165,000 | 215,294 | 380,294 |
| 2032 | 175,000 | 204,244 | 379,244 |
| 2033 | 180,000 | 194,731 | 374,731 |
| 2034 | 190,000 | 187,106 | 377,106 |
| 2035 | 195,000 | 179,406 | 374,406 |
| 2036 | 205,000 | 171,406 | 376,406 |
| 2037 | 215,000 | 163,006 | 378,006 |
| 2038 | 225,000 | 154,206 | 379,206 |
| 2039 | 235,000 | 145,006 | 380,006 |
| 2040 | 245,000 | 135,406 | 380,406 |
| 2041 | 255,000 | 125,406 | 380,406 |
| 2042 | 270,000 | 114,906 | 384,906 |
| 2043 | 280,000 | 103,906 | 383,906 |
| 2044 | 295,000 | 92,222 | 387,222 |
| 2045 | 305,000 | 79,847 | 384,847 |
| 2046 | 320,000 | 66,956 | 386,956 |
| 2047 | 335,000 | 53,447 | 388,447 |
| 2048 | 350,000 | 39,101 | 389,101 |
| 2049 | 365,000 | 23,907 | 388,907 |
| 2050 | 380,000 | 8,076 | 388,076 |
| | $ 5,780,000 | $ 3,419,672 | $ 9,199,672 |

See accompanying auditor's report.

***Brazoria County Municipal Utility District No. 40***
***TSI-5. Long-Term Debt Service Requirements***
***Series 2025--by Years***
***March 31, 2026***

| Due During Fiscal Years Ending | Principal Due September 1 | Interest Due September 1, March 1 | Total |
|---|---|---|---|
| 2027 | $ 300,000 | $ 818,725 | $ 1,118,725 |
| 2028 | 400,000 | 795,975 | 1,195,975 |
| 2029 | 420,000 | 769,325 | 1,189,325 |
| 2030 | 440,000 | 741,375 | 1,181,375 |
| 2031 | 465,000 | 711,963 | 1,176,963 |
| 2032 | 485,000 | 681,088 | 1,166,088 |
| 2033 | 510,000 | 648,750 | 1,158,750 |
| 2034 | 535,000 | 620,472 | 1,155,472 |
| 2035 | 565,000 | 597,469 | 1,162,469 |
| 2036 | 590,000 | 574,369 | 1,164,369 |
| 2037 | 620,000 | 550,169 | 1,170,169 |
| 2038 | 650,000 | 524,769 | 1,174,769 |
| 2039 | 685,000 | 498,069 | 1,183,069 |
| 2040 | 720,000 | 469,519 | 1,189,519 |
| 2041 | 755,000 | 438,153 | 1,193,153 |
| 2042 | 790,000 | 404,356 | 1,194,356 |
| 2043 | 830,000 | 368,400 | 1,198,400 |
| 2044 | 875,000 | 330,038 | 1,205,038 |
| 2045 | 915,000 | 289,190 | 1,204,190 |
| 2046 | 965,000 | 245,715 | 1,210,715 |
| 2047 | 1,010,000 | 203,200 | 1,213,200 |
| 2048 | 1,060,000 | 161,800 | 1,221,800 |
| 2049 | 1,115,000 | 118,300 | 1,233,300 |
| 2050 | 1,170,000 | 72,599 | 1,242,599 |
| 2051 | 1,230,000 | 24,600 | 1,254,600 |
| | $ 18,100,000 | $ 11,658,388 | $ 29,758,388 |

See accompanying auditor's report.

***Brazoria County Municipal Utility District No. 40***
***TSI-5. Long-Term Debt Service Requirements***
***All Bonded Debt Series--by Years***
***March 31, 2026***

| Due During Fiscal Years Ending | Principal Due September 1 | Interest Due September 1, March 1 | Total |
|---|---|---|---|
| 2027 | $ 1,800,000 | $ 2,647,451 | $ 4,447,451 |
| 2028 | 1,955,000 | 2,554,882 | 4,509,882 |
| 2029 | 2,030,000 | 2,458,358 | 4,488,358 |
| 2030 | 2,125,000 | 2,359,819 | 4,484,819 |
| 2031 | 2,210,000 | 2,257,952 | 4,467,952 |
| 2032 | 2,290,000 | 2,154,534 | 4,444,534 |
| 2033 | 2,390,000 | 2,052,520 | 4,442,520 |
| 2034 | 2,490,000 | 1,957,460 | 4,447,460 |
| 2035 | 2,590,000 | 1,867,339 | 4,457,339 |
| 2036 | 2,680,000 | 1,775,994 | 4,455,994 |
| 2037 | 2,795,000 | 1,682,116 | 4,477,116 |
| 2038 | 2,910,000 | 1,583,703 | 4,493,703 |
| 2039 | 3,035,000 | 1,480,494 | 4,515,494 |
| 2040 | 3,160,000 | 1,371,949 | 4,531,949 |
| 2041 | 3,290,000 | 1,256,884 | 4,546,884 |
| 2042 | 3,425,000 | 1,135,346 | 4,560,346 |
| 2043 | 3,565,000 | 1,007,596 | 4,572,596 |
| 2044 | 3,720,000 | 872,759 | 4,592,759 |
| 2045 | 3,865,000 | 730,438 | 4,595,438 |
| 2046 | 4,030,000 | 583,248 | 4,613,248 |
| 2047 | 3,530,000 | 442,572 | 3,972,572 |
| 2048 | 3,190,000 | 311,775 | 3,501,775 |
| 2049 | 2,560,000 | 194,481 | 2,754,481 |
| 2050 | 2,240,000 | 95,337 | 2,335,337 |
| 2051 | 1,230,000 | 24,600 | 1,254,600 |
| | $ 69,105,000 | $ 34,859,607 | $ 103,964,607 |

See accompanying auditor's report.

| | Bond Issue | | | |
|---|---|---|---|---|
| | Series 2020 | Series 2020A Road | Series 2021 | Series 2021A Road |
| Interest rate | 2.00% - 4.50% | 2.25% - 4.75% | 1.00% - 3.50% | 1.00% - 3.00% |
| Dates interest payable | 9/1; 3/1 | 9/1; 3/1 | 9/1; 3/1 | 9/1; 3/1 |
| Maturity dates | 9/1/22 - 9/1/45 | 9/1/22 - 9/1/45 | 9/1/23 - 9/1/46 | 9/1/23 - 9/1/46 |
| Beginning bonds outstanding | $ 5,965,000 | $ 4,235,000 | $ 5,340,000 | $ 2,955,000 |
| Bonds issued | | | | |
| Bonds retired | (215,000) | (140,000) | (185,000) | (100,000) |
| Ending bonds outstanding | $ 5,750,000 | $ 4,095,000 | $ 5,155,000 | $ 2,855,000 |
| Interest paid during fiscal year | $ 127,463 | $ 103,699 | $ 113,863 | $ 63,388 |
| Paying agent's name and city | | | | |
| Series 2020 and 2020A Road | Amegy Bank, a division of ZB, N.A., in Houston, Texas | | | |
| All other Series | Zions Bancorporation, N.A., Houston, Texas | | | |

| Bond Authority: | Water, Sewer and Drainage Bonds and Refunding | Park and Recreational Bonds and Refunding | Road Bonds and Refunding |
|---|---|---|---|
| Amount Authorized by Voters | $ 275,000,000 | $ 80,000,000 | $ 100,000,000 |
| Amount Issued | (41,840,000) | | (30,370,000) |
| Remaining To Be Issued | $ 233,160,000 | $ 80,000,000 | $ 69,630,000 |

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

| | |
|---|---|
| Debt Service Fund cash and investment balances as of March 31, 2026: | $ 5,949,285 |
| Average annual debt service payment (principal and interest) for remaining term of all debt: | $ 4,158,584 |

See accompanying auditor's report.

| | Bond Issue | | | |
|---|---|---|---|---|
| | Series 2022 | Series 2022A Road | Series 2023 | Series 2023A Road |
| Interest rate | 4.00% - 5.00% | 3.50% - 6.00% | 4.00% - 6.00% | 4.00% - 5.50% |
| Dates interest payable | 9/1; 3/1 | 9/1; 3/1 | 9/1; 3/1 | 9/1; 3/1 |
| Maturity dates | 9/1/23 - 9/1/47 | 9/1/24 - 9/1/47 | 9/1/24 - 9/1/48 | 9/1/24 - 9/1/48 |
| Beginning bonds outstanding | $ 2,530,000 | $ 8,725,000 | $ 2,985,000 | $ 3,365,000 |
| Bonds issued | | | | |
| Bonds retired | (65,000) | (230,000) | (70,000) | (80,000) |
| Ending bonds outstanding | $ 2,465,000 | $ 8,495,000 | $ 2,915,000 | $ 3,285,000 |
| Interest paid during fiscal year | $ 108,413 | $ 389,112 | $ 127,475 | $ 142,912 |

See accompanying auditor's report.

| Bond Issue | | | |
|---|---|---|---|
| Series 2024 Road | Series 2024 | Series 2025 | Totals |
| 4.00% - 6.50%<br>9/1; 3/1<br>9/1/26 - 9/1/49 | 4.00% - 6.50%<br>9/1; 3/1<br>9/1/26 - 9/1/49 | 4.00% - 6.50%<br>9/1; 3/1<br>9/1/26 - 9/1/50 | |
| $ 10,210,000 | $ 5,780,000 | $ - | $ 52,090,000 |
| | | 18,100,000 | 18,100,000 |
| | | | (1,085,000) |
| $ 10,210,000 | $ 5,780,000 | $ 18,100,000 | $ 69,105,000 |
| $ 453,563 | $ 259,331 | $ 167,996 | $ 2,057,215 |

***Brazoria County Municipal Utility District No. 40***
***TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund***
***For the Last Five Fiscal Years***

| | Amounts | | | | |
|---|---|---|---|---|---|
| | 2026 | 2025 | 2024 | 2023 | 2022 |
| **Revenues** | | | | | |
| Water service | $ 500,219 | $ 387,076 | $ 301,046 | $ 282,170 | $ 232,210 |
| Sewer service | 656,913 | 491,281 | 357,112 | 334,188 | 303,745 |
| Property taxes | 1,084,011 | 1,831,205 | 1,374,161 | 768,463 | 1,141,152 |
| Penalties and interest | 20,837 | 17,827 | 11,489 | 11,916 | 17,317 |
| Tap connection and inspection | 342,873 | 681,468 | 274,028 | 57,131 | 214,197 |
| Miscellaneous | 18,785 | 82,618 | 7,600 | 7,142 | 9,565 |
| Investment earnings | 124,703 | 129,457 | 94,753 | 40,781 | 2,038 |
| Total Revenues | 2,748,341 | 3,620,932 | 2,420,189 | 1,501,791 | 1,920,224 |
| **Expenditures** | | | | | |
| Current service operations | | | | | |
| Purchased services | 519,522 | 578,193 | 540,279 | 236,026 | 162,860 |
| Professional fees | 136,550 | 130,900 | 100,651 | 116,339 | 133,931 |
| Contracted services | 825,411 | 588,253 | 525,017 | 275,097 | 336,805 |
| Repairs and maintenance | 659,118 | 575,281 | 592,145 | 441,673 | 397,940 |
| Utilities | 31,940 | 21,882 | 17,326 | 16,845 | 14,442 |
| Administrative | 64,847 | 54,897 | 51,476 | 40,786 | 36,867 |
| Other | 25,110 | 32,218 | 12,116 | 10,983 | 16,419 |
| Capital outlay | 936,705 | 358,430 | | 62,721 | 11,005 |
| Total Expenditures | 3,199,203 | 2,340,054 | 1,839,010 | 1,200,470 | 1,110,269 |
| **Revenues Over/(Under) Expenditures** | (450,862) | 1,280,878 | 581,179 | 301,321 | 809,955 |
| **Other Financing Uses** | | | | | |
| Internal transfers | | | | (54,482) | |
| **Net Change in Fund Balance** | (450,862) | 1,280,878 | 581,179 | 246,839 | 809,955 |
| Fund Balance, Beginning of the year | 3,786,619 | 2,505,741 | 1,924,562 | 1,677,723 | 867,768 |
| **End of the year** | $ 3,335,757 | $ 3,786,619 | $ 2,505,741 | $ 1,924,562 | $ 1,677,723 |
| Total Active Retail Water Connections | 1,140 | 1,008 | 683 | 567 | 546 |
| Total Active Retail Wastewater Connections | 1,091 | 969 | 643 | 542 | 521 |

*Percentage is negligible

See accompanying auditor's report.

| Percent of Fund Total Revenues | | | | |
|---|---|---|---|---|
| 2026 | 2025 | 2024 | 2023 | 2022 |
| 18% | 11% | 12% | 19% | 12% |
| 24% | 14% | 15% | 22% | 16% |
| 38% | 51% | 57% | 52% | 60% |
| 1% | * | * | 1% | 1% |
| 12% | 19% | 11% | 4% | 11% |
| 1% | 2% | * | * | * |
| 5% | 3% | 5% | 2% | * |
| 99% | 100% | 100% | 100% | 100% |
| 19% | 16% | 22% | 16% | 8% |
| 5% | 4% | 4% | 8% | 7% |
| 30% | 16% | 22% | 18% | 18% |
| 24% | 16% | 24% | 29% | 21% |
| 1% | 1% | 1% | 1% | 1% |
| 2% | 2% | 2% | 3% | 2% |
| 1% | 1% | 1% | 1% | 1% |
| 34% | 10% | | 4% | 1% |
| 116% | 66% | 76% | 80% | 59% |
| (17%) | 34% | 24% | 20% | 41% |

***Brazoria County Municipal Utility District No. 40***
***TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund***
***For the Last Five Fiscal Years***

| | Amounts | | | | |
|---|---|---|---|---|---|
| | 2026 | 2025 | 2024 | 2023 | 2022 |
| **Revenues** | | | | | |
| Property taxes | $ 4,621,781 | $ 2,764,994 | $ 2,493,986 | $ 2,540,567 | $ 919,655 |
| Penalties and interest | 25,681 | 28,908 | 13,791 | 13,446 | 5,625 |
| Miscellaneous | 5,474 | 10,672 | 3,253 | 9,693 | 4,874 |
| Investment earnings | 146,497 | 150,662 | 130,857 | 43,435 | 983 |
| Total Revenues | 4,799,433 | 2,955,236 | 2,641,887 | 2,607,141 | 931,137 |
| **Expenditures** | | | | | |
| Tax collection services | 86,496 | 61,551 | 42,123 | 17,903 | 17,554 |
| Other | | 2,218 | 12,526 | 13,910 | 10,336 |
| Debt service | | | | | |
| Principal | 1,085,000 | 1,045,000 | 655,000 | 320,000 | |
| Interest and fees | 2,062,215 | 1,408,503 | 1,131,754 | 790,121 | 369,361 |
| Total Expenditures | 3,233,711 | 2,517,272 | 1,841,403 | 1,141,934 | 397,251 |
| **Revenues Over Expenditures** | 1,565,722 | 437,964 | 800,484 | 1,465,207 | 533,886 |
| **Other Financing Sources** | | | | | |
| Proceeds from sale of bonds | 414,238 | | | 57,894 | 200,413 |
| **Net Change in Fund Balance** | 1,979,960 | 437,964 | 800,484 | 1,523,101 | 734,299 |
| Fund Balance, Beginning of the year | 3,931,208 | 3,493,244 | 2,692,760 | 1,169,659 | 435,360 |
| **End of the year** | $ 5,911,168 | $ 3,931,208 | $ 3,493,244 | $ 2,692,760 | $ 1,169,659 |

*Percentage is negligible

See accompanying auditor's report.

| Percent of Fund Total Revenues | | | | |
|---|---|---|---|---|
| 2026 | 2025 | 2024 | 2023 | 2022 |
| 96% | 94% | 94% | 97% | 98% |
| 1% | 1% | 1% | 1% | 1% |
| * | * | * | * | 1% |
| 3% | 5% | 5% | 2% | * |
| 100% | 100% | 100% | 100% | 100% |
| 2% | 2% | 2% | 1% | 2% |
| | * | * | 1% | 1% |
| 23% | 35% | 25% | 12% | |
| 43% | 48% | 43% | 30% | 40% |
| 68% | 85% | 70% | 44% | 43% |
| 32% | 15% | 30% | 56% | 57% |

***Brazoria County Municipal Utility District No. 40***
***TSI-8. Board Members, Key Personnel and Consultants***
***For the Year Ended March 31, 2026***

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): April 16, 2025

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 | | | | |
| Alicia Skinner | 05/24 - 05/28 | $ 2,431 | $ 561 | President |
| Brandon Guillory | 05/22 - 05/26 | 1,989 | 64 | Vice President |
| Charles M. Eastland | 05/24 - 05/28 | 1,989 | 191 | Secretary |
| David Kubala | 05/22 - 05/26 | 1,989 | 190 | Assistant Vice President |
| Eric Gross | 04/25 - 05/28 | 2,873 | 264 | Assistant Secretary |
| Ruben De La Fuente | 10/24 - 04/25 | 442 | 11 | Former Director |
| Consultants | | Amounts Paid | | |
| Allen Boone Humphries Robinson LLP | 2007 | | | Attorney |
| *General legal fees* | | $ 95,824 | | |
| *Bond counsel* | | 392,144 | | |
| Si Environmental, LLC | 2018 | 1,155,810 | | Operator |
| Municipal Accounts & Consulting, LP | 2019 | 113,203 | | Bookkeeper |
| Assessments of the Southwest, Inc. | 2007 | 11,283 | | Tax Collector |
| Brazoria Central Appraisal District | Legislative | 60,172 | | Property Valuation |
| Perdue, Brandon, Fielder, Collins & Mott, LLP | 2018 | 3,726 | | Delinquent Tax Attorney |
| LJA Engineering, Inc. | 2007 | 606,846 | | Engineer |
| McGrath & Co., PLLC | Annual | 66,900 | | Auditor |
| R.W. Baird & Co., Inc. | 2015 | 283,460 | | Financial Advisor |
| Storm Water Solutions | 2018 | 282,390 | | Landscape Maintenance |

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