

**BRAZORIA – FORT BEND COUNTIES  
MUNICIPAL UTILITY DISTRICT NO. 3**

**BRAZORIA AND FORT BEND COUNTIES, TEXAS**

**FINANCIAL REPORT**

**March 31, 2025**



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# **McGRATH & CO., PLLC**

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Houston, Texas 77092

## **Independent Auditor's Report**

Board of Directors  
Brazoria-Fort Bend Counties Municipal Utility District No. 3  
Brazoria and Fort Bend Counties, Texas

### **Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of Brazoria-Fort Bend Counties Municipal Utility District No. 3 (the "District"), as of and for the year ended March 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Brazoria-Fort Bend Counties Municipal Utility District No. 3, as of March 31, 2025, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

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

### **Emphasis of Matter**

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

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

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

***Board of Directors  
Brazoria-Fort Bend Counties Municipal Utility District No. 3  
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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

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

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

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

***Board of Directors  
Brazoria-Fort Bend Counties Municipal Utility District No. 3  
Brazoria and Fort Bend Counties, Texas***

**Required Supplementary Information**

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

**Supplementary Information**

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

*McGuffee & Co, P.C.*

Houston, Texas  
July 8, 2025

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

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***Brazoria-Fort Bend Counties Municipal Utility District No. 3  
Management's Discussion and Analysis  
March 31, 2025***

**Using this Annual Report**

Within this section of the financial report of Brazoria-Fort Bend Counties Municipal Utility District No. 3 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended March 31, 2025. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

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

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

**Overview of the Financial Statements**

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

**Government-Wide Financial Statements**

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

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

***Brazoria-Fort Bend Counties Municipal Utility District No. 3  
Management’s Discussion and Analysis  
March 31, 2025***

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

**Fund Financial Statements**

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

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

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

The District’s net position at March 31, 2025, was negative \$25,273,050. The District’s net position is negative primarily because the District incurs debt to construct public road facilities which it conveys to Fort Bend County. A comparative summary of the District’s overall financial position, as of March 31, 2025 and 2024, is as follows:

	2025	2024
Current and other assets	\$ 10,508,065	\$ 7,227,330
Capital assets	58,011,924	48,275,033
Total assets	68,519,989	55,502,363
Current liabilities	1,645,246	1,509,846
Long-term liabilities	92,147,793	77,412,679
Total liabilities	93,793,039	78,922,525
Net position		
Net investment in capital assets	(9,201,437)	(6,482,709)
Restricted	4,501,194	2,937,300
Unrestricted	(20,572,807)	(19,874,753)
Total net position	\$ (25,273,050)	\$ (23,420,162)

During the current fiscal year, the District implemented GASB Implementation Guide (“GASBIG”) 2021-1, Question 5.1, which requires the capitalization of a group of individual assets that are below the capitalization threshold when the cost of the acquisition of the assets in the aggregate is significant. In accordance with this standard, the District recognized, as infrastructure capital assets, water meters that were previously expensed in prior fiscal years, net of related accumulated depreciation, as of the beginning of the current fiscal year. Prior year data has not been restated to include values for these

***Brazoria-Fort Bend Counties Municipal Utility District No. 3  
Management's Discussion and Analysis  
March 31, 2025***

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

The total net position of the District decreased during the current fiscal year by \$2,682,097. A comparative summary of the District's *Statement of Activities* for the past two fiscal years is as follows:

	<u>2025</u>	<u>2024</u>
Revenues		
Property taxes, penalties and interest	\$ 5,611,277	\$ 4,232,026
Water and sewer service	1,296,797	1,106,885
Other	1,812,242	1,764,617
Total revenues	<u>8,720,316</u>	<u>7,103,528</u>
Expenses		
Current service operations	3,423,345	3,060,436
Debt interest and fees	1,921,974	1,208,649
Developer interest	1,997,046	1,310,997
Debt issuance costs	645,799	598,918
Depreciation and amortization	1,823,391	1,348,222
Total expenses	<u>9,811,555</u>	<u>7,527,222</u>
Change in net position before other items	(1,091,239)	(423,694)
Other items		
Insurance proceeds	143,536	
Transfers to other governments	<u>(1,734,394)</u>	<u>(4,875,417)</u>
Change in net position	(2,682,097)	(5,299,111)
Net position, beginning of year (2025 restated)	<u>(22,590,953)</u>	<u>(18,121,051)</u>
Net position, end of year	<u>\$ (25,273,050)</u>	<u>\$ (23,420,162)</u>

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

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

The District's combined fund balances, as of March 31, 2025, were \$9,096,286, which consists of \$4,095,206 in the General Fund, \$4,556,066 in the Debt Service Fund and \$445,014 in the Capital Projects Fund.

***Brazoria-Fort Bend Counties Municipal Utility District No. 3  
Management’s Discussion and Analysis  
March 31, 2025***

*General Fund*

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

	2025	2024
Total assets	<u>\$ 4,679,806</u>	<u>\$ 3,383,991</u>
Total liabilities	\$ 521,172	\$ 503,951
Total deferred inflows	63,428	51,189
Total fund balance	<u>4,095,206</u>	<u>2,828,851</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 4,679,806</u>	<u>\$ 3,383,991</u>

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

	2025	2024
Total revenues	\$ 5,063,543	\$ 4,616,350
Total expenditures	<u>(3,940,724)</u>	<u>(3,203,853)</u>
Revenues over expenditures	1,122,819	1,412,497
Other changes in fund balance	143,536	
Net change in fund balance	<u>\$ 1,266,355</u>	<u>\$ 1,412,497</u>

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

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

***Brazoria-Fort Bend Counties Municipal Utility District No. 3  
Management’s Discussion and Analysis  
March 31, 2025***

*Debt Service Fund*

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

	2025	2024
Total assets	<u>\$ 4,685,885</u>	<u>\$ 3,049,554</u>
Total liabilities	\$ 8,721	\$ 885
Total deferred inflows	121,098	76,984
Total fund balance	<u>4,556,066</u>	<u>2,971,685</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 4,685,885</u>	<u>\$ 3,049,554</u>

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

	2025	2024
Total revenues	\$ 3,588,397	\$ 2,442,891
Total expenditures	<u>(2,480,519)</u>	<u>(1,431,128)</u>
Revenues over expenditures	1,107,878	1,011,763
Other changes in fund balance	<u>476,503</u>	<u>752,312</u>
Net change in fund balance	<u>\$ 1,584,381</u>	<u>\$ 1,764,075</u>

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

*Capital Projects Fund*

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

	2025	2024
Total assets	<u>\$ 445,014</u>	<u>\$ 399,083</u>
Total fund balance	<u>\$ 445,014</u>	<u>\$ 399,083</u>

***Brazoria-Fort Bend Counties Municipal Utility District No. 3  
Management’s Discussion and Analysis  
March 31, 2025***

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

	2025	2024
Total revenues	\$ 12,021	\$ 13,648
Total expenditures	(17,489,587)	(14,706,257)
Revenues under expenditures	(17,477,566)	(14,692,609)
Other changes in fund balance	17,523,497	14,798,662
Net change in fund balance	\$ 45,931	\$ 106,053

The District has had considerable capital asset activity in the last two fiscal years, which was financed with proceeds from the issuance of its Series 2024 Unlimited Tax Bonds and Series 2024 Unlimited Tax Road Bonds in the current fiscal year and proceeds from the sale of its Series 2023 Unlimited Tax Bonds and Series 2023 Unlimited Tax Road Bonds in the prior fiscal 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 amended the budget during the fiscal year to reflect changes in anticipated revenues and expenditures.

Since the District’s budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$289,045 greater than budgeted. The *Budgetary Comparison Schedule* on page 42 of this report provides variance information per financial statement line item.

**Capital Assets**

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

***Brazoria-Fort Bend Counties Municipal Utility District No. 3  
Management’s Discussion and Analysis  
March 31, 2025***

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

	2025	2024
Capital assets not being depreciated		
Land and improvements	\$ 6,248,391	\$ 6,204,803
Capital assets being depreciated/amortized		
Infrastructure	50,004,812	39,010,558
Joint water plant capacity	1,416,000	1,416,000
Landscaping improvements	3,135,349	2,383,997
Right-to-use leased asset - wastewater treatment plants	2,082,518	2,082,518
	56,638,679	44,893,073
Less accumulated depreciation/amortization		
Infrastructure	(3,482,881)	(2,039,249)
Joint water plant capacity	(158,244)	(122,844)
Landscaping improvements	(368,179)	(211,412)
Right-to-use leased asset - wastewater treatment plants	(865,842)	(449,338)
	(4,875,146)	(2,822,843)
Subtotal capital assets, net	51,763,533	42,070,230
Total capital assets, net	\$ 58,011,924	\$ 48,275,033

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

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

- Lift Station No. 2
- Caldwell Ranch Section 10 – utilities
- Remote Water Well No. 2
- Detention Phase 1 to serve Brazoria County Municipal Utility District No. 87
- Caldwell Ranch Sections 8 and 9 – landscaping
- Caldwell Ranch Section 10 – landscaping
- Water meters

Fort Bend County assumes responsibility (after a one-year maintenance period) for road facilities constructed within the boundaries of the County. Accordingly, these facilities are not considered assets of the District. The estimated value of these assets is recorded as transfers to other governments upon completion of construction. This estimated cost is trued-up when the developer is reimbursed. For the year ended March 31, 2025, capital assets in the amount of \$1,734,394 have been recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 11.

***Brazoria-Fort Bend Counties Municipal Utility District No. 3  
Management’s Discussion and Analysis  
March 31, 2025***

**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 \$2,082,518 for these leases. The balance due for the leases as of March 31, 2025, was \$1,365,105. Additional information is presented in Note 8.

**Long-Term Debt and Related Liabilities**

As of March 31, 2025, the District owes approximately \$46,190,955 to its developer for completed projects. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District’s financial statements upon completion of construction. As discussed in Note 7, the District has an additional commitment in the amount of \$846,681 for projects under construction by the developer. As noted, the District will owe its developer for these projects upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

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

Series	2025	2024
2022	\$ 8,425,000	\$ 8,645,000
2022 Road	3,805,000	3,905,000
2023	9,025,000	9,205,000
2023 Road	6,180,000	6,310,000
2024	15,000,000	
2024 Road	3,000,000	
	\$ 45,435,000	\$ 28,065,000

During the current fiscal year, the District issued \$15,000,000 in unlimited tax bonds and \$3,000,000 in unlimited tax road bonds. At March 31, 2025, the District had \$117,735,000 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 \$75,400,000 for refunding of such bonds; \$22,100,000 for parks and recreational facilities and \$11,050,000 for refunding of such bonds; and \$56,890,000 for road improvements and \$35,100,000 for refunding of such bonds.

**Property Taxes**

The District’s property tax base increased approximately \$28,976,000 for the 2025 tax year from \$406,176,730 to \$435,152,279, based on preliminary values.

***Brazoria-Fort Bend Counties Municipal Utility District No. 3  
Management's Discussion and Analysis  
March 31, 2025***

**Next Year's Budget**

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

	<u>2025 Actual</u>	<u>2026 Budget</u>
Total revenues	\$ 5,063,543	\$ 4,840,713
Total expenditures	<u>(3,940,724)</u>	<u>(4,091,630)</u>
Revenues over expenditures	1,122,819	749,083
Other changes in fund balance	<u>143,536</u>	<u>                    </u>
Net change in fund balance	1,266,355	749,083
Beginning fund balance	<u>2,828,851</u>	<u>4,095,206</u>
Ending fund balance	<u><u>\$ 4,095,206</u></u>	<u><u>\$ 4,844,289</u></u>

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## **Basic Financial Statements**

***Brazoria-Fort Bend Counties Municipal Utility District No. 3***  
***Statement of Net Position and Governmental Funds Balance Sheet***  
***March 31, 2025***

	General Fund	Debt Service Fund	Capital Projects Fund	Total
<b>Assets</b>				
Cash	\$ 232,511	\$ 91,012	\$ 196,064	\$ 519,587
Investments	4,039,620	4,500,003	248,450	8,788,073
Taxes receivable	63,428	121,098		184,526
Customer service receivables	218,188			218,188
Internal balances	27,461	(27,961)	500	
Other receivables	7,292	1,733		9,025
Prepaid items	91,306			91,306
Prepaid bond insurance, net				
Capital assets not being depreciated				
Capital assets, net				
Total Assets	<u>\$ 4,679,806</u>	<u>\$ 4,685,885</u>	<u>\$ 445,014</u>	<u>\$ 9,810,705</u>
<b>Liabilities</b>				
Accounts payable	\$ 281,117	\$ -	\$ -	\$ 281,117
Other payables	1,580	8,721		10,301
Customer deposits	238,475			238,475
Accrued interest payable				
Due to developer				
Lease obligations				
Due within one year				
Due after one year				
Long-term debt				
Due within one year				
Due after one year				
Total Liabilities	<u>521,172</u>	<u>8,721</u>	<u></u>	<u>529,893</u>
<b>Deferred Inflows of Resources</b>				
Deferred property taxes	<u>63,428</u>	<u>121,098</u>	<u></u>	<u>184,526</u>
<b>Fund Balances/Net Position</b>				
<b>Fund Balances</b>				
Nonspendable	91,306			91,306
Restricted		4,556,066	445,014	5,001,080
Committed				
Unassigned	<u>4,003,900</u>			<u>4,003,900</u>
Total Fund Balances	<u>4,095,206</u>	<u>4,556,066</u>	<u>445,014</u>	<u>9,096,286</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,679,806</u>	<u>\$ 4,685,885</u>	<u>\$ 445,014</u>	<u>\$ 9,810,705</u>
<b>Net Position</b>				
Net investment in capital assets				
Restricted for debt service				
Unrestricted				
Total Net Position				

See notes to basic financial statements.

<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ -	\$ 519,587
	8,788,073
	184,526
	218,188
	9,025
	91,306
697,360	697,360
6,248,391	6,248,391
<u>51,763,533</u>	<u>51,763,533</u>
<u>58,709,284</u>	<u>68,519,989</u>
	281,117
	10,301
	238,475
175,970	175,970
46,190,955	46,190,955
	274,383
1,090,722	1,090,722
	665,000
<u>44,866,116</u>	<u>44,866,116</u>
<u>93,263,146</u>	<u>93,793,039</u>
<u>(184,526)</u>	
	(91,306)
(5,001,080)	
<u>(4,003,900)</u>	
<u>(9,096,286)</u>	
(9,201,437)	(9,201,437)
4,501,194	4,501,194
<u>(20,572,807)</u>	<u>(20,572,807)</u>
<u>\$ (25,273,050)</u>	<u>\$ (25,273,050)</u>

***Brazoria-Fort Bend Counties Municipal Utility District No. 3***  
***Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances***  
***For the Year Ended March 31, 2025***

	General Fund	Debt Service Fund	Capital Projects Fund	Total
<b>Revenues</b>				
Water service	\$ 500,272	\$ -	\$ -	\$ 500,272
Sewer service	796,525			796,525
Property taxes	2,002,838	3,392,283		5,395,121
Penalties and interest	126,835	32,966		159,801
Groundwater reduction plan fees	908,196			908,196
Tap connection and inspection	545,533			545,533
Miscellaneous	49,535			49,535
Investment earnings	133,809	163,148	12,021	308,978
<b>Total Revenues</b>	<b>5,063,543</b>	<b>3,588,397</b>	<b>12,021</b>	<b>8,663,961</b>
<b>Expenditures/Expenses</b>				
Current service operations				
Purchased services	466,664			466,664
Professional fees	93,215			93,215
Contracted services	797,638	69,095		866,733
Repairs and maintenance	1,011,412			1,011,412
Utilities	102,163			102,163
Regional water authority fees	716,379			716,379
Administrative	136,750	9,975		146,725
Other	19,894		160	20,054
Capital outlay	272,609		14,514,182	14,786,791
Debt service				
Principal		630,000		630,000
Interest and fees		1,771,449		1,771,449
Developer interest			1,997,046	1,997,046
Debt issuance costs			978,199	978,199
Lease - principal	263,641			263,641
Lease - interest	60,359			60,359
Depreciation/amortization				
<b>Total Expenditures/Expenses</b>	<b>3,940,724</b>	<b>2,480,519</b>	<b>17,489,587</b>	<b>23,910,830</b>
<b>Revenues Over (Under)</b>				
<b>Expenditures/Expenses</b>	1,122,819	1,107,878	(17,477,566)	(15,246,869)
<b>Other Financing Sources</b>				
Proceeds from sale of bonds		476,503	17,523,497	18,000,000
<b>Other Items</b>				
Insurance proceeds	143,536			143,536
Transfers to other governments				
<b>Net Change in Fund Balances</b>	1,266,355	1,584,381	45,931	2,896,667
<b>Change in Net Position</b>				
Fund Balance/Net Position				
Beginning of the year, as reported	2,828,851	2,971,685	399,083	6,199,619
Change due to new accounting guidance (See Note 3)				
Beginning of the year, as restated	2,828,851	2,971,685	399,083	6,199,619
<b>End of the year</b>	<b>\$ 4,095,206</b>	<b>\$ 4,556,066</b>	<b>\$ 445,014</b>	<b>\$ 9,096,286</b>

See notes to basic financial statements.

<u>Adjustments</u>	<u>Statement of Activities</u>
\$ -	\$ 500,272
	796,525
51,902	5,447,023
4,453	164,254
	908,196
	545,533
	49,535
	<u>308,978</u>
<u>56,355</u>	<u>8,720,316</u>
	466,664
	93,215
	866,733
	1,011,412
	102,163
	716,379
	146,725
	20,054
(14,786,791)	
(630,000)	
90,166	1,861,615
	1,997,046
(332,400)	645,799
(263,641)	
	60,359
<u>1,823,391</u>	<u>1,823,391</u>
<u>(14,099,275)</u>	<u>9,811,555</u>
14,155,630	(1,091,239)
(18,000,000)	
	143,536
<u>(1,734,394)</u>	<u>(1,734,394)</u>
(2,896,667)	
(2,682,097)	(2,682,097)
(29,619,781)	(23,420,162)
829,209	829,209
<u>(28,790,572)</u>	<u>(22,590,953)</u>
<u>\$ (34,369,336)</u>	<u>\$ (25,273,050)</u>

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***Brazoria-Fort Bend Counties Municipal Utility District No. 3***  
***Notes to Financial Statements***  
***March 31, 2025***

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

The accounting policies of Brazoria-Fort Bend Counties Municipal Utility District No. 3 (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 Legislature, 86th Session, Senate Bill No. 1038, effective September 1, 2019, under Section 59, Article XVI and Section 52, Article III of the Texas Constitution and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on February 13, 2020 and the first bonds were issued on June 15, 2022.

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

**Reporting Entity**

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

**Government-Wide and Fund Financial Statements**

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

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

***Brazoria-Fort Bend Counties Municipal Utility District No. 3***  
***Notes to Financial Statements***  
***March 31, 2025***

funds with non-major funds aggregated in a single column. The District has three 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 and drainage, park and recreational and road facilities.

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

### **Measurement Focus and Basis of Accounting**

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

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

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

### **Use of Restricted Resources**

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

***Brazoria-Fort Bend Counties Municipal Utility District No. 3***  
***Notes to Financial Statements***  
***March 31, 2025***

**Prepaid Items**

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

**Prepaid Bond Insurance**

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

**Receivables**

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

**Interfund Activity**

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

**Capital Assets**

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

***Brazoria-Fort Bend Counties Municipal Utility District No. 3***  
***Notes to Financial Statements***  
***March 31, 2025***

Depreciable capital assets, which primarily consist of water, wastewater and drainage facilities, are depreciated (or amortized in the case of intangible assets) using the straight-line method as follows:

Assets	Useful Life
Infrastructure	10-45 years
Joint water plant capacity	40 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 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.

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,

***Brazoria-Fort Bend Counties Municipal Utility District No. 3***  
***Notes to Financial Statements***  
***March 31, 2025***

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 useful lives and impairment of capital assets; the value of amounts due to developer; the value of capital assets transferred to Fort Bend County and the value of capital assets for which the developer has not been fully reimbursed. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

***Brazoria-Fort Bend Counties Municipal Utility District No. 3***  
***Notes to Financial Statements***  
***March 31, 2025***

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

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

Total fund balance, governmental funds		\$ 9,096,286
Prepaid bond insurance is recorded as an expenditure at the fund level, but is recorded as a prepaid asset and amortized to interest expense over the life of the bonds in the government-wide statements.		697,360
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	\$ 62,887,070	
Less accumulated depreciation/amortization	<u>(4,875,146)</u>	
		58,011,924
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	(175,970)	
Lease obligations	(1,365,105)	
Due to developer	(46,190,955)	
Bonds payable, net	<u>(45,531,116)</u>	
		(93,263,146)
Deferred inflows in the fund statements consist of property taxes receivable that have been levied and are due, but are not available to pay current period expenditures. These amounts are included in revenues in the government-wide statements.		184,526
Total net position - governmental activities		<u><u>\$ (25,273,050)</u></u>

***Brazoria-Fort Bend Counties Municipal Utility District No. 3***  
***Notes to Financial Statements***  
***March 31, 2025***

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

Net change in fund balances - total governmental funds \$ 2,896,667

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. 56,355

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 fiscal year are for the following:

Capital outlays	\$ 14,786,791	
Transfers to other governments	(1,734,394)	
Depreciation/amortization expense	(1,823,391)	
		11,229,006

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

Issuance of long-term debt	(18,000,000)	
Prepaid bond insurance	332,400	
Principal payments	893,641	
Interest expense accrual	(90,166)	
		(16,864,125)

Change in net position of governmental activities	\$ (2,682,097)
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### **Note 3 – Implementation of New Accounting Guidance**

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

GASBIG 2021-1, Question 5.1 is required to be retroactively implemented, which means the District is required to record the acquisition of water meters that were expensed in previous fiscal years as infrastructure capital assets and to record the related accumulated depreciation at the beginning of the current fiscal year. Accordingly, the District has recorded a restatement to recognize \$829,209 in depreciable capital assets, which were measured at net book value (i.e., cost less accumulated depreciation) as of the beginning of the current fiscal year and increased its beginning net position by the same amount. Prior year amounts in the Management’s Discussion and Analysis and supplementary schedules were not restated.

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

#### **Deposit Custodial Credit Risk**

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

#### **Investments**

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) certain insured or collateralized certificates of deposit and share certificates, (8) certain fully collateralized repurchase agreements, (9) bankers’ acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less,

***Brazoria-Fort Bend Counties Municipal Utility District No. 3***  
***Notes to Financial Statements***  
***March 31, 2025***

(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, 2025, the District’s investments consist of the following:

Type	Fund	Carrying Value	Percentage of Total	Rating	Weighted Average Maturity
Certificates of deposit	Debt Service	\$ 230,000	3%	N/A	N/A
TexSTAR	General	4,039,620			
	Debt Service	4,270,003			
	Capital Projects	248,450			
		<u>8,558,073</u>	<u>97%</u>	AAAm	38 days
Total		<u>\$ 8,788,073</u>	<u>100%</u>		

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

**TexSTAR**

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

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

**Investment Credit and Interest Rate Risk**

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

***Brazoria-Fort Bend Counties Municipal Utility District No. 3***  
***Notes to Financial Statements***  
***March 31, 2025***

**Note 5 – Interfund Balances and Transactions**

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 27,961	Maintenance tax collections not remitted as of year end
Capital Projects Fund	General Fund	500	Surplus letter fees paid by the Capital Projects Fund

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

**Note 6 – Capital Assets**

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

	<u>Beginning Balances</u>	<u>Additions/ Adjustments</u>	<u>Ending Balances</u>
Capital assets not being depreciated			
Land and improvements	\$ 6,204,803	\$ 43,588	\$ 6,248,391
Capital assets being depreciated/amortized			
Infrastructure	40,068,679	9,936,133	50,004,812
Joint water plant capacity	1,416,000		1,416,000
Landscaping improvements	2,383,997	751,352	3,135,349
Right-to-use leased asset - wastewater treatment plants	2,082,518		2,082,518
	<u>45,951,194</u>	<u>10,687,485</u>	<u>56,638,679</u>
Less accumulated depreciation/amortization			
Infrastructure	(2,268,161)	(1,214,720)	(3,482,881)
Joint water plant capacity	(122,844)	(35,400)	(158,244)
Landscaping improvements	(211,412)	(156,767)	(368,179)
Right-to-use leased asset - wastewater treatment plants	(449,338)	(416,504)	(865,842)
	<u>(3,051,755)</u>	<u>(1,823,391)</u>	<u>(4,875,146)</u>
Subtotal depreciable capital assets, net	<u>42,899,439</u>	<u>8,864,094</u>	<u>51,763,533</u>
Capital assets, net	<u>\$ 49,104,242</u>	<u>\$ 8,907,682</u>	<u>\$ 58,011,924</u>

Depreciation/amortization expense for the current fiscal year was \$1,823,391.

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

**Brazoria-Fort Bend Counties Municipal Utility District No. 3**  
**Notes to Financial Statements**  
**March 31, 2025**

**Note 7 – Due to Developer**

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

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

Due to developer, beginning of year	\$ 48,512,279
Developer reimbursements	(14,514,182)
Developer funded construction and adjustments	12,192,858
Due to developer, end of year	<u>\$ 46,190,955</u>

In addition, the District will owe the developer approximately \$846,681, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District’s auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	<u>Contract Amount</u>	<u>Percent Complete</u>
Caldwell Ranch Boulevard Phases 3A and 3B - utilities	\$ 846,681	0%

**Note 8 – 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.

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

<u>Description</u>	<u>Gallons Per Day</u>	<u>Effective Date</u>	<u>Term</u>	<u>Interest Rate</u>	<u>Annual Payment</u>	<u>Original Liability</u>	<u>Remaining Balance</u>
Phase 1	250,000	8/7/2020	5 years	4.0%	\$ 162,600	\$ 735,724	\$ 336,915
Phase 2	250,000	6/14/2022	5 years	4.0%	161,400	1,346,794	1,028,190
					<u>\$ 324,000</u>	<u>\$ 2,082,518</u>	<u>\$ 1,365,105</u>

***Brazoria-Fort Bend Counties Municipal Utility District No. 3***  
***Notes to Financial Statements***  
***March 31, 2025***

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

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 274,383	\$ 49,617	\$ 324,000
2027	285,564	38,436	324,000
2028	159,650	28,842	188,492
2029	645,508	10,364	655,872
	<u>\$ 1,365,105</u>	<u>\$ 127,259</u>	<u>\$ 1,492,364</u>
Due within one year	<u>\$ 274,383</u>	<u>\$ 49,617</u>	<u>\$ 324,000</u>

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 required the pre-payment of the last month's lease payment, which is included 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:

<u>Description</u>	<u>Annual Payment</u>	<u>Principal</u>	<u>Interest</u>
Phase 1	\$ 162,600	\$ 145,936	\$ 16,664
Phase 2	161,400	117,705	43,695
Totals	<u>\$ 324,000</u>	<u>\$ 263,641</u>	<u>\$ 60,359</u>

**Note 9 – Long-Term Debt**

Long-term debt is comprised of the following:

Bonds payable	\$ 45,435,000
Unamortized premium	96,116
	<u>\$ 45,531,116</u>
Due within one year	<u>\$ 665,000</u>

***Brazoria-Fort Bend Counties Municipal Utility District No. 3***  
***Notes to Financial Statements***  
***March 31, 2025***

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

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/Ending	Interest Payment Dates	Call Dates
2022	\$ 8,425,000	\$ 8,860,000	4.00% - 6.50%	March 1, 2024 - 2047	September 1, March 1	March 1, 2027
2022 Road	3,805,000	4,000,000	4.00% - 6.50%	March 1, 2024 - 2047	September 1, March 1	March 1, 2027
2023	9,025,000	9,205,000	4.00% - 6.50%	March 1, 2025 - 2048	September 1, March 1	March 1, 2029
2023 Road	6,180,000	6,310,000	4.00% - 6.50%	March 1, 2025 - 2048	September 1, March 1	March 1, 2029
2024	15,000,000	15,000,000	4.00% - 6.50%	September 1, 2026 - 2049	September 1, March 1	March 1, 2030
2024 Road	3,000,000	3,000,000	4.00% - 6.50%	September 1, 2026 - 2049	September 1, March 1	March 1, 2030
	<u>\$ 45,435,000</u>					

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

At March 31, 2025, the District had authorized but unissued bonds in the amount of \$117,735,000 for water, sewer and drainage facilities and \$75,400,000 for refunding of such bonds; \$22,100,000 for park and recreational facilities and \$11,050,000 for refunding of such bonds; and \$56,890,000 for road bonds and \$35,100,000 for refunding of such bonds.

On August 20, 2024, the District issued its \$15,000,000 Series 2024 Unlimited Tax Bonds at a net effective interest rate of 4.393231%. Proceeds of the bonds were used to reimburse the developer for the construction of capital assets within the District plus developer interest at the net effective interest rate of the bonds and to pay capitalized interest into the Debt Service Fund.

Additionally, on August 20, 2024, the District issued its \$3,000,000 Series 2024 Unlimited Tax Road Bonds at a net effective interest rate of 4.405429%. Proceeds of the bonds were used to reimburse the developer for the cost of road facilities within the District and right-of-way land acquisitions plus developer expense at the net effective interest rate of the bonds and to pay capitalized interest into the Debt Service Fund.

***Brazoria-Fort Bend Counties Municipal Utility District No. 3***  
***Notes to Financial Statements***  
***March 31, 2025***

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

Bonds payable, beginning of year	\$ 28,065,000
Bonds issued	18,000,000
Bonds retired	<u>(630,000)</u>
Bonds payable, end of year	<u><u>\$ 45,435,000</u></u>

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

Year	Principal	Interest	Totals
2026	\$ 665,000	\$ 2,111,644	\$ 2,776,644
2027	1,090,000	2,055,907	3,145,907
2028	1,145,000	1,984,406	3,129,406
2029	1,205,000	1,909,332	3,114,332
2030	1,265,000	1,830,193	3,095,193
2031	1,325,000	1,747,320	3,072,320
2032	1,390,000	1,661,831	3,051,831
2033	1,470,000	1,573,750	3,043,750
2034	1,555,000	1,491,007	3,046,007
2035	1,635,000	1,425,432	3,060,432
2036	1,725,000	1,359,432	3,084,432
2037	1,810,000	1,289,001	3,099,001
2038	1,910,000	1,215,132	3,125,132
2039	2,005,000	1,136,408	3,141,408
2040	2,115,000	1,053,681	3,168,681
2041	2,235,000	966,357	3,201,357
2042	2,345,000	874,219	3,219,219
2043	2,465,000	774,954	3,239,954
2044	2,605,000	670,072	3,275,072
2045	2,730,000	558,435	3,288,435
2046	2,885,000	441,043	3,326,043
2047	3,040,000	315,698	3,355,698
2048	2,310,000	183,073	2,493,073
2049	1,225,000	80,640	1,305,640
2050	1,285,000	27,304	1,312,304
	<u><u>\$ 45,435,000</u></u>	<u><u>\$ 28,736,271</u></u>	<u><u>\$ 74,171,271</u></u>

**Note 10 – Property Taxes**

On May 2, 2020, 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, the voters of the District authorized the District’s Board of Directors to levy taxes annually for road maintenance limited to \$1.50 per \$100 of assessed value and for park maintenance limited to \$0.10 per \$100 of assessed value. The District’s bond resolutions require that property taxes be levied for

**Brazoria-Fort Bend Counties Municipal Utility District No. 3**  
**Notes to Financial Statements**  
**March 31, 2025**

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

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2025 fiscal year was financed through the 2024 tax levy, pursuant to which the District levied property taxes of \$1.35 per \$100 of assessed value, of which \$0.50 was allocated to maintenance and operations, \$0.60 was allocated to debt service and \$0.25 was allocated to road debt service. The resulting tax levy was \$5,483,386 on the adjusted taxable value of \$406,176,730.

Property taxes receivable, at March 31, 2025, consisted of the following:

Current year taxes receivable	\$	162,988
Prior years taxes receivable		5,418
		168,406
Penalty and interest receivable		16,120
Total property taxes receivable	\$	184,526

**Note 11 – Transfers to Other Governments**

Fort Bend County assumes responsibility for the maintenance of public roads constructed within the county limits. Accordingly, road facilities are considered to be capital assets of Fort Bend County, not the District and are recorded as transfers to other governments on the *Statement of Activities* upon completion of construction. This cost is trued-up when the developer is subsequently reimbursed. For the year ended March 31, 2025, the District recorded transfers to other governments in the amount of \$1,734,394 for road facilities constructed by a developer and right-of-way land acquisitions within the District.

**Note 12 – Wastewater Treatment Facilities Agreement**

On November 15, 2019, the District, Fort Bend County Municipal Utility District No. 131 (“MUD 131”) and Fort Bend County Municipal Utility District No. 189 (“MUD 189”) entered into a First Amended and Restated Wastewater Treatment Facilities Agreement (the “Agreement”) to accommodate the installation of an expansion to a joint wastewater treatment plant operated by MUD 131. The expansion will be sufficient to serve 240,000 gallons average daily flow, which will be allocated 52.5% (400 ESFC) to the District and 47.5% to MUD 131 (362 ESFC).

***Brazoria-Fort Bend Counties Municipal Utility District No. 3***  
***Notes to Financial Statements***  
***March 31, 2025***

Each district will be responsible for their pro rata share of the costs to construct the expansion. The District's projected share of costs is \$486,125, which was paid during the 2022 fiscal year. Each district will finance, own, and operate their respective internal sanitary sewer system.

MUD 131 will hold title to the wastewater treatment plant with each district owning an undivided, equitable interest based on their pro-rata share of capacity. MUD 131 will be responsible for the maintenance and operation of the wastewater treatment plant. Each district will pay MUD 131 for their pro rata share of operation and maintenance expenses. During the current fiscal year, the District incurred \$99,540 for its pro rata share of wastewater treatment plant lease expenses and \$98,979 for current and prior year operation and maintenance expenses.

**Note 13 – Joint Water Supply Agreement**

On November 15, 2019, the District and MUD 131 entered into an agreement (the "Agreement") for the purchase of 400 ESFCs of water supply capacity in the water plant owned and operated by MUD 131. The total purchase price for the capacity is \$1,416,000, which is comprised of an initial payment of \$200,000 and a payment of \$3,040 for each single-family home lot platted within the service tract. The term of the agreement is 40 years.

MUD 131 shall hold legal title to the water plant, with the District having an undivided, equitable interest in the water plant based on its pro rata share of capacity. MUD 131 is solely responsible for all costs necessary to operate, maintain, repair, and replace the water plant.

The District is responsible for the design, construction, and operation of its internal water distribution system and interconnect to receive water from MUD 131. During the current fiscal year, the District paid \$4.51861 per 1,000 gallons of water, plus any and all pass-through fees charged on a per gallon basis to MUD 131 by other regulatory agencies, including the Groundwater Reduction Permit Fee charged by the North Fort Bend Water Authority. The rate per thousand gallons may be adjusted annually to reflect the corresponding annual increase in the consumer price index. During the current fiscal year, the District recognized \$268,144 for water supply purchased from MUD 131.

**Note 14 – Joint Detention Facilities Agreement**

On September 13, 2022, the District and Brazoria County Municipal Utility District No. 87 ("MUD 87") entered a Joint Detention Facilities Agreement (the "Agreement"), for the construction of joint detention facilities, which includes the construction of a new detention channel and outfall structure. Each district agrees to share the cost to construct the joint detention facilities and the cost of the land encompassing the facilities. Upon completion of construction, each district will be responsible for its share of operating and maintaining the joint detention facilities. The District is responsible for the maintenance and operation of the joint detention facilities and will bill MUD 87 for its pro rata share based on the total number of acres being provided by the joint detention pond and new detention route, respectively. During the current fiscal year, the construction of joint detention facilities was completed. The District has recorded \$6,492 for MUD 87's share of maintenance costs in accordance with this agreement.

***Brazoria-Fort Bend Counties Municipal Utility District No. 3***  
***Notes to Financial Statements***  
***March 31, 2025***

**Note 15 – Risk Management**

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

**Note 16 – Subsequent Events**

On July 8, 2025, the District approved the sale of its Series 2025 Unlimited Tax Bonds in the amount of \$8,000,000. Proceeds from the bonds will be used to reimburse the District's developer for infrastructure improvements in the District.

Additionally, on July 8, 2025, the District approved the sale of its Series 2025 Unlimited Tax Road Bonds in the amount of \$6,500,000. Proceeds from the bonds will be used to reimburse the District's developer for road facilities constructed within the District.

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## **Required Supplementary Information**

***Brazoria-Fort Bend Counties Municipal Utility District No. 3  
Required Supplementary Information - Budgetary Comparison Schedule - General Fund  
For the Year Ended March 31, 2025***

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>				
Water service	\$ 675,000	\$ 635,000	\$ 500,272	\$ (134,728)
Sewer service	625,000	605,000	796,525	191,525
Property taxes	1,725,000	2,003,250	2,002,838	(412)
Penalties and interest			126,835	126,835
Groundwater reduction plan fees	925,000	900,000	908,196	8,196
Tap connection and inspection	300,000	275,000	545,533	270,533
Miscellaneous			49,535	49,535
Investment earnings	50,000	50,000	133,809	83,809
<b>Total Revenues</b>	<b>4,300,000</b>	<b>4,468,250</b>	<b>5,063,543</b>	<b>595,293</b>
<b>Expenditures</b>				
Current service operations				
Purchased services	449,540	469,540	466,664	2,876
Professional fees	132,500	130,000	93,215	36,785
Contracted services	647,000	512,000	797,638	(285,638)
Repairs and maintenance	630,000	743,500	1,011,412	(267,912)
Regional water authority fees	1,000,000	900,000	716,379	183,621
Administrative	160,400	121,400	136,750	(15,350)
Utilities	120,000	100,000	102,163	(2,163)
Other	30,500	29,500	19,894	9,606
Capital outlay	150,000	175,000	272,609	(97,609)
Debt service				
Lease - principal	310,000	310,000	263,641	46,359
Lease - interest			60,359	(60,359)
<b>Total Expenditures</b>	<b>3,629,940</b>	<b>3,490,940</b>	<b>3,940,724</b>	<b>(449,784)</b>
<b>Revenues Over Expenditures</b>	<b>670,060</b>	<b>977,310</b>	<b>1,122,819</b>	<b>145,509</b>
<b>Other Item</b>				
Insurance proceeds			143,536	143,536
<b>Net Change in Fund Balance</b>	<b>670,060</b>	<b>977,310</b>	<b>1,266,355</b>	<b>289,045</b>
<b>Fund Balance</b>				
Beginning of the year	2,828,851	2,828,851	2,828,851	
<b>End of the year</b>	<b>\$ 3,498,911</b>	<b>\$ 3,806,161</b>	<b>\$ 4,095,206</b>	<b>\$ 289,045</b>

*Brazoria-Fort Bend Counties Municipal Utility District No. 3*  
*Notes to Required Supplementary Information*  
*March 31, 2025*

**Budgets and Budgetary Accounting**

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The budget was amended during the fiscal year to reflect changes in anticipated revenues and expenditures.

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## **Texas Supplementary Information**

**Brazoria-Fort Bend Counties Municipal Utility District No. 3**  
**TSI-1. Services and Rates**  
**March 31, 2025**

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

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

2. Retail Service Providers

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

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels
Water:	\$ 15.00	5,000	N	\$ 1.50	5,001 to 10,000
				\$ 2.50	10,001 to 20,000
				\$ 3.50	20,001 to no limit
Wastewater:	\$ 37.46	0	Y		to _____
Groundwater Reduction:	\$ 5.01	0	N	\$ 5.01	1,000 to no limit

District employs winter averaging for wastewater usage?  Yes  No

Total charges per 10,000 gallons usage: Water \$ 72.55 Wastewater \$ 37.46

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	1,793	1,774	x 1.0	1,774
1"	7	7	x 2.5	18
1.5"	7	7	x 5.0	35
2"	10	10	x 8.0	80
3"	2	1	x 15.0	15
4"			x 25.0	
6"			x 50.0	
8"	1	1	x 80.0	80
10"			x 115.0	
Total Water	1,820	1,800		2,002
Total Wastewater	1,785	1,765	x 1.0	1,765

See accompanying auditor's report.

***Brazoria-Fort Bend Counties Municipal Utility District No. 3***  
***TSI-1. Services and Rates***  
***March 31, 2025***

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

*Gallons purchased:	<u>30,689,000</u>	Water Accountability Ratio:
Gallons pumped:	<u>157,815,000</u>	(Gallons billed / Gallons pumped and purchased)
Gallons billed to customers:	<u>184,720,000</u>	<u>97.99%</u>

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

Does the District have Debt Service standby fees? Yes  No

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

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

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

5. Location of District:

Is the District located entirely within one county? Yes  No

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

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

City(ies) in which the District is located: \_\_\_\_\_

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

Entirely  Partly  Not at all

ETJs in which the District is located: City of Alvin and City of Iowa Colony

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

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

\* Purchased from Fort Bend County Municipal Utility District No. 131

See accompanying auditor's report.

*Brazoria-Fort Bend Counties Municipal Utility District No. 3*  
*TSI-2. General Fund Expenditures*  
*For the Year Ended March 31, 2025*

Purchased services	<u>\$ 466,664</u>
Professional fees	
Legal	50,874
Engineering	22,341
Audit	20,000
	<u>93,215</u>
Contracted services	
Bookkeeping	16,150
Operator	301,645
Garbage collection	371,258
Tap inspection	108,585
	<u>797,638</u>
Repairs and maintenance	<u>1,011,412</u>
Utilities	<u>102,163</u>
Regional water authority fees	<u>716,379</u>
Administrative	
Directors fees	15,028
Printing and office supplies	88,652
Insurance	21,742
Other	11,328
	<u>136,750</u>
Other	<u>19,894</u>
Capital outlay	<u>272,609</u>
Debt service	
Lease - principal	263,641
Lease - interest	60,359
	<u>324,000</u>
Total expenditures	<u><u>\$ 3,940,724</u></u>

See accompanying auditor's report.

***Brazoria-Fort Bend Counties Municipal Utility District No. 3***  
***TSI-3. Investments***  
***March 31, 2025***

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Interest Receivable</u>
General				
TexSTAR	Variable	N/A	<u>\$ 4,039,620</u>	<u>\$ -</u>
Debt Service				
TexSTAR	Variable	N/A	2,951,020	
TexSTAR	Variable	N/A	1,318,983	
Certificate of deposit	5.00%	08/04/25	<u>230,000</u>	<u>1,733</u>
			<u>4,500,003</u>	<u>1,733</u>
Capital Projects				
TexSTAR	Variable	N/A	247,363	
TexSTAR	Variable	N/A	<u>1,087</u>	
			<u>248,450</u>	
Total - All Funds			<u><u>\$ 8,788,073</u></u>	<u><u>\$ 1,733</u></u>

See accompanying auditor's report.

**Brazoria-Fort Bend Counties Municipal Utility District No. 3**  
**TSI-4. Taxes Levied and Receivable**  
**March 31, 2025**

	Maintenance Taxes	Debt Service Taxes	Road Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	\$ 51,185	\$ 40,976	\$ 24,343	\$ 116,504
Adjustments to Prior Year Tax Levy	(15,809)	(12,946)	(7,677)	(36,432)
Adjusted Receivable	35,376	28,030	16,666	80,072
2024 Original Tax Levy	2,029,148	2,434,978	1,014,574	5,478,700
Adjustments	1,736	2,083	867	4,686
Adjusted Tax Levy	2,030,884	2,437,061	1,015,441	5,483,386
Total to be accounted for	2,066,260	2,465,091	1,032,107	5,563,458
Tax collections:				
Current year	1,970,518	2,364,621	985,259	5,320,398
Prior years	32,320	26,554	15,780	74,654
Total Collections	2,002,838	2,391,175	1,001,039	5,395,052
Taxes Receivable, End of Year	\$ 63,422	\$ 73,916	\$ 31,068	\$ 168,406
Taxes Receivable, By Years				
2024	\$ 60,366	\$ 72,440	\$ 30,182	\$ 162,988
2023	1,770	1,476	886	4,132
2021	1,286			1,286
Taxes Receivable, End of Year	\$ 63,422	\$ 73,916	\$ 31,068	\$ 168,406
	2024	2023	2022	2021
Property Valuations:				
Land	\$ 131,738,741	\$ 81,818,336	\$ 35,856,580	\$ 12,057,680
Improvements	434,515,228	278,463,325	156,460,520	27,219,812
Personal Property	328,749	159,544		
Exemptions	(160,405,988)	(68,084,249)	(50,887,811)	(20,042,797)
Total Property Valuations	\$ 406,176,730	\$ 292,356,956	\$ 141,429,289	\$ 19,234,695
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.50	\$ 0.60	\$ 0.75	\$ 1.50
Debt service tax rates	0.60	0.50	0.50	
Road debt service tax rates	0.25	0.30	0.25	
Total Tax Rates per \$100 Valuation	\$ 1.35	\$ 1.40	\$ 1.50	\$ 1.50
Adjusted Tax Levy:	\$ 5,483,386	\$ 4,092,997	\$ 2,121,439	\$ 288,520
Percentage of Taxes Collected to Taxes Levied ****	97.03%	99.90%	100.00%	99.55%

\* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on May 2, 2020

\*\* Maximum Road Maintenance Tax Rate Approved by Voters: \$1.50 on May 2, 2020

\*\*\* Maximum Park Maintenance Tax Rate Approved by Voters: \$0.10 on May 2, 2020

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

See accompanying auditor's report.

*Brazoria-Fort Bend Counties Municipal Utility District No. 3*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2022--by Years*  
*March 31, 2025*

Due During Fiscal Years Ending	Principal Due March 1	Interest Due September 1, March 1	Total
2026	\$ 230,000	\$ 384,725	\$ 614,725
2027	245,000	369,775	614,775
2028	255,000	353,850	608,850
2029	265,000	337,275	602,275
2030	275,000	320,050	595,050
2031	290,000	302,175	592,175
2032	300,000	284,775	584,775
2033	315,000	266,775	581,775
2034	330,000	254,175	584,175
2035	345,000	240,975	585,975
2036	360,000	227,175	587,175
2037	375,000	212,775	587,775
2038	395,000	197,775	592,775
2039	410,000	181,975	591,975
2040	430,000	165,575	595,575
2041	450,000	148,375	598,375
2042	470,000	130,375	600,375
2043	490,000	111,575	601,575
2044	515,000	91,975	606,975
2045	535,000	70,731	605,731
2046	560,000	48,663	608,663
2047	585,000	24,862	609,862
	<u>\$ 8,425,000</u>	<u>\$ 4,726,381</u>	<u>\$ 13,151,381</u>

See accompanying auditor's report.

***Brazoria-Fort Bend Counties Municipal Utility District No. 3***  
***TSI-5. Long-Term Debt Service Requirements***  
***Series 2022 Road--by Years***  
***March 31, 2025***

<u>Due During Fiscal Years Ending</u>	<u>Principal Due March 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2026	\$ 105,000	\$ 178,588	\$ 283,588
2027	110,000	171,762	281,762
2028	115,000	164,612	279,612
2029	120,000	157,138	277,138
2030	125,000	149,337	274,337
2031	130,000	141,213	271,213
2032	135,000	132,763	267,763
2033	140,000	123,987	263,987
2034	150,000	114,888	264,888
2035	155,000	108,887	263,887
2036	165,000	102,688	267,688
2037	170,000	96,088	266,088
2038	180,000	89,287	269,287
2039	185,000	82,088	267,088
2040	195,000	74,687	269,687
2041	205,000	66,888	271,888
2042	210,000	58,687	268,687
2043	220,000	50,288	270,288
2044	230,000	41,487	271,487
2045	240,000	32,000	272,000
2046	255,000	22,100	277,100
2047	265,000	11,262	276,262
	<u>\$ 3,805,000</u>	<u>\$ 2,170,725</u>	<u>\$ 5,975,725</u>

See accompanying auditor's report.

*Brazoria-Fort Bend Counties Municipal Utility District No. 3*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2023--by Years*  
*March 31, 2025*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due March 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2026	\$ 190,000	\$ 434,087	\$ 624,087
2027	205,000	421,738	626,738
2028	215,000	408,412	623,412
2029	230,000	394,438	624,438
2030	245,000	379,487	624,487
2031	255,000	363,563	618,563
2032	270,000	346,987	616,987
2033	290,000	329,438	619,438
2034	305,000	310,587	615,587
2035	325,000	298,388	623,388
2036	345,000	285,387	630,387
2037	365,000	271,156	636,156
2038	385,000	256,100	641,100
2039	410,000	239,738	649,738
2040	435,000	222,312	657,312
2041	460,000	203,825	663,825
2042	490,000	184,275	674,275
2043	515,000	162,225	677,225
2044	550,000	139,050	689,050
2045	580,000	114,300	694,300
2046	615,000	88,200	703,200
2047	655,000	60,525	715,525
2048	690,000	31,050	721,050
	<u>\$ 9,025,000</u>	<u>\$ 5,945,268</u>	<u>\$ 14,970,268</u>

See accompanying auditor's report.

*Brazoria-Fort Bend Counties Municipal Utility District No. 3*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2023 Road--by Years*  
*March 31, 2025*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due March 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2026	\$ 140,000	\$ 298,075	\$ 438,075
2027	145,000	288,975	433,975
2028	155,000	279,550	434,550
2029	165,000	269,475	434,475
2030	170,000	258,750	428,750
2031	180,000	247,700	427,700
2032	190,000	236,000	426,000
2033	200,000	223,650	423,650
2034	215,000	210,650	425,650
2035	225,000	202,050	427,050
2036	240,000	193,050	433,050
2037	250,000	183,150	433,150
2038	265,000	172,838	437,838
2039	280,000	161,575	441,575
2040	295,000	149,675	444,675
2041	315,000	137,137	452,137
2042	330,000	123,750	453,750
2043	350,000	108,900	458,900
2044	370,000	93,150	463,150
2045	390,000	76,500	466,500
2046	415,000	58,950	473,950
2047	435,000	40,275	475,275
2048	460,000	20,700	480,700
	<u>\$ 6,180,000</u>	<u>\$ 4,034,525</u>	<u>\$ 10,214,525</u>

See accompanying auditor's report.

*Brazoria-Fort Bend Counties Municipal Utility District No. 3*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2024--by Years*  
*March 31, 2025*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2026	\$ -	\$ 679,331	\$ 679,331
2027	315,000	669,094	984,094
2028	335,000	647,969	982,969
2029	350,000	625,706	975,706
2030	370,000	602,306	972,306
2031	390,000	577,606	967,606
2032	410,000	551,606	961,606
2033	435,000	525,775	960,775
2034	460,000	501,769	961,769
2035	485,000	480,569	965,569
2036	510,000	460,669	970,669
2037	540,000	439,669	979,669
2038	570,000	417,469	987,469
2039	600,000	394,069	994,069
2040	635,000	369,369	1,004,369
2041	670,000	343,269	1,013,269
2042	705,000	315,769	1,020,769
2043	745,000	286,303	1,031,303
2044	785,000	254,747	1,039,747
2045	825,000	221,541	1,046,541
2046	870,000	186,581	1,056,581
2047	920,000	149,663	1,069,663
2048	970,000	110,075	1,080,075
2049	1,025,000	67,679	1,092,679
2050	1,080,000	22,950	1,102,950
	<u>\$ 15,000,000</u>	<u>\$ 9,901,553</u>	<u>\$ 24,901,553</u>

See accompanying auditor's report.

***Brazoria-Fort Bend Counties Municipal Utility District No. 3***  
***TSI-5. Long-Term Debt Service Requirements***  
***Series 2024 Road--by Years***  
***March 31, 2025***

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2026	\$ -	\$ 136,838	\$ 136,838
2027	70,000	134,563	204,563
2028	70,000	130,013	200,013
2029	75,000	125,300	200,300
2030	80,000	120,263	200,263
2031	80,000	115,063	195,063
2032	85,000	109,700	194,700
2033	90,000	104,125	194,125
2034	95,000	98,938	193,938
2035	100,000	94,563	194,563
2036	105,000	90,463	195,463
2037	110,000	86,163	196,163
2038	115,000	81,663	196,663
2039	120,000	76,963	196,963
2040	125,000	72,063	197,063
2041	135,000	66,863	201,863
2042	140,000	61,363	201,363
2043	145,000	55,663	200,663
2044	155,000	49,663	204,663
2045	160,000	43,363	203,363
2046	170,000	36,549	206,549
2047	180,000	29,111	209,111
2048	190,000	21,248	211,248
2049	200,000	12,961	212,961
2050	205,000	4,354	209,354
	<u>\$ 3,000,000</u>	<u>\$ 1,957,819</u>	<u>\$ 4,957,819</u>

See accompanying auditor's report.

***Brazoria-Fort Bend Counties Municipal Utility District No. 3***  
***TSI-5. Long-Term Debt Service Requirements***  
***All Bonded Debt Series--by Years***  
***March 31, 2025***

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1, March 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2026	\$ 665,000	\$ 2,111,644	\$ 2,776,644
2027	1,090,000	2,055,907	3,145,907
2028	1,145,000	1,984,406	3,129,406
2029	1,205,000	1,909,332	3,114,332
2030	1,265,000	1,830,193	3,095,193
2031	1,325,000	1,747,320	3,072,320
2032	1,390,000	1,661,831	3,051,831
2033	1,470,000	1,573,750	3,043,750
2034	1,555,000	1,491,007	3,046,007
2035	1,635,000	1,425,432	3,060,432
2036	1,725,000	1,359,432	3,084,432
2037	1,810,000	1,289,001	3,099,001
2038	1,910,000	1,215,132	3,125,132
2039	2,005,000	1,136,408	3,141,408
2040	2,115,000	1,053,681	3,168,681
2041	2,235,000	966,357	3,201,357
2042	2,345,000	874,219	3,219,219
2043	2,465,000	774,954	3,239,954
2044	2,605,000	670,072	3,275,072
2045	2,730,000	558,435	3,288,435
2046	2,885,000	441,043	3,326,043
2047	3,040,000	315,698	3,355,698
2048	2,310,000	183,073	2,493,073
2049	1,225,000	80,640	1,305,640
2050	1,285,000	27,304	1,312,304
	<u>\$ 45,435,000</u>	<u>\$ 28,736,271</u>	<u>\$ 74,171,271</u>

See accompanying auditor's report.

**Brazoria-Fort Bend Counties Municipal Utility District No. 3**  
**TSI-6. Change in Long-Term Bonded Debt**  
**March 31, 2025**

	Bond Issue			
	Series 2022	Series 2022 Road	Series 2023	Series 2023 Road
Interest rate	4.00% - 6.50%	4.00% - 6.50%	4.00% - 6.50%	4.00% - 6.50%
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1
Maturity dates	3/1/24 - 3/1/47	3/1/24 - 3/1/47	3/1/25 - 3/1/48	3/1/25 - 3/1/48
Beginning bonds outstanding	\$ 8,645,000	\$ 3,905,000	\$ 9,205,000	\$ 6,310,000
Bonds issued				
Bonds retired	(220,000)	(100,000)	(180,000)	(130,000)
Ending bonds outstanding	<u>\$ 8,425,000</u>	<u>\$ 3,805,000</u>	<u>\$ 9,025,000</u>	<u>\$ 6,180,000</u>
Interest paid during fiscal year	<u>\$ 399,025</u>	<u>\$ 185,087</u>	<u>\$ 445,788</u>	<u>\$ 306,525</u>
Paying agent's name and city All Series	<u>Zions Bancorporation, N.A., Houston, Texas</u>			

	Water, Sewer and Drainage Bonds	Road Bonds	Park and Recreational Bonds
	Bond Authority:		
Amount Authorized by Voters	\$ 150,800,000	\$ 70,200,000	\$ 22,100,000
Amount Issued	(33,065,000)	(13,310,000)	
Remaining To Be Issued	<u>\$ 117,735,000</u>	<u>\$ 56,890,000</u>	<u>\$ 22,100,000</u>
	Water, Sewer and Drainage Refunding Bonds	Road Refunding Bonds	Park and Recreation Refunding Bonds
Bond Authority:			
Amount Authorized by Voters	\$ 75,400,000	\$ 35,100,000	\$ 11,050,000
Amount Issued			
Remaining To Be Issued	<u>\$ 75,400,000</u>	<u>\$ 35,100,000</u>	<u>\$ 11,050,000</u>

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

Debt Service Fund cash and investment balances as of March 31, 2025:	<u>\$ 4,591,015</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:	<u>\$ 2,966,851</u>

See accompanying auditor's report.

Bond Issue		
Series 2024	Series 2024 Road	Totals
4.00% - 6.50% 9/1; 3/1 9/1/26 - 9/1/49	4.00% - 6.50% 9/1; 3/1 9/1/26 - 9/1/49	
\$ -	\$ -	\$ 28,065,000
15,000,000	3,000,000	18,000,000
		(630,000)
<u>\$ 15,000,000</u>	<u>\$ 3,000,000</u>	<u>\$ 45,435,000</u>
<u>\$ 360,423</u>	<u>\$ 72,600</u>	<u>\$ 1,769,448</u>

**Brazoria-Fort Bend Counties Municipal Utility District No. 3**  
**TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund**  
**For the Last Five Fiscal Years**

	Amounts				
	2025	2024	2023	2022	2021
Revenues					
Water service	\$ 500,272	\$ 476,207	\$ 372,235	\$ 149,631	\$ 13,388
Sewer service	796,525	630,678	518,086	194,096	15,248
Property taxes	2,002,838	1,756,240	1,033,322	279,560	50,466
Penalties and interest	126,835	96,725	67,786	33,035	503
Groundwater reduction plan fees	908,196	657,551	988,325	920,838	243,682
Tap connection and inspection	545,533	867,187	573,186	175,420	5,186
Miscellaneous	49,535	62,179	38,282	42,746	8,389
Investment earnings	133,809	69,583	19,414	295	65
<b>Total Revenues</b>	<b>5,063,543</b>	<b>4,616,350</b>	<b>3,610,636</b>	<b>1,795,621</b>	<b>336,927</b>
Expenditures					
Current service operations					
Purchased services	466,664	544,055	551,177	225,902	46,721
Professional fees	93,215	89,458	101,780	74,687	112,682
Contracted services	797,638	861,705	1,206,103	538,051	121,093
Repairs and maintenance	1,011,412	561,092	447,307	207,636	21,210
Utilities	102,163	99,823	41,105	9,402	
Regional water authority fees	716,379	651,128	351,616	85,038	
Administrative	136,750	108,564	86,240	61,395	19,826
Other	19,894	17,828	72,430	26,236	200
Capital					
Capital outlay	272,609				
Right-to-use leased asset			1,221,794		
Debt service					
Lease - principal	263,641	216,123	112,649		
Lease - interest	60,359	54,077	22,844		
<b>Total Expenditures</b>	<b>3,940,724</b>	<b>3,203,853</b>	<b>4,215,045</b>	<b>1,228,347</b>	<b>321,732</b>
Revenues Over (Under) Expenditures	\$ 1,122,819	\$ 1,412,497	\$ (604,409)	\$ 567,274	\$ 15,195
Total Active Retail Water Connections	1,800	1,522	1,306	670	143
Total Active Retail Wastewater Connections	1,765	1,485	1,281	660	137

\*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues

2025	2024	2023	2022	2021
10%	10%	10%	8%	4%
16%	14%	14%	11%	5%
39%	38%	29%	16%	15%
3%	2%	2%	2%	*
17%	14%	27%	51%	72%
11%	19%	16%	10%	2%
1%	1%	1%	2%	2%
3%	2%	1%	*	*
100%	100%	100%	100%	100%
9%	12%	15%	13%	14%
2%	2%	3%	4%	33%
16%	19%	33%	30%	36%
20%	12%	12%	12%	6%
2%	2%	1%	1%	
14%	14%	10%	5%	
3%	2%	2%	3%	6%
*	*	2%	1%	*
5%				
		34%		
5%	5%	3%		
1%	1%	1%		
77%	69%	116%	69%	95%
23%	31%	(16%)	31%	5%

***Brazoria-Fort Bend Counties Municipal Utility District No. 3***  
***TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund***  
***For the Last Three Fiscal Years***

	Amounts		
	2025	2024	2023
Revenues			
Property taxes	\$ 3,392,283	\$ 2,329,943	\$ 1,024,823
Penalties and interest	32,966	18,479	6,406
Investment earnings	163,148	94,469	19,222
Total Revenues	<u>3,588,397</u>	<u>2,442,891</u>	<u>1,050,451</u>
Expenditures			
Tax collection services	79,070	39,876	17,268
Debt service			
Principal	630,000	310,000	
Interest and fees	1,771,449	1,081,252	429,360
Total Expenditures	<u>2,480,519</u>	<u>1,431,128</u>	<u>446,628</u>
Revenues Over Expenditures	<u>\$ 1,107,878</u>	<u>\$ 1,011,763</u>	<u>\$ 603,823</u>

See accompanying auditor's report.

Percent of Fund Total Revenues		
2025	2024	2023
94%	95%	98%
1%	1%	1%
5%	4%	1%
100%	100%	100%
2%	2%	2%
18%	13%	
49%	44%	41%
69%	59%	43%
31%	41%	57%

***Brazoria-Fort Bend Counties Municipal Utility District No. 3  
TSI-8. Board Members, Key Personnel and Consultants  
For the Year Ended March 31, 2025***

Complete District Mailing Address: 9 Greenway Plaza, Suite 1000, Houston, TX 77046-0900  
 District Business Telephone Number: 713-651-0111  
 Submission Date of the most recent District Registration Form  
 (TWC Sections 36.054 and 49.054): June 18, 2024  
 Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200  
 (Set by Board Resolution -- TWC Section 49.060)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
<b>Board Members</b>				
Corinne Haworth	05/24 - 05/28	\$ 2,652	\$ -	President
Julie Winkle	05/22 - 05/26	2,431		Vice President
Afolake Cannon	05/24 - 05/28	3,757	1,831	Secretary
Bret Fugate	05/22 - 05/26	3,094	282	Assistant Secretary
Qiunan "Cue" Chang	05/24 - 05/28	2,873	1,074	Assistant Secretary
Darby Kent	05/20 - 04/24	221		Former Director
<b>Consultants</b>				
Coats Rose P.C.	2020	<u>Amounts Paid</u>		Attorney
<i>General legal fees</i>		\$ 45,608		
<i>Bond counsel</i>		274,252		
Si Environmental, LLC	2020	1,368,180		Operator
Myrtle Cruz, Inc.	2020	26,067		Bookkeeper
Utility Tax Service, LLC	2020	21,584		Tax Collector
Fort Bend Central Appraisal District	Legislation	39,258		Property Valuation
Brazoria County Appraisal District	Legislation	37		Property Valuation
Coats Rose P.C.	2020	9,715		Delinquent Tax Attorney
LJA Engineering, Inc.	2020	20,149		Engineer
McGrath & Co., PLLC	2020	38,750		Auditor
Tierra Financial Advisors, LLC	2020	238,548		Financial Advisor

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

See accompanying auditor's report.