

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

BRAZORIA AND FORT BEND COUNTIES, TEXAS

FINANCIAL REPORT

March 31, 2024

Table of Contents

	<u>Schedule</u>	<u>Page</u>
Independent Auditor's Report		1
Management's Discussion and Analysis		7
BASIC FINANCIAL STATEMENTS		
Statement of Net Position and Governmental Funds Balance Sheet		18
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances		19
Notes to Financial Statements		21
REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedule – General Fund		40
Notes to Required Supplementary Information		41
TEXAS SUPPLEMENTARY INFORMATION		
Services and Rates	TSI-1	44
General Fund Expenditures	TSI-2	46
Investments	TSI-3	47
Taxes Levied and Receivable	TSI-4	48
Long-Term Debt Service Requirements by Years	TSI-5	49
Change in Long-Term Bonded Debt	TSI-6	54
Comparative Schedule of Revenues and Expenditures – General Fund	TSI-7a	56
Comparative Schedule of Revenues and Expenditures – Debt Service Fund	TSI-7b	58
Board Members, Key Personnel and Consultants	TSI-8	59

McGRATH & CO., PLLC

Certified Public Accountants

2900 North Loop West, Suite 880

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, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Brazoria-Fort Bend Counties Municipal Utility District No. 3, as of March 31, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

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

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

Supplementary Information

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



Houston, Texas
June 11, 2024

(This page intentionally left blank)

Management's Discussion and Analysis

(This page intentionally left blank)

***Brazoria-Fort Bend Counties Municipal Utility District No. 3
Management's Discussion and Analysis
March 31, 2024***

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, 2024. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

***Brazoria-Fort Bend Counties Municipal Utility District No. 3
Management’s Discussion and Analysis
March 31, 2024***

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District’s net position at March 31, 2024, was negative \$23,420,162. 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, 2024 and 2023, is as follows:

	2024	2023
Current and other assets	\$ 7,227,330	\$ 3,432,926
Capital assets, net	48,275,033	40,577,772
Total assets	55,502,363	44,010,698
Current liabilities	1,509,846	994,837
Long-term liabilities	77,412,679	61,136,912
Total liabilities	78,922,525	62,131,749
Net position		
Net investment in capital assets	(6,482,709)	(3,600,577)
Restricted	2,937,300	1,209,973
Unrestricted	(19,874,753)	(15,730,447)
Total net position	\$ (23,420,162)	\$ (18,121,051)

***Brazoria-Fort Bend Counties Municipal Utility District No. 3
Management's Discussion and Analysis
March 31, 2024***

The total net position of the District decreased during the current fiscal year by \$5,299,111. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2024</u>	<u>2023</u>
Revenues		
Property taxes, penalties and interest	\$ 4,232,026	\$ 2,218,962
Water and sewer service	1,106,885	890,321
Other	1,764,617	1,647,035
Total revenues	<u>7,103,528</u>	<u>4,756,318</u>
Expenses		
Current service operations	3,060,436	2,892,556
Debt interest and fees	1,208,649	528,899
Developer interest	1,310,997	489,853
Debt issuance costs	598,918	751,282
Depreciation and amortization	1,348,222	952,954
Total expenses	<u>7,527,222</u>	<u>5,615,544</u>
Change in net position before other item	(423,694)	(859,226)
Other item		
Transfers to other governments	<u>(4,875,417)</u>	<u>(8,906,048)</u>
Change in net position	(5,299,111)	(9,765,274)
Net position, beginning of year	<u>(18,121,051)</u>	<u>(8,355,777)</u>
Net position, end of year	<u>\$ (23,420,162)</u>	<u>\$ (18,121,051)</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of March 31, 2024, were \$6,199,619, which consists of \$2,828,851 in the General Fund, \$2,971,685 in the Debt Service Fund, and \$399,083 in the Capital Projects Fund.

***Brazoria-Fort Bend Counties Municipal Utility District No. 3
Management’s Discussion and Analysis
March 31, 2024***

General Fund

A comparative summary of the General Fund’s financial position as of March 31, 2024 and 2023, is as follows:

	2024	2023
Total assets	\$ 3,383,991	\$ 1,871,911
Total liabilities	\$ 503,951	\$ 410,702
Total deferred inflows	51,189	44,855
Total fund balance	2,828,851	1,416,354
Total liabilities, deferred inflows and fund balance	\$ 3,383,991	\$ 1,871,911

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

	2024	2023
Total revenues	\$ 4,616,350	\$ 3,610,636
Total expenditures	(3,203,853)	(4,215,045)
Revenues over/(under) expenditures	1,412,497	(604,409)
Other changes in fund balance		1,266,794
Net change in fund balance	\$ 1,412,497	\$ 662,385

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, 2024***

Debt Service Fund

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

	<u>2024</u>	<u>2023</u>
Total assets	<u>\$ 3,049,554</u>	<u>\$ 1,267,985</u>
Total liabilities	\$ 885	\$ 7,696
Total deferred inflows	76,984	52,679
Total fund balance	<u>2,971,685</u>	<u>1,207,610</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 3,049,554</u>	<u>\$ 1,267,985</u>

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

	<u>2024</u>	<u>2023</u>
Total revenues	\$ 2,442,891	\$ 1,050,451
Total expenditures	<u>(1,431,128)</u>	<u>(446,628)</u>
Revenues over expenditures	1,011,763	603,823
Other changes in fund balance	752,312	603,787
Net change in fund balance	<u>\$ 1,764,075</u>	<u>\$ 1,207,610</u>

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

Capital Projects Fund

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

	<u>2024</u>	<u>2023</u>
Total assets	<u>\$ 399,083</u>	<u>\$ 293,030</u>
Total fund balance	<u>\$ 399,083</u>	<u>\$ 293,030</u>

***Brazoria-Fort Bend Counties Municipal Utility District No. 3
Management’s Discussion and Analysis
March 31, 2024***

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

	2024	2023
Total revenues	\$ 13,648	\$ 8,606
Total expenditures	(14,706,257)	(7,683,752)
Revenues under expenditures	(14,692,609)	(7,675,146)
Other changes in fund balance	14,798,662	7,943,213
Net change in fund balance	\$ 106,053	\$ 268,067

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2023 Unlimited Tax Bonds and Series 2023 Unlimited Road Tax Bonds in the current year and proceeds from the sale of its Series 2022 Unlimited Tax Bonds and Series 2022 Unlimited Road Tax Bonds in the prior year.

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board amended the budget during the 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 \$711,753 greater than budgeted. The *Budgetary Comparison Schedule* on page 40 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, 2024***

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

	<u>2024</u>	<u>2023</u>
Capital assets not being depreciated		
Land and improvements	<u>\$ 6,204,803</u>	<u>\$ 4,639,604</u>
Capital assets being depreciated/amortized		
Infrastructure	39,010,558	32,653,129
Joint water plant capacity	1,416,000	1,416,000
Landscaping improvements	2,383,997	1,386,142
Right-to-use leased asset - wastewater treatment plants	<u>2,082,518</u>	<u>1,957,518</u>
	<u>44,893,073</u>	<u>37,412,789</u>
Less accumulated depreciation/amortization		
Infrastructure	(2,039,249)	(1,172,344)
Joint water plant capacity	(122,844)	(87,444)
Landscaping improvements	(211,412)	(92,212)
Right-to-use leased asset - wastewater treatment plants	<u>(449,338)</u>	<u>(122,621)</u>
	<u>(2,822,843)</u>	<u>(1,474,621)</u>
Subtotal capital assets, net	<u>42,070,230</u>	<u>35,938,168</u>
Total capital assets, net	<u><u>\$ 48,275,033</u></u>	<u><u>\$ 40,577,772</u></u>

Capital asset additions during the current year include the following:

- Wastewater Treatment Plant Phase II (0.25 mgd) and Lift Station No. 1 Phase II
- Caldwell Ranch Section 8 and Southern Colony Avenue Extension Phase 1 and 2 – utilities
- Caldwell Ranch Section 9 – utilities
- Offsite utilities
- Caldwell Ranch Boulevard Extension – landscaping

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, 2024, capital assets in the amount of \$4,875,417 have been recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 10.

Lease Obligations

The District has entered into various equipment lease obligations for interim wastewater treatment plants. The District recognized right-to-use leased assets and lease obligations in the amount of \$2,082,518 for these leases. The balance due for the leases as of March 31, 2024, was \$1,628,746. Additional information in presented in Note 7.

***Brazoria-Fort Bend Counties Municipal Utility District No. 3
Management’s Discussion and Analysis
March 31, 2024***

Long-Term Debt and Related Liabilities

As of March 31, 2024, the District owes approximately \$48,512,279 to 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 6, the District has an additional commitment in the amount of \$10,697,795 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, 2024 and 2023, the District had total bonded debt outstanding as shown below:

Series	2024	2023
2022	\$ 8,645,000	\$ 8,860,000
2022 Road	3,905,000	4,000,000
2023	9,205,000	
2023 Road	6,310,000	
	<u>\$ 28,065,000</u>	<u>\$ 12,860,000</u>

During the current year, the District issued \$9,205,000 in unlimited tax bonds and \$6,310,000 in unlimited tax road bonds. At March 31, 2024, the District had \$132,735,000 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 the refunding of such bonds and \$59,890,000 for road improvements and \$35,100,000 for refunding purposes.

Next Year’s Budget

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

	2024 Actual	2025 Budget
Total revenues	\$ 4,616,350	\$ 4,300,000
Total expenditures	(3,203,853)	(3,629,940)
Revenues over expenditures	1,412,497	670,060
Beginning fund balance	1,416,354	2,828,851
Ending fund balance	<u>\$ 2,828,851</u>	<u>\$ 3,498,911</u>

*Brazoria-Fort Bend Counties Municipal Utility District No. 3
Management's Discussion and Analysis
March 31, 2024*

Property Taxes

The District's property tax base increased approximately \$121,257,000 for the 2024 tax year from \$294,764,067 to \$416,021,038, based on preliminary values.

(This page intentionally left blank)

Basic Financial Statements

Brazoria-Fort Bend Counties Municipal Utility District No. 3
Statement of Net Position and Governmental Fund Balance Sheet
March 31, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 381,612	\$ 64,410	\$ 153,154	\$ 599,176	\$ -	\$ 599,176
Investments	2,645,158	2,937,115	245,929	5,828,202		5,828,202
Taxes receivable	51,189	76,984		128,173		128,173
Customer service receivables	186,933			186,933		186,933
Internal balances	28,955	(28,955)				
Other receivables	800			800		800
Prepaid items	89,344			89,344		89,344
Prepaid bond insurance, net					394,702	394,702
Capital assets not being depreciated					6,204,803	6,204,803
Capital assets, net					42,070,230	42,070,230
Total Assets	\$ 3,383,991	\$ 3,049,554	\$ 399,083	\$ 6,832,628	48,669,735	55,502,363
Liabilities						
Accounts payable	\$ 310,206	\$ -	\$ -	\$ 310,206		310,206
Other payables	1,169	885		2,054		2,054
Customer deposits	182,200			182,200		182,200
Unearned revenue	10,376			10,376		10,376
Accrued interest payable					111,369	111,369
Due to developer					48,512,279	48,512,279
Lease obligation						
Due within one year					263,641	263,641
Due after one year					1,365,105	1,365,105
Long-term debt						
Due within one year					630,000	630,000
Due after one year					27,535,295	27,535,295
Total Liabilities	503,951	885		504,836	78,417,689	78,922,525
Deferred Inflows of Resources						
Deferred property taxes	51,189	76,984		128,173	(128,173)	
Fund Balances/Net Position						
Fund Balances						
Nonspendable	89,344			89,344	(89,344)	
Restricted		2,971,685	399,083	3,370,768	(3,370,768)	
Unassigned	2,739,507			2,739,507	(2,739,507)	
Total Fund Balances	2,828,851	2,971,685	399,083	6,199,619	(6,199,619)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,383,991	\$ 3,049,554	\$ 399,083	\$ 6,832,628		
Net Position						
Net investment in capital assets					(6,482,709)	(6,482,709)
Restricted for debt service					2,937,300	2,937,300
Unrestricted					(19,874,753)	(19,874,753)
Total Net Position					\$ (23,420,162)	\$ (23,420,162)

See notes to basic financial statements.

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, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Water service	\$ 476,207	\$ -	\$ -	\$ 476,207	\$ -	\$ 476,207
Sewer service	630,678			630,678		630,678
Property taxes	1,756,240	2,329,943		4,086,183	27,052	4,113,235
Penalties and interest	96,725	18,479		115,204	3,587	118,791
Groundwater reduction plan fees	867,187			867,187		867,187
Tap connection and inspection	657,551			657,551		657,551
Miscellaneous	62,179			62,179		62,179
Investment earnings	69,583	94,469	13,648	177,700		177,700
Total Revenues	4,616,350	2,442,891	13,648	7,072,889	30,639	7,103,528
Expenditures/Expenses						
Current service operations						
Purchased services	544,055			544,055		544,055
Professional fees	89,458		86,497	175,955		175,955
Contracted services	861,705	33,429		895,134		895,134
Repairs and maintenance	561,092			561,092		561,092
Utilities	99,823			99,823		99,823
Regional water authority fees	651,128			651,128		651,128
Administrative	108,564	6,447		115,011		115,011
Other	17,828		410	18,238		18,238
Capital						
Capital outlay			12,298,287	12,298,287	(12,298,287)	
Debt service						
Principal		310,000		310,000	(310,000)	
Interest and fees		1,081,252		1,081,252	73,320	1,154,572
Developer interest			1,310,997	1,310,997		1,310,997
Debt issuance costs			1,010,066	1,010,066	(411,148)	598,918
Lease - principal	216,123			216,123	(216,123)	
Lease - interest	54,077			54,077		54,077
Depreciation/amortization					1,348,222	1,348,222
Total Expenditures/Expenses	3,203,853	1,431,128	14,706,257	19,341,238	(11,814,016)	7,527,222
Revenues Over/(Under)						
Expenditures/Expenses	1,412,497	1,011,763	(14,692,609)	(12,268,349)	11,844,655	(423,694)
Other Financing Sources/(Uses)						
Proceeds from sale of bonds		752,312	14,762,688	15,515,000	(15,515,000)	
Bond premium			104,474	104,474	(104,474)	
Repayment of operating advances			(68,500)	(68,500)	68,500	
Other Items						
Transfers to other governments					(4,875,417)	(4,875,417)
Net Change in Fund Balances	1,412,497	1,764,075	106,053	3,282,625	(3,282,625)	
Change in Net Position					(5,299,111)	(5,299,111)
Fund Balances/Net Position						
Beginning of the year	1,416,354	1,207,610	293,030	2,916,994	(21,038,045)	(18,121,051)
End of the year	\$ 2,828,851	\$ 2,971,685	\$ 399,083	\$ 6,199,619	\$ (29,619,781)	\$ (23,420,162)

See notes to basic financial statements.

(This page intentionally left blank)

Brazoria-Fort Bend Counties Municipal Utility District No. 3
Notes to Financial Statements
March 31, 2024

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. 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*.

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

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

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

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

Measurement Focus and Basis of Accounting

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

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

Use of Restricted Resources

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

Prepaid Items

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

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, 2024, an allowance for uncollectible accounts was not considered necessary.

Interfund Activity

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

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$50,000 or more and an estimated useful life in excess of one year. Capital assets 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, 2024

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

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

Assets	Useful Life
Infrastructure	45 years
Joint water plant capacity	40 years
Landscaping improvements	20 years
Right-to-use leased assets	5 years

Deferred Inflows and Outflows of Financial Resources

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

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

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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

Brazoria-Fort Bend Counties Municipal Utility District No. 3
Notes to Financial Statements
March 31, 2024

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District's restricted fund balances consist of unspent bond proceeds in the Capital Projects Fund and property taxes levied for debt service and capitalized interest from the sale of bonds in the Debt Service Fund.

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

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the 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, 2024

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds	\$	6,199,619
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.		394,702
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	\$	51,097,876
Less accumulated depreciation		<u>(2,822,843)</u>
Change due to capital assets		48,275,033
Obligations under leases are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(1,628,746)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:		
Bonds payable, net		(28,165,295)
Interest payable on bonds		<u>(111,369)</u>
Change due to long-term debt		(28,276,664)
Amounts due to the District's developer for prefunded construction and operating advances are recorded as a liability in the <i>Statement of Net Position</i> .		(48,512,279)
Receivables that are not collected within sixty days of fiscal year end are not considered available to pay current period expenditures and are deferred in the funds		128,173
Total net position - governmental activities	<u>\$</u>	<u>(23,420,162)</u>

Brazoria-Fort Bend Counties Municipal Utility District No. 3
Notes to Financial Statements
March 31, 2024

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

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

Net change in fund balance - total governmental funds \$ 3,282,625

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and penalties and interest. 30,639

Governmental funds report capital outlays for developer reimbursements and construction costs as expenditures in the funds; however, in the *Statement of Activities*, the cost of capital assets is charged to expense over the estimated useful life of the asset. Other assets are recorded as transfers to other governments.

Capital outlays	\$ 12,298,287	
Transfers to other governments	(4,875,417)	
Depreciation expense	(1,348,222)	
		6,074,648

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

Issuance of long-term debt	(15,515,000)	
Prepaid bond insurance	411,148	
Bond premium	(104,474)	
Principal payments	310,000	
Interest expense accrual	(73,320)	
		(14,971,646)

Amounts repaid to the District's developer for operating advances use financial resources at the fund level, but reduce the liability in the *Statement of Net Position*. 68,500

Governmental funds report the principal portion of lease payments as expenditures in the funds; however, in the *Statement of Net Position*, these principal payments are recorded as a reduction to the long-term lease liability. 216,123

Change in net position of governmental activities \$ (5,299,111)

Brazoria-Fort Bend Counties Municipal Utility District No. 3
Notes to Financial Statements
March 31, 2024

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Investments

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

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

As of March 31, 2024, the District’s investments consist of the following:

<u>Type</u>	<u>Fund</u>	<u>Carrying Value</u>	<u>Rating</u>	<u>Weighted Average Maturity</u>
TexSTAR	General	\$ 2,645,158	AAAm	35 days
	Debt Service	2,937,115		
	Capital Projects	245,929		
		<u>\$ 5,828,202</u>		

Brazoria-Fort Bend Counties Municipal Utility District No. 3
Notes to Financial Statements
March 31, 2024

Note 3 – Deposits and Investments (continued)

TexSTAR

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

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

Investment Credit and Interest Rate Risk

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

Note 4 – Interfund Balances and Transactions

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 28,955	Maintenance tax collections not remitted as of year end

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

Brazoria-Fort Bend Counties Municipal Utility District No. 3
Notes to Financial Statements
March 31, 2024

Note 5 – Capital Assets

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

	Beginning Balances	Additions	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 4,639,604	\$ 1,565,199	\$ 6,204,803
Capital assets being depreciated/amortized			
Infrastructure	32,653,129	6,357,429	39,010,558
Joint water plant capacity	1,416,000		1,416,000
Landscaping improvements	1,386,142	997,855	2,383,997
Right-to-use leased asset - wastewater treatment plant	1,957,518	125,000	2,082,518
	<u>37,412,789</u>	<u>7,480,284</u>	<u>44,893,073</u>
Less accumulated depreciation/amortization			
Infrastructure	(1,172,344)	(866,905)	(2,039,249)
Joint water plant capacity	(87,444)	(35,400)	(122,844)
Landscaping improvements	(92,212)	(119,200)	(211,412)
Right-to-use leased asset - wastewater treatment plant	(122,621)	(326,717)	(449,338)
	<u>(1,474,621)</u>	<u>(1,348,222)</u>	<u>(2,822,843)</u>
Subtotal capital assets, net	<u>35,938,168</u>	<u>6,132,062</u>	<u>42,070,230</u>
Total capital assets, net	<u>\$ 40,577,772</u>	<u>\$ 7,697,261</u>	<u>\$ 48,275,033</u>

Depreciation/amortization expense for the current fiscal year was \$1,348,222.

Note 6 – 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 advance funds for the construction of facilities to serve the District. The developer will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable. The District does not record the capital asset and related liability on the government-wide statements until construction of the facilities is complete. The initial cost is estimated based on construction costs plus 10-15% for engineering and other fees. Estimates are trued up when the developer is reimbursed.

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

Due to developer, beginning of year	\$ 46,958,166
Developer reimbursements	(12,325,665)
Developer funded construction	13,948,278
Repayment of operating advances	(68,500)
Due to developer, end of year	<u>\$ 48,512,279</u>

Brazoria-Fort Bend Counties Municipal Utility District No. 3
Notes to Financial Statements
March 31, 2024

Note 6 – Due to Developers (continued)

In addition, the District will owe the developer approximately \$10,697,795, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District’s auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	Contract Amount	Percentage Completed
Remote well	\$ 2,872,930	77%
Lift Station No. 2	907,912	39%
Caldwell Ranch Section 10 - utilities	2,665,360	89%
Caldwell Ranch Boulevard Phase 3A and 3B - utilities	846,681	0%
Detention Phase 1	2,920,763	98%
Caldwell Ranch Section 8 and 9 - landscaping	484,149	66%
	<u>\$ 10,697,795</u>	

Note 7 - Lease Obligations

On August 7, 2020, the District entered into an equipment lease agreement for a wastewater treatment plant phase 1. This lease is for a 60-month term with payments commencing June 1, 2022. The lease agreement shall automatically be extended on a month-to-month basis after the initial term, unless otherwise terminated. The District recognized a lease liability and an intangible right-to-use leased asset in the amount of \$623,075, which is measured at the present value of remaining lease payments using an estimated incremental borrowing rate of 4%. The remaining balance of the liability at March 31, 2024, is \$482,851. The District is responsible for all ordinary expenses related to repairing and maintaining the equipment. Monthly payments for the lease are \$13,550. Total current year payments are \$162,600, which includes principal of \$140,224 and interest of \$22,376.

On June 14, 2022, the District entered into an equipment lease agreement for a wastewater treatment plant phase 2. This lease is for a 60-month term with payments commencing August 1, 2023. The lease agreement shall automatically be extended on a month-to-month basis after the initial term, unless otherwise terminated. The District recognized a lease liability and an intangible right-to use leased asset in the amount of \$1,221,794, which is measured at the present value of future lease payments using an estimated incremental borrowing rate of 4%. The remaining balance of the liability at March 31, 2024, is \$1,145,895. The District is responsible for all ordinary expenses related to repairing and maintaining the equipment. Monthly payments for the lease will be \$13,450. Total current year payments are \$107,600, which includes principal of \$75,899 and interest of \$31,701.

Brazoria-Fort Bend Counties Municipal Utility District No. 3
Notes to Financial Statements
March 31, 2024

Note 7 - Lease Obligations (continued)

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

Year	Principal	Interest	Total
2025	\$ 263,641	\$ 60,353	\$ 323,994
2026	274,383	49,611	323,994
2027	285,564	38,432	323,996
2028	159,650	28,848	188,498
2029	645,508	10,368	655,876
	\$ 1,628,746	\$ 187,612	\$ 1,816,358
Due within one year	\$ 263,641	\$ 60,353	\$ 323,994

Note 8 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 28,065,000
Unamortized premium	100,295
	\$ 28,165,295
Due within one year	\$ 630,000

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

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/Ending	Interest Payment Dates	Call Dates
2022	\$ 8,645,000	\$ 8,860,000	4.00% - 6.50%	March 1, 2024 - 2047	September 1, March 1	March 1, 2027
2022 Road	3,905,000	4,000,000	4.00% - 6.50%	March 1, 2024 - 2047	September 1, March 1	March 1, 2027
2023	9,205,000	9,205,000	4.00% - 6.50%	March 1, 2025 - 2048	September 1, March 1	March 1, 2029
2023 Road	6,310,000	6,310,000	4.00% - 6.50%	March 1, 2025 - 2048	September 1, March 1	March 1, 2029
	\$ 28,065,000					

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

Brazoria-Fort Bend Counties Municipal Utility District No. 3
Notes to Financial Statements
March 31, 2024

Note 8 – Long-Term Debt (continued)

At March 31, 2024, the District had authorized but unissued bonds in the amount of \$132,735,000 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 \$59,890,000 for road bonds and \$35,100,000 for refunding of such bonds.

On July 13, 2023 the District issued its \$9,205,000 Series 2023 Unlimited Tax Bonds at a net effective interest rate of 4.703036%. Proceeds of the bonds were used to reimburse developers for the cost of capital assets constructed within the District, the acquisition of land for certain District facilities and operating advances, plus interest expense at the net effective interest rate of the bonds and to pay capitalized interest into the Debt Service Fund.

On July 13, 2023 the District issued its \$6,310,000 Series 2023 Unlimited Tax Road Bonds at a net effective interest rate of 4.705692%. Proceeds of the bonds were used to reimburse the District’s developer for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds and to pay capitalized interest into the Debt Service Fund.

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

Bonds payable, beginning of year	\$ 12,860,000
Bonds issued	15,515,000
Bonds retired	<u>(310,000)</u>
Bonds payable, end of year	<u><u>\$ 28,065,000</u></u>

Brazoria-Fort Bend Counties Municipal Utility District No. 3
Notes to Financial Statements
March 31, 2024

Note 8 – Long-Term Debt (continued)

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

Year	Principal	Interest	Totals
2025	\$ 630,000	\$ 1,336,425	\$ 1,966,425
2026	665,000	1,295,475	1,960,475
2027	705,000	1,252,250	1,957,250
2028	740,000	1,206,424	1,946,424
2029	780,000	1,158,326	1,938,326
2030	815,000	1,107,624	1,922,624
2031	855,000	1,054,651	1,909,651
2032	895,000	1,000,525	1,895,525
2033	945,000	943,850	1,888,850
2034	1,000,000	890,300	1,890,300
2035	1,050,000	850,300	1,900,300
2036	1,110,000	808,300	1,918,300
2037	1,160,000	763,169	1,923,169
2038	1,225,000	716,000	1,941,000
2039	1,285,000	665,376	1,950,376
2040	1,355,000	612,249	1,967,249
2041	1,430,000	556,225	1,986,225
2042	1,500,000	497,087	1,997,087
2043	1,575,000	432,988	2,007,988
2044	1,665,000	365,662	2,030,662
2045	1,745,000	293,531	2,038,531
2046	1,845,000	217,913	2,062,913
2047	1,940,000	136,924	2,076,924
2048	1,150,000	51,750	1,201,750
	<u>\$ 28,065,000</u>	<u>\$ 18,213,324</u>	<u>\$ 46,278,324</u>

Note 9 – 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 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.

Brazoria-Fort Bend Counties Municipal Utility District No. 3
Notes to Financial Statements
March 31, 2024

Note 9 – Property Taxes (continued)

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 2024 fiscal year was financed through the 2023 tax levy, pursuant to which the District levied property taxes of \$1.40 per \$100 of assessed value, of which \$0.60 was allocated to maintenance and operations, \$0.50 was allocated to debt service, and \$0.30 was allocated to road debt service. The resulting tax levy was \$4,126,697 on the adjusted taxable value of \$294,764,067.

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

Current year taxes receivable	\$	107,929
Prior years taxes receivable		8,575
		116,504
Penalty and interest receivable		11,669
Property taxes receivable	\$	128,173

Note 10 – 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, 2024, the District recorded transfers to other governments in the amount of \$4,875,417 for road facilities constructed by a developer within the District.

Note 11 – 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).

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.

Note 11 – Wastewater Treatment Facilities Agreement (continued)

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 year, the District incurred \$99,540 for its pro rata share of wastewater treatment plant lease expenses and \$69,045 for current and prior year operation and maintenance expenses.

Note 12 – 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 year, the District paid \$4.323 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 year, the District recognized \$375,470 for water supply purchased from MUD 131.

Note 13 – 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.

Brazoria-Fort Bend Counties Municipal Utility District No. 3
Notes to Financial Statements
March 31, 2024

Note 14 – Risk Management

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

(This page intentionally left blank)

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, 2024***

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Water service	\$ 540,000	\$ 635,000	\$ 476,207	\$ (158,793)
Sewer service	480,000	605,000	630,678	25,678
Property taxes	1,000,000	1,713,184	1,756,240	43,056
Penalties and interest			96,725	96,725
Groundwater reduction plan fees	550,000	900,000	867,187	(32,813)
Tap connection and inspection	200,000	275,000	657,551	382,551
Miscellaneous			62,179	62,179
Investment earnings	12,000	50,000	69,583	19,583
Total Revenues	2,782,000	4,178,184	4,616,350	438,166
Expenditures				
Current service operations				
Purchased services	740,000	680,000	544,055	135,945
Professional fees	130,000	130,000	89,458	40,542
Contracted services	480,000	687,000	861,705	(174,705)
Repairs and maintenance	486,324	730,000	561,092	168,908
Regional water authority fees	550,000	900,000	651,128	248,872
Administrative	116,750	133,400	108,564	24,836
Utilities	40,000	100,000	99,823	177
Other	17,500	17,500	17,828	(328)
Debt service				
Lease principal	99,540	99,540	216,123	(116,583)
Lease interest			54,077	(54,077)
Total Expenditures	2,660,114	3,477,440	3,203,853	273,587
Revenues Over Expenditures	121,886	700,744	1,412,497	711,753
Fund Balance				
Beginning of the year	1,416,354	1,416,354	1,416,354	
End of the year	\$ 1,538,240	\$ 2,117,098	\$ 2,828,851	\$ 711,753

Brazoria-Fort Bend Counties Municipal Utility District No. 3
Notes to Required Supplementary Information
March 31, 2024

Budgets and Budgetary Accounting

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

(This page intentionally left blank)

Texas Supplementary Information

Brazoria-Fort Bend Counties Municipal Utility District No. 3
TSI-1. Services and Rates
March 31, 2024

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

- | | | | |
|--|---|---|--|
| <input checked="" type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input checked="" type="checkbox"/> Solid Waste / Garbage | <input checked="" type="checkbox"/> Drainage |
| <input checked="" type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Flood Control | <input type="checkbox"/> Irrigation |
| <input checked="" type="checkbox"/> Parks / Recreation | <input type="checkbox"/> Fire Protection | <input checked="" type="checkbox"/> Roads | <input type="checkbox"/> Security |
- 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):

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate (Y / N)</u>	<u>Rate per 1,000 Gallons Over Minimum Usage</u>	<u>Usage Levels</u>
Water:	\$ 24.89	10,000	N	\$ 2.75	10,001 to no limit
Wastewater:	\$ 27.50	10,000	N	\$ 2.75	10,001 to no limit
Groundwater Reduction:	\$ 5.01	0	N	\$ 5.01	0 to no limit

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water \$ 74.99 Wastewater \$ 27.50

b. Water and Wastewater Retail Connections:

<u>Meter Size</u>	<u>Total</u>	<u>Active</u>	<u>ESFC Factor</u>	<u>Active</u>
Unmetered			x 1.0	
less than 3/4"	1,535	1,493	x 1.0	1,493
1"	7	7	x 2.5	18
1.5"	7	7	x 5.0	35
2"	12	12	x 8.0	96
3"	2	2	x 15.0	30
4"			x 25.0	
6"			x 50.0	
8"	1	1	x 80.0	80
10"			x 115.0	
Total Water	1,564	1,522		1,752
Total Wastewater	1,527	1,485	x 1.0	1,485

See accompanying auditor's report.

Brazoria-Fort Bend Counties Municipal Utility District No. 3
TSI-1. Services and Rates
March 31, 2024

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

Gallons purchased:	<u>42,611,000</u>	Water Accountability Ratio:
		(Gallons billed / Gallons pumped)
Gallons pumped	<u>148,021,000</u>	
Gallons billed to customers:	<u>187,039,000</u>	<u>98.12%</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? _____

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, 2024***

Purchased services	<u>\$ 544,055</u>
Professional fees	
Legal	62,879
Engineering	11,579
Audit	15,000
	<u>89,458</u>
Contracted services	
Bookkeeping	14,400
Operator	155,963
Garbage collection	276,346
Tap connection and inspection	414,996
	<u>861,705</u>
Repairs and maintenance	<u>561,092</u>
Utilities	<u>99,823</u>
Regional Water Authority	<u>651,128</u>
Administrative	
Directors fees	11,161
Printing and office supplies	73,262
Insurance	17,090
Other	7,051
	<u>108,564</u>
Other	<u>17,828</u>
Debt service	
Lease - principal	216,123
Lease - interest	54,077
	<u>270,200</u>
Total expenditures	<u><u>\$ 3,203,853</u></u>

See accompanying auditor's report.

Brazoria-Fort Bend Counties Municipal Utility District No. 3
TSI-3. Investments
March 31, 2024

Fund	Interest Rate	Maturity Date	Balance at End of Year
General			
TexStar	Variable	N/A	<u>\$ 2,645,158</u>
Debt Service			
TexStar	Variable	N/A	1,895,916
TexStar	Variable	N/A	<u>1,041,199</u>
			<u>2,937,115</u>
Capital Projects			
TexStar	Variable	N/A	244,894
TexStar	Variable	N/A	<u>1,035</u>
			<u>245,929</u>
Total - All Funds			<u><u>\$ 5,828,202</u></u>

See accompanying auditor's report.

Brazoria-Fort Bend Counties Municipal Utility District No. 3
TSI-4. Taxes Levied and Receivable
March 31, 2024

	Maintenance Taxes	Debt Service Taxes	Road Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	\$ 44,855	\$ 29,732	\$ 14,865	\$ 89,452
Adjustments to Prior Year Tax Levy	(6,128)	(4,889)	(2,445)	(13,462)
Adjusted Receivable	38,727	24,843	12,420	75,990
2023 Original Tax Levy	1,405,062	1,170,885	702,532	3,278,479
Adjustments	363,522	302,935	181,761	848,218
Adjusted Tax Levy	1,768,584	1,473,820	884,293	4,126,697
Total to be accounted for	1,807,311	1,498,663	896,713	4,202,687
Tax collections:				
Current year	1,722,329	1,435,274	861,165	4,018,768
Prior years	33,797	22,413	11,205	67,415
Total Collections	1,756,126	1,457,687	872,370	4,086,183
Taxes Receivable, End of Year	\$ 51,185	\$ 40,976	\$ 24,343	\$ 116,504
Taxes Receivable, By Years				
2023	\$ 46,255	\$ 38,546	\$ 23,128	\$ 107,929
2022	3,644	2,430	1,215	7,289
2021	1,286			1,286
Taxes Receivable, End of Year	\$ 51,185	\$ 40,976	\$ 24,343	\$ 116,504
	2023	2022	2021	2020
Property Valuations:				
Land	\$ 81,774,775	\$ 35,856,570	\$ 12,057,680	\$ 4,176,931
Improvements	278,735,743	156,460,500	27,219,812	
Personal Property	159,544			
Exemptions	(65,905,995)	(50,705,634)	(20,042,797)	(745,627)
Total Property Valuations	\$ 294,764,067	\$ 141,611,436	\$ 19,234,695	\$ 3,431,304
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.60	\$ 0.75	\$ 1.50	\$ 1.50
Debt service tax rates	0.50	0.50		
Road debt service tax rates	0.30	0.25		
Total Tax Rates per \$100 Valuation	\$ 1.40	\$ 1.50	\$ 1.50	\$ 1.50
Adjusted Tax Levy:	\$ 4,126,697	\$ 2,124,172	\$ 288,520	\$ 51,470
Percentage of Taxes Collected to Taxes Levied ****	97.38%	99.66%	99.55%	100.00%

* 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, 2024

Due During Fiscal Years Ending	Principal Due March 1	Interest Due September 1, March 1	Total
2025	\$ 220,000	\$ 399,025	\$ 619,025
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>\$ 8,645,000</u>	<u>\$ 5,125,406</u>	<u>\$ 13,770,406</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, 2024

Due During Fiscal Years Ending	Principal Due March 1	Interest Due September 1, March 1	Total
2025	\$ 100,000	\$ 185,087	\$ 285,087
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>\$ 3,905,000</u>	<u>\$ 2,355,812</u>	<u>\$ 6,260,812</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, 2024

Due During Fiscal Years Ending	Principal Due March 1	Interest Due September 1, March 1	Total
2025	\$ 180,000	\$ 445,788	\$ 625,788
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>\$ 9,205,000</u>	<u>\$ 6,391,056</u>	<u>\$ 15,596,056</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, 2024

Due During Fiscal Years Ending	Principal Due March 1	Interest Due September 1, March 1	Total
2025	\$ 130,000	\$ 306,525	\$ 436,525
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>\$ 6,310,000</u>	<u>\$ 4,341,050</u>	<u>\$ 10,651,050</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, 2024

Due During Fiscal Years Ending	Principal Due March 1	Interest Due September 1, March 1	Total
2025	\$ 630,000	\$ 1,336,425	\$ 1,966,425
2026	665,000	1,295,475	1,960,475
2027	705,000	1,252,250	1,957,250
2028	740,000	1,206,424	1,946,424
2029	780,000	1,158,326	1,938,326
2030	815,000	1,107,624	1,922,624
2031	855,000	1,054,651	1,909,651
2032	895,000	1,000,525	1,895,525
2033	945,000	943,850	1,888,850
2034	1,000,000	890,300	1,890,300
2035	1,050,000	850,300	1,900,300
2036	1,110,000	808,300	1,918,300
2037	1,160,000	763,169	1,923,169
2038	1,225,000	716,000	1,941,000
2039	1,285,000	665,376	1,950,376
2040	1,355,000	612,249	1,967,249
2041	1,430,000	556,225	1,986,225
2042	1,500,000	497,087	1,997,087
2043	1,575,000	432,988	2,007,988
2044	1,665,000	365,662	2,030,662
2045	1,745,000	293,531	2,038,531
2046	1,845,000	217,913	2,062,913
2047	1,940,000	136,924	2,076,924
2048	1,150,000	51,750	1,201,750
	<u>\$ 28,065,000</u>	<u>\$ 18,213,324</u>	<u>\$ 46,278,324</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, 2024

	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	\$ 8,860,000	\$ 4,000,000	\$ -	\$ -
Bonds issued			9,205,000	6,310,000
Bonds retired	(215,000)	(95,000)		
Ending bonds outstanding	<u>\$ 8,645,000</u>	<u>\$ 3,905,000</u>	<u>\$ 9,205,000</u>	<u>\$ 6,310,000</u>
Interest paid during fiscal year	<u>\$ 413,000</u>	<u>\$ 190,788</u>	<u>\$ 282,332</u>	<u>\$ 194,133</u>
Paying agent's name and city All Series	<u>Zions Bancorporation, N.A., Houston, Texas</u>			
Bond Authority:	Water, Sewer and Drainage Bonds	Road Bonds	Park and Recreational Bonds	
Amount Authorized by Voters	\$ 150,800,000	\$ 70,200,000	\$ 22,100,000	
Amount Issued	(18,065,000)	(10,310,000)		
Remaining To Be Issued	<u>\$ 132,735,000</u>	<u>\$ 59,890,000</u>	<u>\$ 22,100,000</u>	
Bond Authority:	Water, Sewer and Drainage Refunding Bonds	Road Refunding Bonds	Park and Recreation Refunding Bonds	
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, 2024:	<u>\$ 3,001,525</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:	<u>\$ 1,928,264</u>

See accompanying auditor's report.

Totals

\$ 12,860,000

15,515,000

(310,000)

\$ 28,065,000

\$ 1,080,253

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

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

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues

2024	2023	2022	2021
10%	10%	8%	4%
14%	14%	11%	5%
38%	29%	16%	15%
2%	2%	2%	*
14%	27%	51%	72%
19%	16%	10%	2%
1%	1%	2%	2%
2%	1%	*	*
100%	100%	100%	100%
12%	15%	13%	14%
2%	3%	4%	33%
19%	33%	30%	36%
12%	12%	12%	6%
2%	1%	1%	
14%	10%	5%	
2%	2%	3%	6%
*	2%	1%	*
	34%		
5%	3%		
1%	1%		
69%	116%	69%	95%
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 Two Fiscal Years***

	Amounts		Percent of Fund Total Revenues	
	2024	2023	2024	2023
Revenues				
Property taxes	\$ 2,329,943	\$ 1,024,823	95%	98%
Penalties and interest	18,479	6,406	1%	1%
Investment earnings	94,469	19,222	4%	1%
Total Revenues	<u>2,442,891</u>	<u>1,050,451</u>	<u>100%</u>	<u>100%</u>
Expenditures				
Tax collection services	39,876	17,268	2%	2%
Debt service				
Principal	310,000		13%	
Interest and fees	1,081,252	429,360	44%	41%
Total Expenditures	<u>1,431,128</u>	<u>446,628</u>	<u>59%</u>	<u>43%</u>
Revenues Over Expenditures	<u>\$ 1,011,763</u>	<u>\$ 603,823</u>	<u>41%</u>	<u>57%</u>

*Percentage is negligible

See accompanying auditor's report.

***Brazoria-Fort Bend Counties Municipal Utility District No. 3
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended March 31, 2024***

Complete District Mailing Address: 9 Greenway Plaza, Suite 1000, Houston, TX 77046-0900
 District Business Telephone Number: 713-651-0111
 Submission Date of the most recent District Registration Form
 (TWC Sections 36.054 and 49.054): June 6, 2022
 Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
 (Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Corinne Haworth	05/20 - 05/24	\$ 2,068	\$ -	President
Julie Winkle	05/22 - 05/26	1,847		Vice President
Darby Kent	05/20 - 05/24	2,439		Secretary
Bret Fugate	05/22 - 05/26	2,218		Assistant Secretary
Afolake Cannon	04/23 - 05/24	2,739		Assistant Secretary
Consultants				
Coats Rose P.C.	2020	<u>Amounts Paid</u>		Attorney
<i>General legal fees</i>		\$ 60,738		
<i>Bond counsel</i>		283,448		
SI Environmental	2020	802,244		Operator
Myrtle Cruz Inc.	2020	24,222		Bookkeeper
Utility Tax Services	2020	15,176		Tax Collector
Fort Bend Central Appraisal District	Legislation	17,050		Property Valuation
Brazoria Central Appraisal District	Legislation	37		Property Valuation
Coats Rose P.C.	2020	2,616		Delinquent Tax Attorney
LJA Engineering	2020	11,478		Engineer
McGrath & Co., PLLC	2020	36,200		Auditor
Tierra Financial Advisors	2020	162,443		Financial Advisor

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