

**OFFICIAL STATEMENT DATED FEBRUARY 20, 2025**

*IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, THE BONDS ARE VALID OBLIGATIONS OF THE DISTRICT AND INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS; HOWEVER, SUCH INTEREST IS TAKEN INTO ACCOUNT IN DETERMINING THE ANNUAL ADJUSTED FINANCIAL STATEMENT INCOME OF APPLICABLE CORPORATIONS FOR THE PURPOSE OF DETERMINING THE ALTERNATIVE MINIMUM TAX IMPOSED ON CORPORATIONS. SEE "LEGAL MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.*

*The District has designated the Bonds as "qualified tax-exempt obligations." See "LEGAL MATTERS- Qualified Tax-Exempt Obligations."*

**NEW ISSUE - Book-Entry Only**

**Ratings: S&P Global Ratings (AG Insured) .... "AA" (stable outlook)  
S&P Global Ratings (Underlying)...."A-" (stable outlook)  
See "BOND INSURANCE" and "RATINGS" herein**

**\$6,850,000**  
**LAKE MUNICIPAL UTILITY DISTRICT**  
**(A Political Subdivision of the State of Texas located within Harris County, Texas)**  
**UNLIMITED TAX BONDS, SERIES 2025**

**Dated Date: March 1, 2025**

**Due: September 1, as shown on inside cover**

**Interest to Accrue from: Date of Delivery**

Principal of the above bonds (the "Bonds") is payable to the registered owners thereof (the "Registered Owners") by the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N. A., currently in Houston, Texas, or any successor paying agent/registrar (the "Paying Agent," "Registrar" or "Paying Agent/Registrar"). Interest on the Bonds accrues from March 27, 2025, and is payable on September 1, 2025, and on each March 1 and September 1 thereafter until the earlier of maturity or redemption. The Bonds are issued in denominations of \$5,000 or any integral multiple thereof in fully registered form only.

The Bonds will be registered and delivered only in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (the "DTC"), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the DTC participants. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."

The Bonds are subject to redemption, in whole or in part, prior to their scheduled maturities on September 1, 2030, or on any date thereafter, at the option of Lake Municipal Utility District (the "District"). Upon redemption, the Bonds will be payable at a price equal to the principal amount of the Bonds or the portions thereof so called for redemption, plus accrued interest to the date of redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of the Bonds to be redeemed shall be selected by the District in integral multiples of \$5,000 within any one maturity. If fewer than all of the Bonds of any given maturity are to be redeemed at any time, the particular Bonds to be redeemed shall be selected by such method of random selection as determined by the Registrar (or by DTC, as defined below, in accordance with its procedures while the Bonds are in book- entry-only form).

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Inc. ("AG" or the "Insurer").



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**See Maturity Schedule on the inside cover**

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The Bonds constitute the twelfth series of unlimited tax bonds issued by the District for the purpose of acquiring and constructing a waterworks, sanitary sewer and storm drainage system (the "System") to serve the District, and to refund certain of such bonds issued for such purpose. Following the issuance of the Bonds, the total of the District's direct bonded indebtedness, consisting of the Outstanding Bonds (defined in this Official Statement under the caption "THE BONDS – Outstanding Bonds and Payment Record") and the Bonds, will be \$22,010,000. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. SEE "INVESTMENT CONSIDERATIONS." Voters in the District authorized a total of \$36,695,000 principal amount of bonds for the purpose of acquiring and constructing the System or for refunding such bonds. Following the issuance of the Bonds, \$8,420,000 in bonds for acquiring and constructing the System and for refunding such bonds will remain authorized but unissued. See "THE BONDS – Issuance of Additional Debt."

The Bonds, when issued, will constitute valid and binding obligations of the District, and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. See "THE BONDS – Source of Payment." The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Baytown, Texas, or any entity other than the District. Investment in the Bonds is subject to special investment considerations as described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered when, as and if issued by the District and accepted by the Underwriter, subject among other things to the approval of the Attorney General of Texas; and Coats Rose, P.C., Houston, Texas, Bond Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about March 27, 2025.

## MATURITY SCHEDULE

CUSIP Prefix (a): 510222

<u>Maturity (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Reoffering Yield (b)</u>	<u>CUSIP Suffix (a)</u>
2046 (c)	\$620,000	4.125%	4.32%	GL0
2047 (c)	650,000	4.250	4.35	GM8
2048 (c)	685,000	4.375	4.38	GN6
2049 (c)	720,000	4.375	4.41	GP1
2050 (c)	755,000	4.375	4.44	GQ9
2051 (c)	795,000	4.375	4.45	GR7
2052 (c)	830,000	4.375	4.46	GS5
2053 (c)	875,000	4.375	4.47	GT3
2054 (c)	920,000	4.375	4.48	GU0

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- (a) CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the District (hereinafter defined), the Financial Advisor (defined herein), nor the Underwriter (defined herein) take any responsibility for the accuracy of CUSIP numbers.
- (b) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriter. Initial reoffering yields represent the initial offering price to the public which has been established by the Underwriter for public offerings, and which subsequently may be changed.
- (c) Subject to optional redemption as described on the front cover.

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## USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, resolutions, contracts, audits, and engineering and other related reports set forth in the Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the Financial Advisor.

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

Neither the District nor the Underwriter makes any representations as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement.

This Official Statement contains "forward-looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, which generally can be identified with words or phrases such as "anticipates," "believes," "could," "estimates," "expects," "foresees," "may," "predict," "should," "will," or other words or phrases of similar import. All statements included in this Official Statement that any person expects or anticipates will, should or may occur in the future are forward-looking statements. These statements are based on assumptions and analyses made in light of experience and perceptions of historical trends, current conditions, and expected future developments as well as other factors the District believes are appropriate in the circumstances. However, whether actual results and developments conform with expectations and predictions is subject to a number of risks and uncertainties, including, without limitation, the information discussed under "INVESTMENT CONSIDERATIONS" in this Official Statement, as well as additional factors beyond the District's control. The important risk factors and assumptions described under that caption and elsewhere herein could cause actual results to differ materially from those expressed in any forward-looking statement. All of the forward-looking statements made in this Official Statement are qualified by these cautionary statements.

Assured Guaranty Inc. ("AG" or the "Insurer") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AG has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AG supplied by AG and presented under the heading "BOND INSURANCE" and "APPENDIX C - SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY."

## SALE AND DISTRIBUTION OF THE BONDS

### Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net interest cost to the District, which was tendered by SAMCO Capital Markets, Inc. (referred to herein as the “Underwriter” or the “Initial Purchaser”) to purchase the Bonds bearing the interest rates shown under “MATURITY SCHEDULE” at a price of 97.000421% of the principal amount thereof, which resulted in a net effective interest rate of 4.462312%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended.

### Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriters on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity have been sold to the public. The District has no control over trading of the Bonds after a bona fide offering of the Bonds is made by the Underwriters at the yields specified on the cover page. Information concerning reoffering yields or prices is the responsibility of the Underwriters.

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

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Underwriters after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering price, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

### Securities Laws

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

## BOND INSURANCE

### Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Inc. (“AG” or the “Insurer”) will issue its Municipal Bond Insurance Policy (the “Policy”) for the Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

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



## **Assured Guaranty Inc.**

AG is a Maryland domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL” and together with its subsidiaries, “Assured Guaranty”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO.” AGL, through its subsidiaries, provides credit enhancement products to the U.S. and non-U.S. public finance (including infrastructure) and structured finance markets and participates in the asset management business through ownership interests in Sound Point Capital Management, LP and certain of its investment management affiliates. Only AG is obligated to pay claims under the insurance policies AG has issued, and not AGL or any of its shareholders or other affiliates.

AG’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”) and “A1” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AG should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AG in its sole discretion. In addition, the rating agencies may at any time change AG’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AG. AG only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AG on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

### *Merger of Assured Guaranty Municipal Corp. Into Assured Guaranty Inc.*

On August 1, 2024, Assured Guaranty Municipal Corp., a New York domiciled financial guaranty insurance company and an affiliate of AG (“AGM”), merged with and into AG, with AG as the surviving company (such transaction, the “Merger”). Upon the Merger, all liabilities of AGM, including insurance policies issued or assumed by AGM, became obligations of AG.

### *Current Financial Strength Ratings*

On October 18, 2024, KBRA announced it had affirmed AG’s insurance financial strength rating of “AA+” (stable outlook).

On July 10, 2024, Moody’s, following Assured Guaranty’s announcement of the Merger, announced that it had affirmed AG’s insurance financial strength rating of “A1” (stable outlook).

On May 28, 2024, S&P announced it had affirmed AG’s financial strength rating of “AA” (stable outlook). On August 1, 2024, S&P stated that following the Merger, there is no change in AG’s financial strength rating of “AA” (stable outlook).

AG can give no assurance as to any further ratings action that S&P, Moody’s and/or KBRA may take. For more information regarding AG’s financial strength ratings and the risks relating thereto, see AGL’s Annual Report on Form 10-K for the fiscal year ended December 31, 2023.



### *Capitalization of AG*

At September 30, 2024:

- The policyholders' surplus of AG was approximately \$3,644 million.
- The contingency reserve of AG was approximately \$1,374 million.
- The net unearned premium reserves and net deferred ceding commission income of AG and its subsidiaries (as described below) were approximately \$2,438 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AG, and (ii) the net unearned premium reserves and net deferred ceding commissions of AG's wholly owned subsidiary Assured Guaranty UK Limited ("AGUK"), and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA ("AGE").

The policyholders' surplus, contingency reserves, and net unearned premium reserves and net deferred ceding commission income of AG were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

### *Incorporation of Certain Documents by Reference*

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AG are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (filed by AGL with the SEC on February 28, 2024);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2024 (filed by AGL with the SEC on May 8, 2024);
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2024 (filed by AGL with the SEC on August 8, 2024); and
- (iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2024 (filed by AGL with the SEC on November 12, 2024).

All information relating to AG included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8 K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Inc.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AG included herein under the caption "BOND INSURANCE – Assured Guaranty Inc." or included in a document incorporated by reference herein (collectively, the "AG Information") shall be modified or superseded to the extent that any subsequently included AG Information (either directly or through incorporation by reference) modifies or supersedes such previously included AG Information. Any AG Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

## *Miscellaneous Matters*

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

### **BOND INSURANCE RISK FACTORS**

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the Policy for such payments.

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

The long-term ratings on the Bonds are dependent in part on the financial strength of the Insurer and its claim paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Insurer and of the ratings on the Bonds insured by the Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See "BOND INSURANCE" and "RATINGS" herein. As is stated in this Official Statement under the caption "LEGAL MATTERS - No Material Adverse Change," the rating of the Insurer's creditworthiness by any rating agency does not in any manner affect the District's financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not constitute a change, material or otherwise, in the District's financial condition, and therefore cannot be a basis for termination by the Underwriters of their obligation to take up and pay for the Bonds.

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

Neither the District nor to the knowledge of the District the Underwriter has made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay the principal of and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment. See "BOND INSURANCE" herein for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

### **RATINGS**

The Bonds are expected to receive an insured rating of "AA" (stable outlook) from S&P Global Ratings ("S&P"), a business unit of Standard & Poor's Financial Services LLC, based upon the issuance and delivery of the Insurance Policy by the Insurer at the time of delivery of the Bonds. The underlying credit rating of the Bonds assigned by S&P is "A-" (stable outlook).

An explanation of the significance of the foregoing ratings may only be obtained from S&P. The foregoing ratings express only the view of S&P at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that the ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by S&P, if, in its judgment, circumstances so warrant. Any such downward change in or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

The District is not aware of any ratings assigned the Bonds other than the ratings of S&P. See "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS."

**OFFICIAL STATEMENT SUMMARY**

The following summary of certain information contained herein is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. The reader should refer particularly to sections that are indicated for more complete information.

**THE BONDS**

The Issuer .....	Lake Municipal Utility District (the “District”) is a political subdivision of the State of Texas located in Harris County, Texas. See “THE DISTRICT.”
Description .....	\$6,850,000 Unlimited Tax Bonds, Series 2025 (the “Bonds”), are dated March 1, 2025, and interest on the Bonds accrues from the Date of Delivery (as defined herein), and is payable on September 1, 2025, and on each March 1 and September 1 thereafter until maturity or prior redemption. The Bonds are subject to redemption, in whole or in part, prior to their scheduled maturities, on September 1, 2030, or on any date thereafter at the option of the District. See “THE BONDS - General” and - “Redemption of the Bonds.”
Book-Entry-Only System .....	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC (defined herein), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (hereinafter defined) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “THE BONDS - Book-Entry-Only System”).
Source of Payment .....	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The Bonds are obligations of the District and are not obligations of the State of Texas, Harris County, Texas, the City of Baytown, Texas, or any political subdivision other than the District. See “THE BONDS - Source and Security for Payment,” “INVESTMENT CONSIDERATIONS - Maximum Impact on District Tax Rates,” and “TAX DATA - Tax Rate Calculations.”
Other Characteristics .....	The Bonds will be issued in fully registered form in the denomination of \$5,000 each, or integral multiples thereof.
Use of Proceeds .....	Proceeds of the sale of the Bonds will be used to (i) finance the District's cost of acquisition or construction of an emergency interconnect between the Bay River Colony and Meadowlake Village systems; water backflow improvements for Meadowlake Village (Breda Drive); Bay River Colony Wastewater Treatment Plant expansion and site improvements; West Meadows Wastewater Treatment Plant

Phase 1 – generator and site improvement; Lift Station No. 1 (Sequoia) portable generator; Lift Station No. 2 (Broken Arrow) bypass diesel pump; and Lift Station No. 4 (Highland Ranch) portable generator; (ii) pay engineering costs associated with the design and construction of such facilities; and (iii) pay issuance costs, legal fees, fiscal agent’s fees, a fee to the Texas Commission on Environmental Quality (the “TCEQ”), a fee to the Attorney General of Texas, and certain financing costs related to the issuance of the Bonds. See “THE BONDS - Use and Distribution of Bond Proceeds.”

Outstanding Bonds and Payment Record . . . . .

The District has previously issued Unlimited Tax Bonds, Series 1981 (the “Series 1981 Bonds”), Unlimited Tax Refunding Bonds, Series 1988 (the “Series 1988 Refunding Bonds”), Unlimited Tax Refunding Bonds, Series 1993 (the “Series 1993 Refunding Bonds”), Unlimited Tax Bonds, Series 1998 (the “Series 1998 Bonds”), Unlimited Tax Bonds, Series 2002 (the “Series 2002 Bonds”), Unlimited Tax Bonds, Series 2009 (the “Series 2009 Bonds”), Unlimited Tax Bonds, Series 2011 (the “Series 2011 Bonds”), Unlimited Tax Bonds, Series 2013 (the “Series 2013 Bonds”), Unlimited Tax Bonds, Series 2015 (the “Series 2015 Bonds”), Unlimited Tax Bonds, Series 2016 (the “Series 2016 Bonds”), Unlimited Tax Refunding Bonds, Series 2018 (the “Series 2018 Refunding Bonds”), and Unlimited Tax Refunding Bonds, Series 2021 (the “Series 2021 Refunding Bonds”). Collective reference is made in this Official Statement to all of such previously issued bonds as the “Prior Bonds.” As of the date of issuance of the Bonds, the aggregate principal amount of the Prior Bonds that had not been previously retired by the District is \$15,160,000 (the “Outstanding Bonds”), and the total of the District’s direct bonded indebtedness, including the Bonds, will be \$22,010,000. The District has never defaulted in the timely payment of principal of and interest on the Prior Bonds. See “THE BONDS - Issuance of Additional Debt” and - “Use and Distribution of Bond Proceeds, “THE SYSTEM” and “INVESTMENT CONSIDERATIONS - Future Debt.”

Authorized But Unissued Bonds . . . . .

After issuance of the Bonds, the District will have \$8,420,000 authorized but unissued unlimited tax bonds for waterworks, wastewater, and drainage facilities, all of which can be used for refunding such bonds. See “THE BONDS - Authority for Issuance” and - “Issuance of Additional Debt.”

Municipal Bond Insurance. . . . .

Assured Guaranty Inc. (“AG” or the “Insurer”). See “BOND INSURANCE” and “BOND INSURANCE RISK FACTORS.”

Municipal Bond Ratings. . . . .

S&P Global Ratings (AG Insured) “AA” (stable outlook). S&P Global Ratings (Underlying) “A-” (stable outlook). See “BOND INSURANCE,” “BOND INSURANCE RISK FACTORS” and “RATINGS.”

Qualified Tax-Exempt Obligations . . . . .	The District has designated the bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended. See “LEGAL MATTERS - Qualified Tax-Exempt Obligations.”
Legal Opinion . . . . .	Coats Rose PC, Houston, Texas, Bond Counsel. See “LEGAL MATTERS.”

**THE DISTRICT**

Description . . . . .	Lake Municipal Utility District, a political subdivision of the State of Texas, was created by the Texas Water Commission, predecessor of the Texas Commission on Environmental Quality, on February 27, 1979. The District contains approximately 521.42 acres of land. The District is located approximately 30 miles east of the central business district of Houston, Texas. The District consists of five (5) non-contiguous tracts of land, all located north of Interstate Highway 10. Access to the tracts is generally afforded by exits from Interstate Highway 10 to John Martin Road, Garth Road and Thompson Road. The District is located entirely within the exclusive extraterritorial jurisdiction of the City of Baytown, Texas, approximately 5 miles north of downtown Baytown and approximately 30 miles east of the central business district of Houston, Texas. The District is located within Harris County, Texas, and the Goose Creek Consolidated Independent School District. See “THE DISTRICT - Description” and “APPENDIX A - LOCATION MAP.”
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Authority . . . . .	The rights, powers, privileges, authority and functions of the District are established by Article XVI, Section 59 of the Constitution of the State of Texas and the general laws of the State of Texas pertaining to municipal utility districts, particularly Chapters 49 and 54 of the Texas Water Code, as amended. See “THE DISTRICT - General.”
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Development and Home Construction . . . . .	The development of the entirety of the developable land located within the District is complete. As of January 1, 2025, the District contained (i) 2,023 single family homes, plus (ii) commercial above- ground improvements consisting of the Community Toyota automobile dealership (approximately 29,846 square feet of building area constructed on an approximate 8 acre tract), a free-standing Cavender's Boot City western clothing store (approximately 15,972 square feet of building area constructed on an approximate 1.8 acre tract), a free standing Texas Academy of Acrobatics and Gymnastics gym (approximately 16,520 square feet of building area constructed on an approximate 4.6 acre tract), and an approximately 4.2-acre portion of the Big Star Buick GMC automobile dealership (approximately 29,069 square feet of building area) which has been developed on a site that is partially located within the District.
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Development activity which has been conducted to date within the District includes the completion of the development of an aggregate of approximately 493.3 acres of

land which includes (i) an aggregate of 2,024 single-family residential lots on approximately 442.4 acres (Meadow Lake Village, Sections 1 through 7; Bay River Colony, Sections 1 through 10; Highlands Ranch; and West Meadows, Sections 1 through 5), and (ii) approximately 26.6 acres of unrestricted commercial/multi-family residential reserves, which include a community center site containing approximately 2.9 acres.

The balance of the land located within the District, a portion of which is included in the single-family residential and commercial development that is described above, is contained within a lake, certain easements, streets, parks and open spaces, or District facility sites.

The District financed the acquisition or construction of underground water, sewer, and drainage facilities to serve Bay River Colony, Section 1 through 10, Meadow Lake Village, Sections 1 through 7, Highlands Ranch, and West Meadows, Sections 1, 3, 4 and 5; a portion of the lease costs of the Bay River Colony wastewater treatment plant; the expansion of Wastewater Treatment Plant No. 1; lease purchases of Wastewater Treatment Plants No. 1 and No. 2; land acquisition for the West Meadows detention pond and Wastewater Treatment Plant No. 2 sites; construction of drainage for the left turn lane of East Wallisville Road; and other items with portions of the proceeds of the Prior Bonds. The District expects to finance the acquisition or construction of additional components of the System with portions of the proceeds of the sale of bonds, if any, in the future. See “THE BONDS - Issuance of Future Debt” and - “Use and Distribution of Bond Proceeds,” “INVESTMENT CONSIDERATIONS - Future Debt” and “THE SYSTEM.”

### **INVESTMENT CONSIDERATIONS**

THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS AS SET FORTH IN THIS OFFICIAL STATEMENT. PROSPECTIVE PURCHASERS SHOULD CAREFULLY EXAMINE THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING THEIR INVESTMENT DECISIONS, ESPECIALLY THE PORTION OF THE OFFICIAL STATEMENT ENTITLED “INVESTMENT CONSIDERATIONS.”

**SELECTED FINANCIAL INFORMATION**  
**(Unaudited)**

2024 Assessed Valuation .....	\$ 527,750,117 (a)
(As of January 1, 2024)	
See "TAX DATA" and "TAXING PROCEDURES"	
Direct Debt:	
Outstanding Bonds.....	\$ 15,160,000
The Bonds .....	<u>6,850,000</u>
Total .....	\$ 22,010,000 (b)
Estimated Overlapping Debt .....	\$ <u>19,679,257</u>
Total Direct and Estimated Overlapping Debt .....	\$ <u>41,689,257</u>
Direct Debt Ratio	
: as a percentage of 2024 Assessed Valuation.....	4.17 %
Direct and Overlapping Debt Ratio	
: as a percentage of 2024 Assessed Valuation.....	7.90 %
Debt Service Fund Balance as of December 19, 2024.....	\$ 1,540,008 (c)
General Fund Balance as of December 19, 2024.....	\$ 1,692,797
2024 Tax Rate per \$100 of Assessed Valuation	
Debt Service Tax.....	\$ 0.20
Maintenance Tax .....	<u>0.18</u>
Total .....	\$ 0.38 (d)
Average Percentage of Total Tax Collections (2014-2023) as of November 30, 2024 .....	99.66 %
Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2026-2045) .....	\$ 1,276,058
Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2042) .....	\$ 1,346,225
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2026-2045) at 95% Tax Collections	
Based Upon 2024 Assessed Valuation.....	\$ 0.26
Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2042) at 95% Tax Collections	
Based Upon 2024 Assessed Valuation.....	\$ 0.27



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- (a) As of January 1, 2024, and comprises the District's 2024 tax roll. All property located in the District is valued on the tax rolls by the Harris Central Appraisal District (the "Appraisal District") at 100% of assessed valuation as of January 1 of each year. The District's tax roll is certified by the Harris County Appraisal Review Board (the "Appraisal Review Board"). See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."
- (b) See "DISTRICT DEBT."
- (c) Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the Debt Service Fund. Such fund balance reflects the timely payment by the District of its debt service requirements on the Outstanding Bonds that were due for 2024. The District's initial debt service payment on the Bonds, which consists of an interest payment, is due on September 1, 2025.
- (d) The District levied a debt service tax for 2024 in the amount of \$0.20 per \$100 of Assessed Valuation. In addition, the District levied a maintenance tax of \$0.18 per \$100 of Assessed Valuation for 2024. See "TAX DATA - Estimated Overlapping Taxes." As is enumerated and further detailed in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District's rate, is \$2.356289. Such aggregate levies are higher than the aggregate tax levies of some municipal utility districts in the Houston metropolitan area, including the area of the District, but are within the range of the aggregate levies of municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District. See "INVESTMENT CONSIDERATIONS – Economic Factors Affecting Taxable Values and Tax Payments" and "TAX RPOCEDURES."

**\$6,850,000**  
**LAKE MUNICIPAL UTILITY DISTRICT**  
**UNLIMITED TAX BONDS**  
**SERIES 2025**

**INTRODUCTION**

This Official Statement provides certain information with respect to the issuance by Lake Municipal Utility District (the “District”) of its Unlimited Tax Bonds, Series 2025 (the “Bonds”).

There follow in this Official Statement descriptions of the Bonds, the intended use of the proceeds of the sale of the Bonds, and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District upon request and payment of the costs for duplication thereof. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Order (hereinafter defined), except as otherwise indicated herein.

**THE BONDS**

**General**

The following is a description of certain terms and conditions of the Bonds, which description is qualified in its entirety by reference to the order of the Board of Directors of the District (the “Board”) authorizing the issuance of the Bonds (the “Bond Order”). A copy of the Bond Order may be obtained from the District upon request and payment of the costs of duplication thereof. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

**Description**

The Bonds are dated March 1, 2025, and interest accrues from the date of initial delivery (the “Date of Delivery”), at the rates shown on the inside cover page hereof, and is payable on September 1, 2025, and on each March 1 and September 1 thereafter (each, an “Interest Payment Date”) until the earlier of stated maturity or redemption. The Bonds will be issued as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof. The Bonds will be registered and delivered only to The Depository Trust Company, New York, New York (“DTC”), in its nominee name of Cede & Co., pursuant to the book-entry system described herein. No physical delivery of the Bonds will be made to the purchasers thereof. See “Book-Entry-Only System” below. Interest calculations are based on a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months.

**Book-Entry-Only System**

*This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York, (“DTC”) while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor believe the source of such information to be reliable, but neither the District or the Financial Advisor takes any responsibility for the accuracy or completeness thereof.*

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

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries.

Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a rating of “AA+” from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and, (ii) except as described above, notices that are to be given to registered owners under the Bond Order will be given only to DTC.

#### **Record Date**

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

#### **Redemption Provisions**

The District reserves the right, at its option, to redeem the Bonds prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 2030, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures. See "Book-Entry-Only System" above.

By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar (hereinafter defined) for payment of the principal of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

## **Method of Payment of Principal and Interest**

The Board has appointed The Bank of New York Mellon Trust Company, N.A., having its principal corporate trust office and its principal payment office in Houston, Texas, as the initial paying agent/registrars (the “Paying Agent/Registrar,” “Paying Agent,” or “Registrar”) for the Bonds. The principal of and interest on the Bonds shall be paid to DTC, which will make distribution of the amounts so paid to the Beneficial Owners of the Bonds. See “Book-Entry-Only System” above.

## **Registration, Transfer and Exchange**

The Bonds are transferable only on the bond register kept by the Registrar upon surrender at the corporate trust office of the Registrar in Dallas, Texas. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Registrar. At any time after the date of initial delivery, any Bond may be transferred upon its presentment and surrender at the office of the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. The Bonds are exchangeable upon presentation at the corporate trust office of the Registrar, in Dallas, Texas, for Bonds of the same maturity in authorized denominations. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the owner in not more than three (3) business days after the receipt by the Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in denominations of \$5,000 or any integral multiple thereof for any one maturity and shall bear interest at the same rate and be for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Registrar nor the District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding interest payment date or to transfer or exchange any Bond selected for redemption, in whole or in part, where such redemption is scheduled to occur within forty-five (45) calendar days. No service charge will be made for any transfer or exchange, but the District or Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

## **Replacement of Paying Agent/Registrar**

Provision is made in the Bond Order for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrars shall be required to accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrars selected by the District shall be a duly qualified and competent trust or banking corporation or organization organized and doing business under the laws of the United States of America or of any State thereof, with a combined capital and surplus of at least \$25,000,000, which is subject to supervision of or examination by federal or state banking authorities, and which is a transfer agent duly registered with the United States Securities and Exchange Commission.

## **Authority for Issuance**

At elections held within the District on May 1, 1999, September 13, 2003, February 7, 2004, February 5, 2005, and November 5, 2013, voters of the District authorized a total of \$36,695,000 bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities, of which \$28,665,000 could also be used for refunding such bonds. After issuance of the Bonds, a total of \$8,420,000 in principal amount of unlimited tax bonds for facilities, all of which can be also be used for refunding such bonds, will remain authorized but unissued. The remaining voter approved but unissued bond authority as described in the preceding statements is documented in the District's election and bond issuance records but is also subject to Attorney General confirmation. The Bonds are issued pursuant to the Bond Order, Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 of the Texas Constitution. Issuance of the Bonds has been further authorized by the Texas Commission on Environmental Quality (the “TCEQ” or the “Commission”).

## **Outstanding Bonds and Payment Record**

The District has previously issued Unlimited Tax Bonds, Series 1981 (the “Series 1981 Bonds”), Unlimited Tax Refunding Bonds, Series 1988 (the “Series 1988 Refunding Bonds”), Unlimited Tax Refunding Bonds, Series 1993 (the “Series 1993 Refunding Bonds”), Unlimited Tax Bonds, Series 1998 (the “Series 1998 Bonds”), Unlimited Tax Bonds, Series 2002 (the “Series 2002 Bonds”), Unlimited Tax Bonds, Series 2009 (the “Series 2009 Bonds”), Unlimited Tax Bonds, Series 2011 (the “Series 2011 Bonds”), Unlimited Tax Bonds, Series 2013 (the “Series 2013 Bonds”), Unlimited Tax Bonds, Series 2015 (the “Series 2015 Bonds”), Unlimited Tax Bonds, Series 2016 (the “Series 2016 Bonds”), Unlimited Tax Refunding Bonds, Series 2018 (the “Series 2018 Refunding Bonds”), and Unlimited Tax Refunding Bonds, Series 2021 (the “Series 2021 Refunding Bonds”). Collective reference is made in this Official Statement to all of such previously issued bonds as the “Prior Bonds.” As of the date of issuance of the Bonds, the aggregate principal amount of the Prior Bonds that had not been previously retired by the District is \$15,160,000 (the “Outstanding Bonds”), and the total of the District’s direct bonded indebtedness, including the Bonds, will be \$22,010,000. The District has never defaulted in the timely payment of principal of and interest on the Prior Bonds. See “THE BONDS - Issuance of Additional Debt” and - “Use and Distribution of Bond Proceeds, “THE SYSTEM” and “INVESTMENT CONSIDERATIONS - Future Debt”.

## **Source and Security for Payment**

The Bonds, together with the Outstanding Bonds (hereinafter defined) and any additional bonds payable from ad valorem taxes, are secured by and payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located within the District (see “TAX PROCEDURES”).

Investment in the Bonds involves certain elements of risk, and all prospective purchasers are urged to examine carefully this Official Statement with respect to the investment security of the Bonds. See “INVESTMENT CONSIDERATIONS.” The Bonds are obligations solely of the District and are not obligations of the City of Baytown, Harris County, the State of Texas, or any political subdivision or entity other than the District.

## **Funds**

The Bond Order confirms the establishment of the District's Debt Service Fund (the “Debt Service Fund”) created and established pursuant to the orders of the District authorizing the issuance of the Prior Bonds. The Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Outstanding Bonds, the Bonds and any additional tax bonds issued by the District, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Outstanding Bonds, the Bonds and any of the District's duly authorized additional bonds payable in whole or part from taxes. Amounts on deposit in the Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar (hereinafter defined), to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Outstanding Bonds, the Bonds and any additional tax bonds, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

## **Issuance of Additional Debt**

The District may issue additional bonds, with the approval of the TCEQ, necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. See “THE DISTRICT - General.” The Prior Bonds issued prior to 1999 were issued pursuant to elections held prior to 1999, any remaining authorizations from which have been cancelled. Since May 1, 1999, the District's voters have authorized the issuance of a total of \$36,695,000 unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities or for refunding such bonds and could authorize additional amounts. Following the issuance of the Bonds, the District will have \$8,420,000 of unlimited tax bonds authorized but unissued for improvements and facilities, all of which can be also used for refunding such bonds. The remaining voter approved but unissued bond authority as described in the preceding statements is documented in the District’s election and bond issuance records but



is also subject to Attorney General confirmation. In addition to the acquisition and construction of the components of the System that the District has financed with portions of the proceeds of the sale of the Prior Bonds, the District expects to finance the acquisition or construction of additional components of the System with portions of the proceeds of the sale of bonds, if any, in the future. See "INVESTMENT CONSIDERATIONS - Future Debt" and - "Use and Distribution of Bond Proceeds," and "THE SYSTEM." The District's Consulting Engineer currently estimates that the \$8,420,000 authorized bonds which will remain unissued after the issuance of the Bonds are adequate to finance the acquisition of any facilities not previously acquired with the proceeds of the sale of the Prior Bonds to provide service to the entirety of the District as described in this Official Statement under the caption "THE SYSTEM." If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Outstanding Bonds and the Bonds. See "THE BONDS - Issuance of Additional Debt."

The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District.

### **Financing Parks and Recreational Facilities**

Conservation and reclamation districts in certain counties are authorized to develop and finance with property taxes certain recreational facilities after a district election has been successfully held to approve a maintenance tax to support recreational facilities and/or the issuance of bonds payable from taxes.

The District is authorized to levy an operation and maintenance tax to support recreational facilities at a rate not to exceed \$0.10 per \$100 of assessed valuation of taxable property in the District, after such tax is approved at an election. In addition, the District is authorized to issue bonds payable from an ad valorem tax to pay for the development and maintenance of recreational facilities if (i) the District duly adopts a plan for the facilities; (ii) the bonds are authorized at an election; (iii) the bonds payable from any source may exceed an amount equal to one percent but not three percent of the value of the taxable property in the District at the time of issuance of the bonds, or an amount greater than the estimated cost of the plan, whichever amount is smaller; (iv) the District obtains any necessary governmental consents allowing the issuance of such bonds; and (v) the bonds are approved by the Attorney General of Texas.

The District may issue bonds for such purposes payable solely from net operating revenues without an election. The issuance of such bonds is subject to rules and regulations adopted by the Commission.

The District has not considered calling an election for such purposes but could consider doing so in the future.

Current law may be changed in a manner to increase the amount of bonds which may be issued as related to a percentage of the value of taxable property or to allow a higher or lower maintenance tax rate for such purposes. The levy of taxes for such purposes may dilute the security for the Bonds.

### **Annexation and Consolidation**

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Baytown, the District must conform to a City of Baytown consent ordinance. Generally, the District may be annexed by the City of Baytown without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District; however, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation.

Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement between the City and the District specifying the procedures for full purpose annexation of all or a portion of the District.



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

In certain circumstances, the District may alter its boundaries to exclude land subject to taxation within the District that is not served by District facilities if the District simultaneously annexes land of equal acreage and value that may be practicably served by District facilities. No representation is made concerning the likelihood that the District would effect such a substitution of land.

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

### **Registered Owners' Remedies**

The Bond Order contains a covenant that while any part of the Bonds is outstanding, there shall be assessed, levied, and collected an annual ad valorem tax, without limit as to rate or amount, on all taxable property within the District, sufficient to pay principal of and interest on the Bonds when due and to pay the expenses necessary in collecting taxes. Texas law and the Bond Order provide that in the event that the District defaults in the payment of the principal of or interest on any of the Bonds when due, fails to make payments required by the Bond Order into the Debt Service Fund, or defaults in the observance or performance of any of the covenants, conditions, or obligations set forth in the Bond Order, any Registered Owner shall be entitled at any time to a writ of mandamus from a court of competent jurisdiction compelling and requiring the Board of Directors of the District to observe and perform any covenant, obligation, or condition prescribed by the Bond Order. Such right is in addition to all other rights the Registered Owners may be provided by the laws of the State of Texas.

Except for mandamus, the Bond Order does not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default. Consequently, the remedy of mandamus is a remedy which may have to be relied upon from year to year by the Registered Owners. Even if the Registered Owners could obtain a judgment against the District, such judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Certain traditional legal remedies also may not be available. The enforceability of the rights and remedies of the Registered Owners may be further limited by federal bankruptcy laws, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. See "Bankruptcy Limitation to Registered Owners' Rights" below.

### **Bankruptcy Limitation to Registered Owners' Rights**

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. §§901-946, if the District (1) is generally authorized to file for federal bankruptcy protection by State law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under recent Texas legislation, a municipal utility district, such as the District, must obtain the approval of the TCEQ prior to filing for bankruptcy. Such legislation

requires that the TCEQ investigate the financial condition of the District and authorize the District to proceed only if the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

If the District decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the District would develop and file a plan for the adjustment of its debts, and the Bankruptcy Court would confirm the District's plan if (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code, (2) all payments to be made in connection with the plan are fully disclosed and reasonable, (3) the District is not prohibited by law from taking any action necessary to carry out the plan, (4) administrative expenses are paid in full, and (5) the plan is in the best interests of creditors and is feasible. The rights and remedies of the Registered Owners would be adjusted in accordance with the confirmed plan of adjustment of the District's debt. See "INVESTMENT CONSIDERATIONS."

The District may not be placed into bankruptcy involuntarily.

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

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

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

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

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

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

### **Defeasance**

The Bond Order provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) for obligations of the District payable from revenues or from ad valorem taxes or both, or a commercial bank or trust company designated in the proceedings authorizing such discharge amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment

quality by a nationally recognized investment rating firm not less than AAA or its equivalent; and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book entry form and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Order.

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

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under Texas law.

**Use and Distribution of Bond Proceeds**

Proceeds of the sale of the Bonds will be used to (i) finance the District's cost of acquisition or construction of an emergency interconnect between the Bay River Colony and Meadowlake Village systems; water backflow improvements for Meadowlake Village (Breda Drive); Bay River Colony Wastewater Treatment Plant expansion and site improvements; West Meadows Wastewater Treatment Plant Phase 1 – generator and site improvement; Lift Station No. 1 (Sequoia) portable generator; Lift Station No. 2 (Broken Arrow) bypass diesel pump; and Lift Station No. 4 (Highland Ranch) portable generator; (ii) pay engineering costs associated with the design and construction of such facilities; and (iii) pay issuance costs, legal fees, fiscal agent’s fees, a fee to the TCEQ, a fee to the Attorney General of Texas, and certain financing costs related to the issuance of the Bonds.

**I. Construction Costs**

District's Share

A. Developer Contribution Items – None

B. District Items

1. Emergency Interconnect between Bay River Colony and Meadowlake Village	\$ 536,648
2. Water Backflow Improvements for Meadowlake Village (Breda Dr.)	107,330
3. Bay River Colony Wastewater Treatment Plant Expansion and Site Improvements	2,441,748
4. West Meadows Wastewater Treatment Plant Phase 1 – Generator and Site Improvements	791,019
5. Lift Station No. 1 (Sequoia) Portable Generator	112,696
6. Lift Station No. 2 (Broken Arrow) Bypass Diesel Pump	45,078
7. Lift Station No. 4 (Highland Ranch) Portable Generator	279,057
8. Contingencies	862,715
9. Engineering	<u>1,035,258</u>
Subtotal Total District Items	6,211,549

**TOTAL CONSTRUCTION COSTS** \$ 6,211,549

## II. Non-Construction Costs

1. Legal Fees	\$ 176,250
2. Financial Advisor Fees	108,500
3. Bond Discount	205,472
4. Bond Issuance Expenses	80,845
5. Bond Application Report Costs	43,381
6. Attorney General Fee	6,850
7. TCEQ Bond Issuance Fee	17,125
8. Contingency *	<u>28</u>
<b>TOTAL NON-CONSTRUCTION COSTS</b>	<b><u>\$ 638,451</u></b>
<b>TOTAL BOND ISSUE REQUIREMENT</b>	<b><u>\$6,850,000</u></b>

\* Represents surplus funds resulting from sale of the Bonds at a lower underwriter's discount and interest rate than estimated and can be used by the District only upon approval of the TCEQ.

In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved by the TCEQ. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required. The Engineer has advised the District that the proceeds of the sale of the Bonds should be sufficient to cover the costs of the above described facilities. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

### THE DISTRICT

#### General

Lake Municipal Utility District (the "District"), a political subdivision of the State of Texas, was created by the Texas Water Commission, predecessor of the TCEQ, on February 27, 1979, under Article XVI, Section 59 of the Texas Constitution, and operates under the provisions of Chapter 49 and Chapter 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District, which lies entirely within the extraterritorial jurisdiction of the City of Baytown, is subject to the continuing supervisory jurisdiction of the TCEQ.

The District is empowered, among other things, to finance, purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may also provide solid waste disposal and collection services. The District is also empowered to establish, operate and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the TCEQ and the voters of the District. Additionally, the District may, subject to certain limitations, develop and finance recreational facilities.

The District is required to observe certain requirements of the City of Baytown which limit the purposes for which the District may sell bonds to the acquisition, construction, and improvement of waterworks, wastewater, and drainage facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of Baytown of District construction plans; and permit connections only to lots and reserves described in a plat that has been approved by the City of Baytown and filed in the real property records of Harris County. Construction and operation of the District's drainage system is subject to the regulatory jurisdiction of additional State of Texas and local agencies. See "THE SYSTEM."

## Description

The District is a political subdivision of the State of Texas and was created by the Texas Water Commission, predecessor to the TCEQ, on February 27, 1979. The District contains approximately 521.42 acres of land. The District is located approximately 30 miles east of the central business district of Houston, Texas. The District consists of five (5) non-contiguous tracts of land, all located north of Interstate Highway 10. Access to the tracts is generally afforded by exits from Interstate Highway 10 near John Martin Road, Garth Road and Thompson Road. The District is located entirely within the exclusive extraterritorial jurisdiction of the City of Baytown, Texas, approximately 5 miles north of downtown Baytown and approximately 30 miles east of the central business district of Houston, Texas. The District is located within Harris County, Texas, and the Goose Creek Consolidated Independent School District. See “APPENDIX A - LOCATION MAP.”

## Management of the District

The District is governed by the Board of Directors, consisting of five directors. The Board of Directors has control over and management supervision of all affairs of the District. Directors serve four-year staggered terms, and elections are held within the District in May in even numbered years. The current members and officers of the Board, along with their respective terms of office, are listed below. All of the Directors currently reside within the District.

The current members and officers of the Board, along with their respective terms of office, are listed below.

<u>Name</u>	<u>Position</u>	<u>Term Expires in May</u>
Kathleen Witkowski	President	2028
Kenneth J. Sandor	Vice President	2026
Alias Jones	Secretary	2026
Sheila Crianza	Assistant Secretary	2028
Linda Mason	Director	2028

The District does not have a general manager or any other employee, but has contracted for services, as follows.

## Tax Assessor/Collector

The District has engaged Dawn Muth of San Jacinto Tax Service Company LLC, Crosby Texas, as the District's Tax Assessor/Collector. The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Appraisal District and bills and collects such levy.

## Bookkeeper

The District has engaged District Data Services, Inc. as the District's Bookkeeper.

## Auditor

As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. The District's auditor for the 2025 fiscal year is McCall Gibson Swedlund Barfoot Ellis PLLC, Certified Public Accountants. The District's audit for the fiscal year dated July 31, 2024, which was audited by McCall Gibson Swedlund Barfoot Ellis PLLC, Certified Public Accountants, is included as “APPENDIX B” to this Official Statement.

## **Consulting Engineer**

The District has employed the firm of Langford Engineering Inc., Houston, Texas, as Consulting Engineer in connection with the overall planning activities and the design and construction of the System.

## **Attorney**

The District has engaged Coats Rose, P.C., Houston, Texas, as general counsel to the District and as bond counsel (“Bond Counsel”) in connection with the issuance of the Bonds. The fees to be paid Bond Counsel in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued and sold. Therefore, the payment of such fees is contingent upon the sale and delivery of the Bonds. See “LEGAL MATTERS.”

## **Financial Advisor**

The District has engaged Rathmann & Associates, L.P., as financial advisor (the “Financial Advisor”) to the District. The fees paid the Financial Advisor for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued and sold. Therefore, the payment of such fees is contingent upon the sale and delivery of the Bonds. Rathmann & Associates, L.P. is an independent municipal advisor registered with the United States Securities and Exchange Commission (the “SEC”) and the Municipal Securities Rulemaking Board (the “MSRB”). Rathmann & Associates, L.P.’s SEC registration number is 867-00217 and its MSRB registration number is K0161. Rathmann & Associates, L.P.’s SEC registration Forms MA and MA-1’s, which constitute Rathmann & Associates, L.P.’s registration filings, may be accessed through <http://www.sec.gov/edgar/searchedgar/companysearch.html>.

## **DEVELOPMENT AND HOME CONSTRUCTION**

The development of the entirety of the developable land located within the District is complete. As of January 1, 2025, the District contained (i) 2,023 single family homes, plus (ii) commercial above-ground improvements consisting of the Community Toyota automobile dealership (approximately 29,846 square feet of building area constructed on an approximate 8 acre tract), a free-standing Cavender's Boot City western clothing store (approximately 15,972 square feet of building area constructed on an approximate 1.8 acre tract), a free standing Texas Academy of Acrobatics and Gymnastics gym (approximately 16,520 square feet of building area constructed on an approximate 4.6 acre tract), and an approximately 4.2-acre portion of the Big Star Buick GMC automobile dealership (approximately 29,069 square feet of building area) which has been developed on a site that is partially located within the District.

Development activity which has been conducted to date within the District includes the completion of the development of an aggregate of approximately 493.3 acres of land which includes (i) an aggregate of 2,024 single-family residential lots on approximately 442.4 acres (Meadow Lake Village, Sections 1 through 7; Bay River Colony, Sections 1 through 10; Highlands Ranch; and West Meadows, Sections 1 through 5), and (ii) approximately 26.6 acres of unrestricted commercial/multi-family residential reserves, which include a community center site containing approximately 2.9 acres.

The balance of the land located within the District, a portion of which is included in the single-family residential and commercial development that is described above, is contained within a lake, certain easements, streets, parks and open spaces, or District facility sites.

The District financed the acquisition or construction of underground water, sewer, and drainage facilities to serve Bay River Colony, Section 1 through 10, Meadow Lake Village, Sections 1 through 7, Highlands Ranch, and West Meadows, Sections 1, 3, 4 and 5; a portion of the lease costs of the Bay River Colony wastewater treatment plant; the expansion of Wastewater Treatment Plant No. 1; lease purchases of Wastewater Treatment Plants No. 1 and No. 2; land acquisition for the West Meadows detention pond and Wastewater Treatment Plant No. 2 sites; construction of drainage for the left turn lane of East Wallisville Road; and other items with portions of the proceeds of the Prior Bonds. The District expects to finance the acquisition or construction of additional components of the System with portions of the proceeds



of the sale of bonds, if any, in the future. See “THE BONDS - Issuance of Future Debt” and - “Use and Distribution of Bond Proceeds,” “INVESTMENT CONSIDERATIONS - Future Debt” and “THE SYSTEM.”

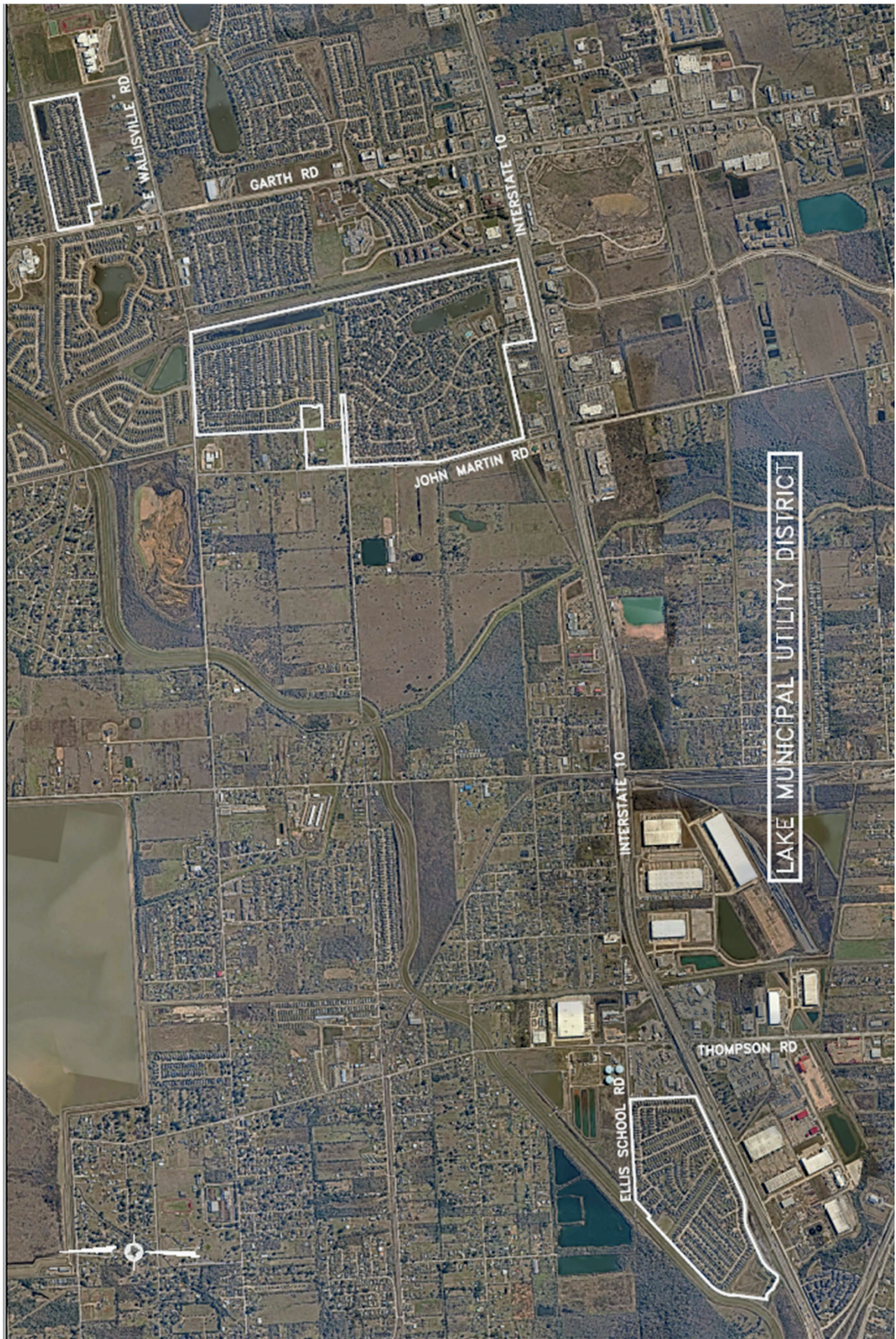
As of January 1, 2025, the status of single-family residential development and home construction was as follows:

<u>Subdivision</u>	<u>Lots</u>				<u>Homes</u>				
	<u>Developed</u>	<u>Acres</u>	<u>Under</u>		<u>Under</u>		<u>Completed</u>		<u>Totals</u>
			<u>Development</u>	<u>Acres</u>	<u>Sold</u>	<u>Unsold</u>	<u>Sold</u>	<u>Unsold</u>	
Meadow Lake Village									
Section 1	274	71.3			0	0	274	0	274
Section 2	176	41.1			0	0	176	0	176
Section 3	180	41.6			0	0	180	0	180
Section 4	28	5.2			0	0	28	0	28
Section 5	47	10.5			0	0	47	0	47
Section 6	26	6.1			0	0	26	0	26
Section 7	37	8.2			0	0	37	0	37
Bay River Colony									
Section 1	199	37.4			0	0	199	0	199
Section 2	47	8.5			0	0	47	0	47
Section 3	35	6.8			0	0	35	0	35
Section 4	36	7.5			0	0	36	0	36
Section 5	35	6.8			0	0	35	0	35
Section 6	27	5.2			0	0	27	0	27
Section 7	37	6.7			0	0	37	0	37
Section 8	36	9.6			0	0	36	0	36
Section 9	30	5.9			0	0	30	0	30
Section 10	31	5.8			0	0	31	0	31
Highlands Ranch (i)	211	38.1			0	0	210	0	210
West Meadows									
Section 1	318	82.0			0	0	318	0	318
Section 2	26	3.4			0	0	26	0	26
Section 3	85	14.2			0	0	85	0	85
Section 4	52	10.6			0	0	52	0	52
Section 5	<u>51</u>	<u>9.9</u>			<u>0</u>	<u>0</u>	<u>51</u>	<u>0</u>	<u>51</u>
TOTALS	2,024	442.4	0	0	0	0	2,023	0	2,023

(i) One of such lots has been conveyed to a homeowners association for use as a park.



AERIAL PHOTOGRAPH OF THE DISTRICT  
(taken January 2025)

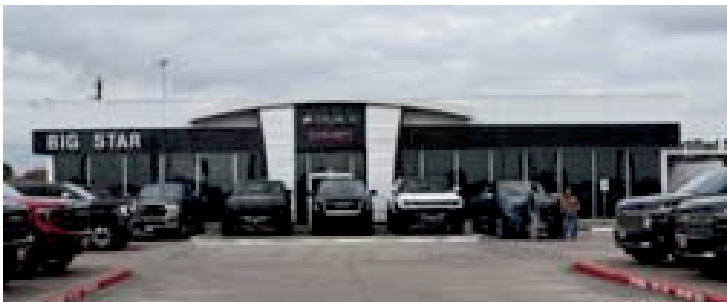




PHOTOGRAPHS TAKEN WITHIN THE DISTRICT  
(taken January 2025)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT  
(taken January 2025)



## DISTRICT DEBT

### Debt Service Requirement Schedule

The following schedule sets forth the debt service requirements of the Outstanding Bonds and the principal and interest requirements of the Bonds.

Year Ending December 31	Current Total Debt Service	Plus: The Bonds		New Total Debt Service
		Principal	Interest	
2025	\$985,881		\$127,189	\$1,113,070
2026	990,906		297,325	1,288,231
2027	989,050		297,325	1,286,375
2028	991,913		297,325	1,289,238
2029	994,206		297,325	1,291,531
2030	990,181		297,325	1,287,506
2031	934,950		297,325	1,232,275
2032	944,844		297,325	1,242,169
2033	949,106		297,325	1,246,431
2034	957,869		297,325	1,255,194
2035	960,981		297,325	1,258,306
2036	968,113		297,325	1,265,438
2037	974,188		297,325	1,271,513
2038	983,588		297,325	1,280,913
2039	991,713		297,325	1,289,038
2040	993,925		297,325	1,291,250
2041	1,034,925		297,325	1,332,250
2042	1,048,900		297,325	1,346,225
2043	941,300		297,325	1,238,625
2044	955,500		297,325	1,252,825
2045	978,500		297,325	1,275,825
2046		\$620,000	297,325	917,325
2047		650,000	271,750	921,750
2048		685,000	244,125	929,125
2049		720,000	214,156	934,156
2050		755,000	182,656	937,656
2051		795,000	149,625	944,625
2052		830,000	114,844	944,844
2053		875,000	78,531	953,531
2054		920,000	40,250	960,250
	\$20,560,539	\$6,850,000	\$7,666,951	\$35,077,490

Average Annual Requirements (2026-2045) .....	\$ 1,276,058
Maximum Annual Requirement (2042) .....	\$ 1,346,225

**Bonded Indebtedness**

2024 Assessed Valuation .....	\$	527,750,117 (a)
(As of January 1, 2024)		
See "TAX DATA" and "TAXING PROCEDURES"		
Direct Debt:		
Outstanding Bonds.....	\$	15,160,000
The Bonds .....		<u>6,850,000</u>
Total .....	\$	22,010,000
Estimated Overlapping Debt .....	\$	<u>19,679,257</u>
Total Direct and Estimated Overlapping Debt .....	\$	<u>41,689,257</u>
Direct Debt Ratio		
: as a percentage of 2024 Assessed Valuation.....		4.17 %
Direct and Overlapping Debt Ratio		
: as a percentage of 2024 Assessed Valuation.....		7.90 %
Debt Service Fund Balance as of December 19, 2024.....	\$	1,540,008 (b)
General Fund Balance as of December 19, 2024.....	\$	1,692,797
2024 Tax Rate per \$100 of Assessed Valuation		
Debt Service Tax .....	\$	0.20
Maintenance Tax .....		<u>0.18</u>
Total .....	\$	0.38 (c)

- 
- (a) As of January 1, 2024, and comprises the District's 2024 tax roll. All property located in the District is valued on the tax rolls by the Harris Central Appraisal District (the "Appraisal District") at 100% of assessed valuation as of January 1 of each year. The District's tax roll is certified by the Harris County Appraisal Review Board (the "Appraisal Review Board"). See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."
  - (b) Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the Debt Service Fund. Such fund balance reflects the timely payment by the District of its debt service requirements on the Outstanding Bonds that were due for 2024. The District's initial debt service payment on the Bonds, which consists of an interest payment, is due on September 1, 2025.
  - (c) The District levied a debt service tax for 2024 in the amount of \$0.20 per \$100 of Assessed Valuation. In addition, the District levied a maintenance tax of \$0.18 per \$100 of Assessed Valuation for 2024. See "TAX DATA - Estimated Overlapping Taxes." As is enumerated and further detailed in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District's rate, is \$2.356289. Such aggregate levies are higher than the aggregate tax levies of some municipal utility districts in the Houston metropolitan area, including the area of the District, but are within the range of the aggregate levies of municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District. See "INVESTMENT CONSIDERATIONS – Economic Factors Affecting Taxable Values and Tax Payments" and "TAX RPOCEDURES."

**Estimated Direct and Overlapping Debt Statement**

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

<u>Taxing Jurisdiction</u>	<u>Debt as of January 2, 2025</u>	<u>Estimated Overlapping Percent</u>	<u>Amount</u>
Harris County	\$2,424,019,039	0.0793%	\$1,922,405
Harris County Department of Education	28,960,000	0.0793%	22,967
Harris County Flood Control District	968,445,000	0.0793%	768,040
Harris County Hospital District	65,285,000	0.0793%	51,775
Port of Houston Authority	406,509,397	0.0793%	322,388
Goose Creek Consolidated Independent School District	607,660,572	2.6266%	15,960,587
Lee College District	26,025,000	2.4250%	<u>631,095</u>
 Total Estimated Overlapping Debt			 \$19,679,257
The District (the Bonds and the Outstanding Bonds)			<u>\$22,010,000</u>
Total Direct & Estimated Overlapping Debt			\$41,689,257

**Debt Ratios**

	% of 2024 <u>Assessed Valuation</u>
Direct Debt .....	4.17%
Direct and Estimated Overlapping Debt .....	7.90%

**TAX DATA**

**Debt Service Tax**

All taxable property within the District is subject to the assessment, levy and collection by the District of an ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Outstanding Bonds, the Bonds and any future tax-supported bonds which may be issued from time to time as authorized. The Board covenants in the Bond Order to assess and levy, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax ample and sufficient (with any net revenue) to produce funds to pay the principal of and interest on the Bonds

when due. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. The District levied a debt service tax of \$0.20 per \$100 of Assessed Valuation for 2024, as is described below under the caption "Tax Rate Distribution."

**Maintenance Tax**

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by a vote of the District's electorate. The District voters authorized the levy of such a maintenance tax in an amount not to exceed \$0.20 per \$100 of Assessed Valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, the Outstanding Bonds and any tax supported bonds which may be issued in the future. The District levied a maintenance tax of \$0.18 per \$100 of Assessed Valuation for 2024, as is described below under the caption "Tax Rate Distribution."

**Historical Values and Tax Collection History**

The following statement of tax collections sets forth, in condensed form, the historical Assessed Valuation and tax collections of the District. Such summary has been prepared for inclusion herein based upon information obtained from District records. Reference is made to such records, including the District's annual audited financial statements, for more complete information.

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate (a)</u>	<u>Adjusted Levy</u>	<u>% Collections Current &amp; Prior Years (b)</u>	<u>Year Ending 9/30</u>
2014	\$215,715,791	\$0.68	\$1,466,867	99.89 %	2015
2015	273,224,217	0.62	1,693,990	99.93	2016
2016	317,612,266	0.55	1,746,867	99.94	2017
2017	345,228,213	0.53	1,829,710	99.95	2018
2018	349,754,359	0.52	1,818,723	99.91	2019
2019	374,176,953	0.50	1,870,885	99.87	2020
2020	391,146,552	0.50	1,955,733	99.77	2021
2021	405,659,981	0.47	1,906,602	99.56	2022
2022	462,395,860	0.42	1,942,063	99.09	2023
2023	513,775,768	0.38	1,952,219	98.66	2024
2024	527,750,117	0.38	2,004,262	3.25 (c)	2025

- (a) Per \$100 of Assessed Valuation.
- (b) Such percentages reflect cumulative total collections for each year from the time each respective annual tax was levied through November 30, 2024.
- (c) As of November 30, 2024. In process of collection.

**Tax Rate Distribution**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Debt Service	\$0.20	\$0.18	\$0.22	\$0.27	\$0.30
Maintenance & Operations	<u>0.18</u>	<u>0.20</u>	<u>0.20</u>	<u>0.20</u>	<u>0.20</u>
Total	\$0.38	\$0.38	\$0.42	\$0.47	\$0.50



## Analysis of Tax Base

The following table illustrates the composition of property located within the District for the past five years.

<u>Type of Property</u>	<u>2024</u>		<u>2023</u>		<u>2022</u>	
	<u>Assessed Value</u>	<u>%</u>	<u>Assessed Value</u>	<u>%</u>	<u>Assessed Value</u>	<u>%</u>
Land	\$92,556,638	17.54%	\$92,167,516	17.94%	\$92,125,834	19.92%
Agriculture	1,003	0.00%	1,074	0.00%	1,074	0.00%
Improvements	428,002,778	81.10%	414,684,919	80.71%	363,079,253	78.52%
Personal Property	24,184,285	4.58%	22,118,577	4.31%	21,200,219	4.58%
Exemptions	<u>(16,994,587)</u>	<u>(3.22)%</u>	<u>(15,196,318)</u>	<u>(2.96)%</u>	<u>(14,010,520)</u>	<u>(3.03)%</u>
Total	\$527,750,117	100.00%	\$513,775,768	100.00%	\$462,395,860	100.00%

<u>Type of Property</u>	<u>2021</u>		<u>2020</u>	
	<u>Assessed Value</u>	<u>%</u>	<u>Assessed Value</u>	<u>%</u>
Land	\$91,801,901	22.63%	\$87,703,691	22.42%
Agriculture	1,003	0.00%	1,003	0.00%
Improvements	309,048,538	76.18%	298,443,310	76.30%
Personal Property	16,894,879	4.16%	16,118,217	4.12%
Exemptions	<u>(12,086,340)</u>	<u>(2.98)%</u>	<u>(11,119,669)</u>	<u>(2.84)%</u>
Total	\$405,659,981	100.00%	\$391,146,552	100.00%

## Principal 2024 Taxpayers

Based upon information supplied by the District's Tax Assessor/Collector, the following table lists principal District taxpayers, type of property owned by such taxpayers, and the assessed valuation of such property as of January 1, 2024. The information reflects the composition of property ownership reflected on the District's 2024 tax roll.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2024 Taxable Value</u>	<u>% of 2024 Tax Roll</u>
RKE Real Estate, LLC - Community Toyota	Land, Improvements & Personal Property	\$21,568,919	4.18%
Big Star Buick GMC - Baytown Land LLC	Land, Improvements & Personal Property	\$13,368,572	2.59%
Cavender's Boot City - Baytown and James Cavendar Et Al	Land, Improvements & Personal Property	\$4,148,747	0.80%
Centerpoint Energy Electric	Personal Property	\$2,274,100	0.44%
Texas Academy of Acrobatics	Land and Improvements	\$1,550,000	0.30%
SFR JV 1 2020 1 Borrower LLC	Land and Improvements	\$1,406,390	0.27%
RM1 SFR Propco A LP	Land and Improvements	\$1,342,739	0.26%
FKH SFR Propco B HLD LP	Land and Improvements	\$1,206,645	0.23%
Centerpoint Energy Entex	Personal Property	\$1,051,660	0.20%
FKH SFR Propco H LP	Land and Improvements	<u>\$999,369</u>	<u>0.19%</u>
		\$48,917,141	9.48%

## Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Assessed Valuation which would be required to meet certain debt service requirements if no growth in the District occurs beyond the 2024 Assessed Valuation. The calculations also assume collection of 95% of taxes levied, no use of District funds on hand, and the sale of no additional bonds by the District other than the Prior Bonds and the Bonds.

Average Annual Debt Service Requirements (2026-2045) .....	\$1,276,058
Tax Rate of \$0.26 on the 2024 Assessed Valuation (\$527,750,117) produces.....	\$1,303,543
Maximum Annual Debt Service Requirement (2042) .....	\$1,346,225
Tax Rate of \$0.27 on the 2024 Assessed Valuation (\$527,750,117) produces.....	\$1,353,679

The District levied a debt service tax for 2024 of \$0.20 per \$100 of Assessed Valuation plus a maintenance tax of \$0.18 per \$100 of Assessed Valuation. As the above table indicates, the 2024 debt service rate will not be sufficient to pay the Average Annual Debt Service Requirements and the Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds assuming taxable values in the District at the level of the 2024 Assessed Valuation, assuming a tax collection rate of 95%, no use of funds on hand, and the issuance of no additional bonds by the District. However, the District's Debt Service Fund Balance was \$1,540,008 as of December 19, 2024. The District has in the past augmented tax collections with earnings from the investment of monies held in the District's Debt Service Fund. See "APPENDIX B - ANNUAL FINANCIAL REPORT." In addition, as is illustrated above under the caption "Historical Values and Tax Collection History," the District had, as of November 30, 2024, total annual tax collections averaging 99.66% for the years 2014 through 2023. Therefore, given these and other factors, the District expects to be able to pay debt service on the Bonds and the Outstanding Bonds without increasing its total tax rate for debt service and maintenance tax above the total tax rate for debt service and maintenance tax which the District levied for 2024 – \$0.38 per \$100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. See "TAX PROCEDURES" and "INVESTMENT CONSIDERATIONS - Economic Factors Affecting Taxable Values and Tax Payments." Increases in the District's tax rate to higher levels than the total \$0.38 per \$100 of Assessed Valuation rate which the District has levied for 2024 may have an adverse impact upon future development of the District, the ability of the District to collect, and the willingness of owners of property located within the District to pay, ad valorem taxes levied by the District.

## Estimated Overlapping Taxes

Property located within the District is subject to taxation by several taxing authorities in addition to the District. Set forth below is a compilation of the 2024 levies of all taxing units that levy a tax upon property located within the District. Under Texas law, ad valorem taxes levied by each taxing authority other than the District entitled to levy taxes against property located within the District create a lien which is on a parity with the tax lien of the District. In addition to the ad valorem taxes required to make the debt service payments on bonded indebtedness of the District and of such other jurisdictions (see "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement"), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

<u>Taxing Jurisdiction</u>	<u>2024 Tax Rate Per \$100 of A.V.</u>
Harris County	0.385290
Harris Department of Education	0.004799
Harris County Flood Control District	0.048970
Harris County Hospital District	0.163480
Port of Houston Authority	0.006150
Goose Creek Independent School District	1.072500
Lee College District	0.195100
Harris County Emergency Services District No. 75	0.100000
The District (i)	<u>0.380000</u>
	\$2.356289

- (i) The District has levied a total tax rate of \$0.38 per \$100 of Assessed Valuation for 2024, consisting of debt service and maintenance taxes of \$0.20 and \$0.18 per \$100 of Assessed Valuation, respectively

No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

## TAX PROCEDURES

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

The Texas Property Tax Code (the “Property Tax Code”), specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing values established by the appraisal district. The Harris Central Appraisal District (the “Appraisal District”) has the responsibility of appraising property for all taxing units within Harris County, including the District. Such appraisal values will be subject to review and change by the Harris County Appraisal Review Board (the “Appraisal Review Board”). The appraisal rolls, as approved by the Appraisal Review Board, will be used by the District in establishing its tax rolls and tax rate. The Texas Tax Code provides that the governing body of a taxing unit located within an area declared to be a disaster area by the governor of the State of Texas may authorize reappraisal of all property damaged in the disaster at its market value immediately after the disaster. For reappraised property, the taxes are pro rated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1 of that year. Beginning on the date of the disaster and for the remainder of the year, the taxing unit assesses taxes on the reappraised market value of the property.

The Property Tax Code provides that the governing body of a taxing unit located within an area declared to be a disaster area by the governor of the State of Texas may authorize reappraisal of all property damaged in the disaster at its market value immediately after the disaster. For reappraised property, the taxes are pro rated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1 of that year. Beginning on the date of the disaster and for the remainder of the year, the taxing unit assesses taxes on the reappraised market value of the property.

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

## Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District; however, no effort is expected to be made by the Harris Central Appraisal District (“HCAD” or the “Appraisal District”) described below to assess taxes against tangible or intangible personal property not devoted to commercial or industrial use. Principal categories of exempt real property include: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; nonprofit cemeteries; and certain property owned by qualified charitable, religious, veterans, fraternal, or educational organizations. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. In addition, the District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2024 tax year, the District has granted an exemption in the amount of \$20,000 of assessed valuation for persons 65 years of age and older and individuals who are under disability for purpose of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, to between \$5,000 and \$12,000 of assessed valuation depending upon the disability rating of the veteran. A veteran who receives a disability rating of 100%, and, under certain circumstances, the surviving spouse of such veteran, is entitled to the exemption for the full amount of the residential homestead. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. A “Freeport Exemption” applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A “Goods-in-Transit” Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption is limited to tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property, but may choose to exempt same in the future by further official action.

## **General Residential Homestead Exemption**

Texas law authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraisal value of residential homesteads, but not less than \$5,000, if any exemption is granted, from ad valorem taxation. The law provides, however, that where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. For the 2024 tax year, the District has not granted a general residential homestead exemption

## **Valuation of Property for Taxation**

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements to the property. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

## **District and Taxpayer Remedies**

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a petition for review in district court within forty-five (45) days after notice is received that a final order has been entered. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to comply with the Property Tax Code. The District may challenge the level of appraisal of a certain category of property, the exclusion of property from the appraisal rolls or the grant, in whole or in part, of an exemption. The District may not, however, protest a valuation of any individual property.

Texas law provides for notice and hearing procedures prior to the adoption of an ad valorem tax rate by the District. Additionally, Texas law provides for an additional notice and, upon petition by qualified voters, an election which could result in the repeal of certain tax rate increases on residential homesteads. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

## **Rollback of Operation and Maintenance Tax Rate**

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

### *Special Taxing Units*

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

### *Developed Districts*

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

### *Developing Districts*

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

### *The District*

A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation. For the 2024 tax rate year, a determination has been made by the District's Board of Directors that the District is a Developing District.

## **Levy and Collection of Taxes**

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become



delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

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

### **Agricultural, Open Space, Timberland and Inventory Deferment**

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including such taxes for a period of three (3) years to five (5) years for agricultural use, timberland or open space land prior to the loss of the designation. According to the District's Tax Assessor/Collector, as of January 1, 2025, approximately 7 acres of land within the District were designated for agricultural use, open space, inventory deferment, or timberland.

### **Tax Abatement**

The City of Baytown and Harris County may designate all or part of the District as a reinvestment zone, and the District, Harris County, and, the City of Baytown may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and by the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. According to the District's Tax Assessor/Collector, to date, none of the area within the District has been designated as a reinvestment zone.

### **Levy and Collection of Taxes**

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. The District adopts its tax rate each year after it receives a tax roll certified by the Appraisal District. Taxes are due upon receipt of a bill therefor, and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. A delinquent tax bears interest at the rate of one percent (1%) per month until paid, and such delinquent tax also incurs a penalty of six percent (6%) of the amount of tax plus an additional one percent (1%) per month prior to July 1, at which time the penalty becomes twelve percent (12%) and



remains at such a rate without further increase. If the tax is not paid by July 1, an additional penalty of up to the amount of the compensation specified in the District's contract with its delinquent tax collection attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District. The District's contract with its delinquent tax collection attorney currently specifies a twenty percent (20%) additional penalty. The District may waive penalties and interest on delinquent taxes only if an error or omission of a representative of the District, including the Appraisal District, caused the failure of the taxpayer to pay taxes. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances. Additionally, the owner of a residential homestead property that is a person sixty-five (65) years of age or older or disabled is entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Certain qualified taxpayers, including owners of residential homesteads, located within a natural disaster area and whose property has been damaged as a direct result of the disaster, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District if the tax payer pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency date.

### **District's Rights in the Event of Tax Delinquencies**

Taxes levied by the District are a personal obligation of the person who owns or acquires the property on January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year upon the property. The District's tax lien is on a parity with the tax liens of the other state and local jurisdictions levying taxes on property within the District. Whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. In the absence of such federal law, the District's tax lien takes priority over a lien of the United States. In the event a taxpayer fails to make timely payment of taxes due the District, the District may file suit at any time after taxes become delinquent to foreclose its lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may also be adversely affected by the amount of taxes owed to other federal, state and local taxing jurisdictions, by the effects of market conditions on the foreclosure sales price, by the taxpayer's right to redeem the property (a taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records), or by bankruptcy proceedings which restrain or stay the collection of a taxpayer's debts.

## **THE SYSTEM**

### **Regulation**

According to the District's Consulting Engineer, the System has been designed in conformance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities, including, among others, the TCEQ, the City, Harris County, and the Harris County Flood Control District.

Operation of the System is subject to regulation by, among others, the EPA and the TCEQ. The total number of connections estimated at this time for the District upon the full development of its 521.42 acres is approximately 2,041 with a total estimated population of 6,711 people. The following descriptions are based upon information supplied by the District's Consulting Engineer.

### **Description**

The System presently serves the 2,024 single-family residential lots in Meadow Lake Village, Sections 1 through 7, Bay River Colony, Sections 1 through 10, Highlands Ranch and West Meadows, Sections 1 through 5 in the District. The District financed the acquisition or construction of underground water, sewer, and drainage facilities to serve Bay River Colony, Section 1 through 10, Meadow Lake Village, Sections 1 through 7, Highlands Ranch, and West Meadows,

Sections 1, 3, 4 and 5; a portion of the lease costs of the Bay River Colony wastewater treatment plant; the expansion of Wastewater Treatment Plant No. 1; lease purchases of Wastewater Treatment Plants No. 1 and No. 2; land acquisition for the West Meadows detention pond and Wastewater Treatment Plant No. 2 sites; construction of drainage for the left turn lane of Wallisville Road; and other items with portions of the proceeds of the Prior Bonds. The District expects to finance the acquisition or construction of additional components of the System with portions of the proceeds of the sale of bonds, if any, in the future. See “THE BONDS - Issuance of Additional Debt” and - “Use and Distribution of Bond Proceeds,” and “INVESTMENT CONSIDERATIONS - Future Debt.”

## **Wastewater Treatment**

The District entered into a Wastewater Disposal Contract with the City of Baytown, Texas (the “Sewer Contract”) dated December 4, 1980, and amended to extend its term. The Sewer Contract provides for the District's construction of its wastewater collection system, including metering device, lift stations and force main, to discharge sewage from Meadow Lake Village, Sections 1 through 7 into the City's wastewater system at a specified location within the City. The District is required to operate and maintain its System, or contract for such service subject to approval by the City, and set rates and charges to produce revenues sufficient to pay for such operation and maintenance. The Sewer Contract also provides for the City's acceptance and treatment of wastewater collected and transported by the District and for the reservation of capacity.

In 2022, the District and the City of Baytown amended the Sewer Contract a third time (the “Third Amendment”) setting forth new “volumes of waste” to be transmitted by the District to the City for treatment under the agreement. The new capacity is a high flow allowance of 350,000 gallons-per-day and a total acceptance volume of 400,000 gallons-per-day. According to the District's Engineer, the facility is adequate to provide capacity to serve a total of 2,333 equivalent single-family residential connections.

Waste treatment of the District's sewage from Bay River Colony and Highlands Ranch is provided by a 140,000 gallon-per-day wastewater treatment plant. According to the District's Engineer, such wastewater treatment plants contains adequate capacity to provide service to 467 ESFC's. The District financed an expansion to the wastewater treatment plant to increase its capacity to 188,000 gallon-per-day with a portion of the proceeds of the sale of the Series 2015 Bonds. According to the District's Engineer, such expanded wastewater treatment plant contains adequate capacity to provide service to 729 ESFC's. The District is financing an expansion to the wastewater treatment plant and site improvements with a portion of the proceeds of the sale of the Bonds.

Waste treatment of the District's sewage from West Meadows is provided by a 188,000 gallon-per-day wastewater treatment plant. The District financed the lease purchase of Wastewater Treatment Plant No. 2 and lease payments/expansion for Wastewater Treatment Plant No. 2 (West Meadows) with a portion of the proceeds of the sale of the Series 2016 Bonds. According to the District's Engineer, such wastewater treatment plant contains adequate capacity to provide service to 627 ESFC's. The District is financing wastewater treatment plant Phase I generator and site improvements with a portion of the proceeds of the sale of the Bonds.

## **Water Supply**

The District entered into a wholesale water supply contract with the Baytown Area Water Authority (“BAWA”), dated June 8, 2007 (the “Water Contract”), with a term that has been extended. The Water Contract provides that BAWA will supply all of the treated water needed by the District subject to a maximum of 855,000 gallons-per-day (“the Contract Quantity”).

The Water Contract provides for a base charge per 1,000 gallons taken. Should the quantity of water taken during any month exceed by 10% the Contract Quantity, an additional monthly charge of 5% upon the portion of consumption that exceeds the Contract Quantity will be made.

BAWA may change the base price at any time, provided that (except where an independent rate analysis conducted by a qualified concern indicates a certain rate increase is necessary) the price shall not be increased percentagewise to the District during any 12-month period, in excess of the percentage rate increase in BAWA's rates to other purchasers of

treated water during the same period. The current base charge is \$1.29 per 1,000 gallons. In April, 2017, the District was granted an Alternative Capacity Requirement (ACR) for water consumption by the TCEQ. Under the terms of the approved ACR, the District is authorized to provide water capacity in the amount of 0.29 gallons per minute per connection. According to the District's Engineer, the facilities are sufficient to provide capacity to serve a total of 2,047 equivalent single-family residential connections.

### **100-Year Flood Plain**

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

Storm water drainage for the District is accomplished by a channel improvement and storm sewer system financed with proceeds of the sale of the Prior Bonds. The drainage channel outfalls into Goose Creek. According to the District's Engineer, the Federal Emergency Management Agency Flood Hazard Boundary Map currently in effect which covers the land located in the District indicates that the portion of the 100-year flood plain of Goose Creek within the District's boundaries is entirely contained within the aforementioned drainage channel. The District financed the storm water collection and detention facilities serving Bay River Colony and detention facilities serving Highlands Ranch and West Meadows and the left turn lane of Wallisville Road with a portion of the proceeds of the sale of the Prior Bonds. See “THE BONDS - Use and Distribution of Bond Proceeds.”

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

## **INVESTMENT CONSIDERATIONS**

### **General**

The Bonds, which are obligations solely of the District and not of the State of Texas, Harris County, Texas, the City of Baytown, Texas, or any political subdivision or agency other than the District, are secured by the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The ultimate security for payment of the principal of and interest on the Bonds depends upon the District's ability to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representation that over the life of the Bonds the taxable property within the District will maintain a value sufficient to justify continued payment of taxes by property owners or that there will be a market for any property if the District forecloses on property to enforce its tax lien. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below. Further, the collection of delinquent taxes owed the District, and the enforcement by a Registered Owner of the District's obligation to collect sufficient taxes may be costly and lengthy

processes. See “Tax Collection Limitations” and “Registered Owners’ Remedies and Bankruptcy” below and “THE BONDS - Source and Security for Payment” and - “Registered Owners’ Remedies.”

### **Economic Factors Affecting Taxable Values and Tax Payments**

**Economic Factors:** The maintenance of or the potential increase in taxable valuation of the District are directly related to the vitality of the residential housing industry, and can be significantly affected by factors such as interest rates, construction costs, and consumer demand. The market value of such homes and lots is related to general economic conditions affecting the demand for residences. Demand for lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and costs and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Recent changes in federal tax law limiting deductions for ad valorem taxes may adversely affect the demand for housing and the prices thereof. Declines in the price of oil could adversely affect job stability, wages and salaries, thereby negatively affecting the demand for housing and the value of existing homes (see “Potential Effects of Oil Price Volatility on the Houston Area” below). Were the District to experience a significant number of residential foreclosures, the value of all homes within the District could be adversely affected. Although development in the District has occurred as is described in this Official Statement under the captions “DEVELOPMENT OF THE DISTRICT,” the District cannot predict the pace or magnitude of any future development or home construction in the District other than that which has occurred to date.

**National Economy:** The housing and building industry has historically been a cyclical industry, affected by both short and long-term interest rates, availability of mortgage and development funds, employment levels, and general economic conditions. Although development in the District has occurred as is described in this Official Statement under the captions “DEVELOPMENT OF THE DISTRICT,” the District cannot predict the pace or magnitude of any future development or home construction in the District other than that which has occurred to date. The District cannot predict what impact, if any, a downturn in the local housing markets or in the national housing and financial markets may have on the Houston market generally and the District specifically.

**Personal Property:** A portion of the District’s tax roll has historically consisted of personal property. As is illustrated in the section of this Official Statement entitled “TAX DATA - Analysis of Tax Base,” the personal property component of the District’s tax roll has increased in recent years. Personal property consists, among other things, of goods manufactured by or stored on the premises of a business. Unlike permanent improvements such as buildings, manufacturing, warehouse, and office/warehouse facilities, and other such taxable above ground improvements which have been constructed within the District, personal property may be readily transported by a company if it vacates a facility which it occupies. Personal property in 2024 aggregated \$24,184,285, or approximately 4.58% of the District’s 2024 Assessed Valuation..

### **Maximum Impact on District Tax Rates**

The value of the land and improvements currently located within the District will be a major determinant of the ability of the District to collect, and the willingness of District property owners to pay, ad valorem taxes levied by the District. The District's 2024 Assessed Valuation is \$527,750,117. After issuance of the Bonds, the Maximum Annual Debt Service Requirement of the Bonds and the Outstanding Bonds will be \$1,346,225 (2042) and the Average Annual Debt Service Requirements of the Bonds and the Outstanding Bonds will be \$1,276,058 (2026 through 2045, inclusive). Assuming no increase to nor decrease from the 2024 Assessed Valuation, no use of funds on hand, and the issuance of no additional bonds by the District, tax rates of \$0.27 and \$0.26 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively.

The District levied a debt service tax for 2024 of \$0.20 per \$100 of Assessed Valuation, plus a maintenance tax of \$0.18 per \$100 of Assessed Valuation. As the above calculations indicate, the 2024 debt service rate will not be sufficient to pay the Average Annual Debt Service Requirements and the Maximum Annual Debt Service Requirement on the

Bonds and the Outstanding Bonds assuming taxable values in the District at the level of the 2024 Assessed Valuation, assuming a tax collection rate of 95%, no use of funds on hand, based upon the 2024 Assessed Valuation, and the issuance of no additional bonds by the District. However, the District's Debt Service Fund Balance was \$1,540,008 as of December 19, 2024. The District has in the past augmented tax collections with earnings from the investment of monies held in the District's Debt Service Fund. See "APPENDIX B - ANNUAL FINANCIAL REPORT." In addition, as is illustrated below under the caption "Historical Values and Tax Collection History," the District had, as of November 30, 2024, total annual tax collections averaging 99.66% for the years 2014 through 2023. Therefore, given these and other factors, the District expects to be able to pay debt service on the Bonds and the Outstanding Bonds without increasing its total tax rate for debt service and maintenance tax above the total tax rate for debt service and maintenance tax which the District levied for 2024—\$0.38 per \$100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. Increases in the District's tax rate to higher levels than the total \$0.38 per \$100 of Assessed Valuation rate which the District has levied for 2024 may have an adverse impact upon future development of the District, the ability of the District to collect, and the willingness of owners of property located within the District to pay, ad valorem taxes levied by the District. See "TAX PROCEDURES."

As is enumerated and further detailed in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District's rate, is \$2.356289 per \$100 of Assessed Valuation.

### **Tax Collection Limitations**

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by the amount of taxes owed to other taxing units, a bankruptcy court's stay of tax collection procedures against a taxpayer, and market conditions limiting the proceeds from a foreclosure sale of taxable property. The District's lien on taxable property within the District for taxes levied against such property can be foreclosed only in a judicial proceeding. See "TAX PROCEDURES - District's Rights in the Event of Tax Delinquencies."

### **Registered Owners' Remedies and Bankruptcy**

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

### **Marketability**

The District has no understanding (other than the initial reoffering yields) with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made for the Bonds. If there is a secondary market, the difference



between the bid and asked price of the Bonds may be greater than the bid and asked spread of other bonds generally bought, sold, or traded in the secondary market. See “SALE AND DISTRIBUTION OF THE BONDS.”

### **Future Debt**

The District reserves in the Bond Order the right to issue the remaining \$8,420,000 in unlimited tax bonds authorized but unissued for waterworks, wastewater and drainage facilities and such additional bonds as may hereafter be approved by the voters of the District. The District also reserves the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Order. All of the remaining bonds described above for waterworks, wastewater and drainage facilities which have heretofore been authorized by the voters of the District may be issued by the District from time to time as needed. The issuance of such \$8,420,000 in unlimited tax bonds for waterworks, wastewater and drainage facilities is also subject to TCEQ authorization. In addition to the acquisition and construction of the components of the System that the District has financed with portions of the proceeds of the sale of the Prior Bonds, the District expects to finance the acquisition or construction of additional components of the System with portions of the proceeds of the sale of bonds, if any, in the future. See “THE BONDS - Issuance of Additional Debt.” The District's Consulting Engineer currently estimates that the \$8,420,000 authorized bonds which are currently unissued are adequate to finance the acquisition of any facilities not previously acquired with the proceeds of the sale of the Prior Bonds to provide service to the entirety of the District as described in this Official Statement under the caption “THE SYSTEM.” If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Outstanding Bonds and the Bonds. See “THE BONDS - Issuance of Additional Debt” and -“Use and Distribution of Bond Proceeds” and “THE SYSTEM.”

### **Continuing Compliance with Certain Covenants**

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

### **Environmental Regulations**

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

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

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

### *Air Quality Issues*

Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the Texas Commission on Environmental Quality (the “TCEQ”) may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act (“CAA”) Amendments of 1990, the eight-county Houston-

Galveston-Brazoria area (“HGB Area”)—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty Counties—has been designated a nonattainment area under three separate federal ozone standards: the one-hour (124 parts per billion (“ppb”)) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (the “1997 Ozone Standards”); the tighter, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the “2008 Ozone Standard”), and the EPA’s most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the “2015 Ozone Standard”). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB Area, the HGB Area remains subject to CAA nonattainment requirements.

While the EPA has revoked the 1997 Ozone Standards, the EPA historically has not formally redesignated nonattainment areas for a revoked standard. As a result, the HGB Area remained subject to continuing severe nonattainment area “anti-backsliding” requirements, despite the fact that HGB Area air quality has been attaining the 1997 Ozone Standards since 2014. In late 2015, the EPA approved the TCEQ’s “redesignation substitute” for the HGB Area under the revoked 1997 Ozone Standards, leaving the HGB Area subject only to the nonattainment area requirements under the 2008 Ozone Standard (and later, the 2015 Ozone Standard).

In February 2018, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion in *South Coast Air Quality Management District v. EPA*, 882 F.3d 1138 (D.C. Cir. 2018) vacating the EPA redesignation substitute rule that provided the basis for the EPA’s decision to eliminate the anti-backsliding requirements that had applied in the HGB Area under the 1997 Ozone Standard. The court has not responded to the EPA’s April 2018 request for rehearing of the case. To address the uncertainty created by the South Coast court’s ruling, the TCEQ developed a formal request that the HGB Area be redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners adopted the request and maintenance plan for the 1997 one-hour and eight-hour standards on December 12, 2018. On May 16, 2019, the EPA proposed a determination that the HGB Area has met the redesignation criteria and continues to attain the 1997 one-hour and eight-hour standards, the termination of the anti-backsliding obligations, and approval of the proposed maintenance plan.

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

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

### *Water Supply & Discharge Issues*

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

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and the EPA’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency’s rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.



Further, the EPA has established a NPDWR for six (6) Per- and Polyfluoroalkyl Substances (“PFAS”), which requires public water systems to perform certain monitoring and remediation measures. Public water systems may be subject to additional PFAS regulation in the future, which could increase the cost of constructing, operating, and maintaining water production and distribution facilities.

Texas Pollutant Discharge Elimination System (“TPDES”) permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), with an effective date of June 24, 2024, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain nonstormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district’s ability to obtain and maintain compliance with TPDES permits.

The District is subject to the TCEQ’s General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”), which was renewed by the TCEQ on December 11, 2013. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The renewed MS4 Permit contains more stringent requirements than the standards contained in the previous MS4 Permit. The District has submitted all necessary documentation to the TCEQ for MS4 Permit compliance. In order to maintain its current compliance with the TCEQ under the MS4 Permit, the District continues to develop and implement the required plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Unknown future costs associated with these compliance activities may be significant in the future.

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

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

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

## **Extreme Weather Events**

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected.

The greater Houston area, including the District, has experienced multiple storms exceeding a 0.2% probability (i.e. “500 year flood” events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. However, according to the District’s Operator and Engineer, the District’s System did not sustain any material damage and there was no interruption of

water and sewer service from Hurricane Harvey. Further, according to District officials, after investigation, although the District experienced street flooding, there was no apparent material wind or water damage to homes within the District other than approximately 51 homes (approximately 2.52% of the total of 2,023 homes that are located within the District), the Cavendar's Boot City, the Texas Acrobatics and Gymnastics Gym and the Meadow Lake Homeowners' Association building that are located within the District that experienced structural flooding. In addition, although the Community Toyota dealership did not experience structural flooding, approximately 75 automobiles located on the site were flooded. The District believes that the foregoing homes and commercial structures have been repaired.

If a future weather event significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase in the District's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected.

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

Coastal, or storm surge, flooding occurs when sea levels or water levels in estuarial rivers, bayous and channels rise to abnormal levels in coastal areas, over and above the regular astronomical tide, caused by forces generated from a severe storm's wind, waves, and low atmospheric pressure. Storm surge is extremely dangerous, because it is capable of flooding large swaths of coastal property and causing catastrophic destruction. This type of flooding may be exacerbated when storm surge coincides with a normal high tide. See "THE SYSTEM - 100-Year Flood Plain."

### **Changes in Tax Legislation**

Certain tax legislation, whether currently proposed or proposed in the future, may directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, may also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed, pending or future legislation.

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

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

### **2025 Legislative Session**

The 89th Regular Legislative Session convened on January 14, 2025, and will conclude on June 2, 2025. The Governor of Texas may call additional special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Texas Legislature could enact laws that materially change current laws affecting ad valorem tax matters, elections, and other matters which could adversely affect the District and also affect the marketability or market value of the Bonds. The District can make no representation regarding any actions the Texas Legislature may take or the effect of any such actions. While the enactment of future legislation in Texas could adversely affect the financial condition or operations of the District, the District does not anticipate that the security for payment

of the Bonds, specifically, the District's obligation to levy an unlimited annual ad valorem tax, would be adversely affected by any such legislation.

## LEGAL MATTERS

### Legal Opinions

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of Texas as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, and all taxable property within the District is subject to the levy of ad valorem taxes to pay the same, without legal limitation as to rate or amount, based upon examination of a transcript of certified proceedings held incident to the issuance and authorization of the Bonds, and the approving legal opinion of Coats Rose, P.C., Bond Counsel for the District, to a like effect. Such opinions express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. Bond Counsel's opinion also will address the matters described below under "Tax Exemption."

Bond Counsel has reviewed the information appearing in this Official Statement under "THE BONDS" (except for information under the subheadings "Book-Entry-Only System" and "Use and Distribution of Bond Proceeds"), "THE DISTRICT - Management of the District - Attorney," "TAXING PROCEDURES," "LEGAL MATTERS - Legal Opinions," " - No Arbitrage," " - Tax Exemption," " - Tax Accounting Treatment of Discount and Premium on Certain Bonds," and " - Qualified Tax-Exempt Obligations" and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law, the provisions of the documents referred to therein and conforms to the provisions of the Order of the TCEQ approving the Bonds and to the requirements of the City of Houston with respect to the sale of the Bonds. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein, other than the matters discussed immediately above.

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

### No Arbitrage

The District will certify on the date the Bonds are delivered and paid for that based upon all facts and estimates now known or reasonably expected to be in existence, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed from time to time thereunder. Furthermore, all officers, employees and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District have been authorized to certify to the facts, circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District will covenant in the Bond Order that it will make such use of the proceeds of the Bonds, regulate investments of proceeds of the Bonds and take such other and further actions and follow such procedures, including without limitation, calculation of the yield on the Bonds, as may be required so that the Bonds will not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

## **No-Litigation Certificate**

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

## **No Material Adverse Change**

The obligations of the Underwriter to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the financial condition of the District subsequent to the date of sale from that set forth in the Preliminary Official Statement, as it may have been supplemented or amended, through the date of sale. The rating of the Insurer's creditworthiness by any rating agency does not and will not in any manner affect the District's financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not and will not constitute a change, material or otherwise, in the District's financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligations to take up and pay for the Bonds.

## **Tax Exemption**

Delivery of the Bonds is subject to an opinion of Coats Rose, P.C., Bond Counsel, to the effect that, as of the date of issuance of the Bonds, pursuant to section 103 of the Internal Revenue Code of 1986 (the "Code"), as amended, existing regulations, published rulings, and court decisions, (i) interest on the Bonds will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes assuming continuing compliance by the District with the provisions of the Bond Order subsequent to the issuance of the Bonds; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations for the purpose of determining the alternative minimum tax imposed on corporations, and (2) the Bonds will not be "specified private activity bonds" and, accordingly, the interest thereon will not be included as an alternative minimum tax preference item under Section 57(a)(5) of the Code. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

In rendering such opinion, Bond Counsel will rely upon representations and certifications of the District made in a certificate pertaining to the use, expenditure, and investment of the proceeds of the Bonds and certain other funds and will assume continuing compliance by the District with the representations and warranties in and covenants of the Bond Order subsequent to the issuance of the Bonds. Failure to comply with any of these covenants would cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Bond Counsel's opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "IRS"); rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law to the extent deemed relevant to render such opinions and the representations and covenants referenced above. The IRS has an ongoing audit program to determine whether interest on selected state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to the likelihood that the IRS will commence an audit of the Bonds. If an audit is commenced, under current procedures, the IRS is likely to treat the District as the taxpayer, and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the District may have different or conflicting interests from the owners. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Under the Code, taxpayers are required to report on their returns the amount of tax exempt interest, such as interest on the Bonds, received or accrued during the year. Payments of interest on tax exempt obligations such as the Bonds are in many cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any owner who is not an "exempt recipient" and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state, or local tax consequences under present law or proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, "S" corporations with "subchapter C" earnings and profits, owners of interests in FASIT and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry (or who have paid or incurred certain expenses all allocable to) tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

### **Collateral Federal Income Tax Consequences**

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law which is subject to change or modification, retroactively.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences. The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds may be includable in certain corporation's "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

### **Tax Accounting Treatment of Original Issue Discount Bonds**

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal or maturity amount thereof or one or more periods for the payment of interest on the bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bond"). The difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount



Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. The "stated redemption price at maturity" means the sum of all payments to be made on the bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. See "Tax Exemption" herein for a discussion of certain collateral federal tax consequences.

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

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

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

### **State Local and Foreign Taxes**

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

### **Information Reporting and Backup Withholding**

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of foreign investors, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

## **Future and Proposed Legislation**

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

## **Qualified Tax-Exempt Obligations**

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

The Issuer has designated the Bonds as "qualified tax-exempt obligations" and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the Issuer and entities aggregated with the Issuer under the Code during calendar year 2025 is not expected to exceed \$10,000,000 and that the Issuer and entities aggregated with the Issuer under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2025.

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

## **SOURCES OF INFORMATION**

### **General**

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

The District's financial statements for the fiscal year ended July 31, 2024, were audited by McCall Gibson Swedlund Barfoot Ellis PLLC, Certified Public Accountants, Houston, Texas, and have been included herein as "APPENDIX B." McCall Gibson Swedlund Barfoot Ellis PLLC, Certified Public Accountants have agreed to the publication of such financial statements in this Official Statement.

### **Experts**

The information contained in this Official Statement relating to engineering, to the description of the System generally and, in particular, the engineering information included in the sections captioned "THE DISTRICT," "DEVELOPMENT AND HOME CONSTRUCTION" and "THE SYSTEM," has been provided by Langford Engineering, Inc., Houston, Texas. Such information has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.



The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning valuations contained in the sections captioned “TAX DATA” and “DISTRICT DEBT” has been provided by the Harris Central Appraisal District and Dawn Muth. The District has included certain information herein in reliance upon Ms. Muth’s authority as an expert in the field of tax assessing and real property appraisal. The District has included certain information herein in reliance upon the Appraisal District’s authority as experts in the field of tax assessing and real property appraisal.

## **GENERAL CONSIDERATIONS**

### **Updating of Official Statement**

If, subsequent to the date of the Official Statement, to and including the date the Underwriters are no longer required to provide an Official Statement to customers who request same pursuant to Rule 15c2-12 of the United States Securities and Exchange Commission (the “SEC”), the District learns, or is notified by the Underwriters, of any adverse event which causes the Official Statement to be materially misleading, and unless the Underwriters elect to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriters an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriters; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate upon the earlier of (i) 90 days after the “end of the underwriting period” as defined in SEC Rule 15c2-12 or (ii) the date the Official Statement is filed with the MSRB (hereinafter defined), but in no case less than 25 days after the “end of the underwriting period.”

### **Certification as to Official Statement**

At the time of payment for and delivery of the Bonds, the District will furnish the Underwriter a certificate, executed by the President or Vice President and Secretary or Assistant Secretary of the Board, acting in their official capacities, to the effect that, to the best of their knowledge and belief: (a) the information, descriptions and statements of or pertaining to the District contained in this Official Statement, on the date thereof and on the date of delivery, were and are true and correct in all material respects; (b) insofar as the District and its affairs are concerned, this Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated herein or necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading; and (c) insofar as information contained in this Official Statement of or pertaining to entities other than the District and their activities are concerned, the District has no reason to believe that such information is untrue in any material respect or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading; however, the District has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. This Official Statement is duly approved by the Board of Directors of the District as of the date specified on the first page hereof.

## **CONTINUING DISCLOSURE OF INFORMATION**

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

### **Annual Reports**

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings “DISTRICT DEBT” and “TAX DATA” and in “APPENDIX B” (the Audit). The District will update and provide this information within six months after the end of each fiscal year ending in or after 2025.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements, if the District's audit is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial statements within the required time, and audited financial statements when the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Order or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

### **Event Notices**

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

### **Availability of Information**

The District has agreed to provide the foregoing information only to the MSRB. Investors will be able to access, without charge from the MSRB, continuing disclosure information filed with the MSRB through its EMMA system at [www.emma.msrb.org](http://www.emma.msrb.org).

### **Limitations and Amendments**

The District has agreed to update information and to provide notices of material events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its

usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders or Beneficial Owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the SEC Rule 15c2-12, taking into account any amendments or interpretations of such Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Order if the SEC amends or repeals the applicable provisions of such Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

### **Compliance With Prior Undertakings**

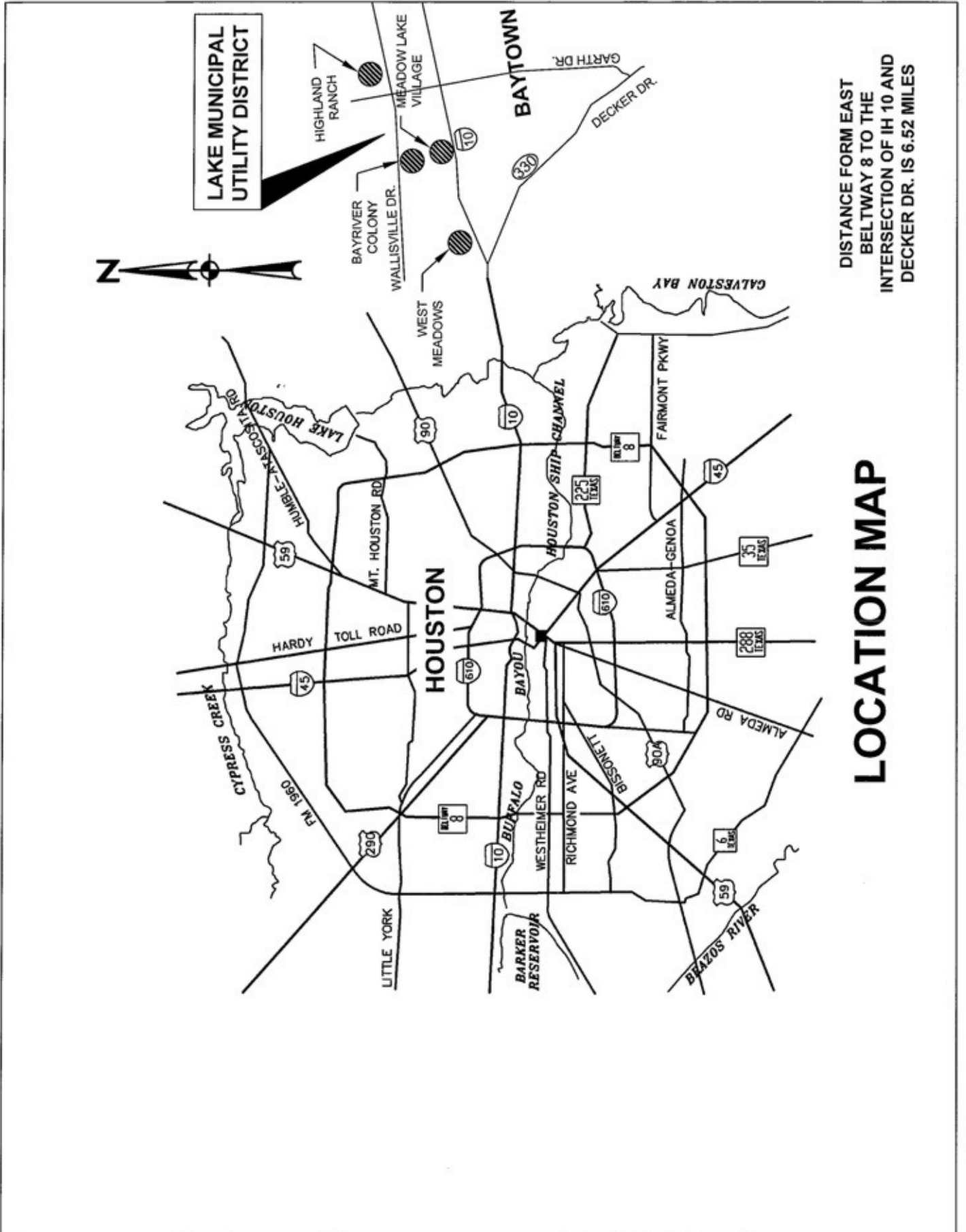
For the last five years, the District has been in compliance in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

/s/ Kathleen Witkowski  
President, Board of Directors  
Lake Municipal Utility District

ATTEST:

/s/ Alias Jones  
Secretary, Board of Directors  
Lake Municipal Utility District

APPENDIX A  
LOCATION MAP







**APPENDIX B**

**LAKE MUNICIPAL UTILITY DISTRICT  
HARRIS COUNTY, TEXAS  
ANNUAL FINANCIAL REPORT  
JULY 31, 2024**



**LAKE MUNICIPAL UTILITY DISTRICT**  
**HARRIS COUNTY, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**JULY 31, 2024**

**McCALL GIBSON SWEDLUND BARFOOT PLLC**  
Certified Public Accountants

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# **McCALL GIBSON SWEDLUND BARFOOT PLLC**

*Certified Public Accountants*

13100 Wortham Center Drive  
Suite 235  
Houston, Texas 77065-5610  
(713) 462-0341  
Fax (713) 462-2708

PO Box 29584  
Austin, TX 78755-5126  
(512) 610-2209  
[www.mgsbpllc.com](http://www.mgsbpllc.com)  
E-Mail: [mgsb@mgsbpllc.com](mailto:mgsb@mgsbpllc.com)

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Lake Municipal Utility District  
Harris County, Texas

### **Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of Lake Municipal Utility District (the "District") as of and for the year ended July 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 the District as of July 31, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

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

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

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

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



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

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

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

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

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund 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.

Board of Directors  
Lake Municipal Utility District

### 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 supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is 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 supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide an assurance, 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

November 21, 2024

**LAKE MUNICIPAL UTILITY DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JULY 31, 2024**

Management’s discussion and analysis of Lake Municipal Utility District’s (the “District”) financial performance provides an overview of the District’s financial activities for the fiscal year ended July 31, 2024. Please read it in conjunction with the District’s financial statements.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The District’s annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District’s overall status. Financial reporting at this level uses a perspective like that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all of the District’s assets, liabilities and, if applicable, deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District’s net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

**FUND FINANCIAL STATEMENTS**

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**LAKE MUNICIPAL UTILITY DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JULY 31, 2024**

**FUND FINANCIAL STATEMENTS (Continued)**

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District’s governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

**NOTES TO THE FINANCIAL STATEMENTS**

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

**OTHER INFORMATION**

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information (“RSI”) and other supplementary information. A budgetary comparison schedule is included as RSI for the General Fund.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net Position may serve over time as a useful indicator of the District’s financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by \$2,581,023 as of July 31, 2024 a portion of the District’s net position reflects its net investment in capital assets (water, wastewater and drainage facilities less any debt used to acquire those assets that is still outstanding). The District uses these assets to provide water, wastewater and drainage services.

The following is a comparative analysis of the Statement of Net Position as of July 31, 2024, and July 31, 2023:

**LAKE MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JULY 31, 2024**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

	Summary of Changes in the Statement of Net Position		
	2024	2023	Change Positive (Negative)
Current and Other Assets	\$ 5,686,309	\$ 5,578,987	\$ 107,322
Capital Assets (Net of Accumulated Depreciation)	<u>13,028,643</u>	<u>13,094,135</u>	<u>(65,492)</u>
Total Assets	<u>\$ 18,714,952</u>	<u>\$ 18,673,122</u>	<u>\$ 41,830</u>
Deferred Outflows of Resources	<u>\$ 53,711</u>	<u>\$ 61,691</u>	<u>\$ (7,980)</u>
Bonds Payable	\$ 15,475,521	\$ 15,969,707	\$ 494,186
Other Liabilities	<u>712,119</u>	<u>793,487</u>	<u>81,368</u>
Total Liabilities	<u>\$ 16,187,640</u>	<u>\$ 16,763,194</u>	<u>\$ 575,554</u>
Net Position:			
Net Investment in Capital Assets	\$ (2,120,318)	\$ (2,102,271)	\$ (18,047)
Restricted	2,321,850	2,297,169	24,681
Unrestricted	<u>2,379,491</u>	<u>1,776,721</u>	<u>602,770</u>
Total Net Position	<u>\$ 2,581,023</u>	<u>\$ 1,971,619</u>	<u>\$ 609,404</u>

The following table provides a comparative analysis of the District's operations for the years ended July 31, 2024, and July 31, 2023.

	Summary of Changes in the Statement of Activities		
	2024	2023	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 1,938,322	\$ 1,944,283	\$ (5,961)
Charges for Services	2,427,258	2,344,258	83,000
Other Revenues	<u>299,712</u>	<u>249,182</u>	<u>50,530</u>
Total Revenues	<u>\$ 4,665,292</u>	<u>\$ 4,537,723</u>	<u>\$ 127,569</u>
Expenses for Services	<u>4,055,888</u>	<u>3,928,815</u>	<u>(127,073)</u>
Change in Net Position	\$ 609,404	\$ 608,908	\$ 496
Net Position, Beginning of Year	<u>1,971,619</u>	<u>1,362,711</u>	<u>608,908</u>
Net Position, End of Year	<u>\$ 2,581,023</u>	<u>\$ 1,971,619</u>	<u>\$ 609,404</u>

**LAKE MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JULY 31, 2024**

**FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS**

The District's combined fund balances as of July 31, 2024, were \$5,054,176, an increase of \$193,394 from the prior year.

The General Fund fund balance increased by \$599,721. This was primarily due to tax and service revenues and transfer from Capital Projects Fund exceeding operating costs.

The Debt Service Fund fund balance increased by \$31,752, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance decreased by \$438,079, primarily due to capital costs and transfer to the General Fund paid from surplus bond proceeds.

**BUDGETARY HIGHLIGHTS**

The Board of Directors did not amend the General Fund budget during the current fiscal year. Actual revenues were \$566,467 more than budgeted revenues and actual expenditures were \$224,277 more than budgeted expenditures. Unbudgeted transfers-in occurred in the amount of \$92,131.

**CAPITAL ASSETS**

Capital assets total \$13,028,643 as of July 31, 2024, and include land as well as the water, wastewater and drainage systems.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2024	2023	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 813,573	\$ 813,573	\$
Construction in Progress	35,736	92,131	(56,395)
Capital Assets, Net of Accumulated Depreciation:			
Water System	2,483,341	2,572,851	(89,510)
Wastewater System	7,995,186	7,837,502	157,684
Drainage System	1,605,722	1,679,112	(73,390)
Building	95,085	98,966	(3,881)
Total Net Capital Assets	\$ 13,028,643	\$ 13,094,135	\$ (65,492)



**LAKE MUNICIPAL UTILITY DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JULY 31, 2024**

**LONG-TERM DEBT ACTIVITY**

As of July 31, 2024, the District had total bond debt payable of \$15,685,000. The changes in the debt position of the District during the fiscal year ended July 31, 2024, are summarized as follows:

Bond Debt Payable, August 1, 2023	\$ 16,195,000
Less: Bond Principal Paid	<u>510,000</u>
Bond Debt Payable, July 31, 2024	<u>\$ 15,685,000</u>

The District’s bonds carry underlying rating of “A-” from Standard & Poor’s. The Series 2015 Bonds, Series 2016 Bonds, Series 2018 Refunding Bonds and Series 2021 Refunding Bonds carry an insured rating of “AA” by virtue of bond insurance issued by Build America Mutual Assurance Company. The above ratings are as of year-end and reflect all changes during the current fiscal year.

**CONTACTING THE DISTRICT’S MANAGEMENT**

This financial report is designed to provide a general overview of the District’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Lake Municipal Utility District, c/o Bacon, Wallace & Philbin, L.L.P., 6363 Woodway, Suite 800, Houston, TX 77057.

**LAKE MUNICIPAL UTILITY DISTRICT  
STATEMENT OF NET POSITION AND  
GOVERNMENTAL FUNDS BALANCE SHEET  
JULY 31, 2024**

	General Fund	Debt Service Fund
<b>ASSETS</b>		
Cash	\$ 416,874	\$ 116,167
Investments	2,149,363	2,265,090
Receivables:		
Property Taxes	34,625	38,620
Penalty and Interest on Delinquent Taxes		
Service Accounts	314,901	
Other	143	
Due from Other Funds	40,113	66,140
Prepaid Costs	7,962	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
<b>TOTAL ASSETS</b>	<b>\$ 2,963,981</b>	<b>\$ 2,486,017</b>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Charges on Refunding Bonds	\$ -0-	\$ -0-
 <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 2,963,981</b>	<b>\$ 2,486,017</b>

The accompanying notes to the financial  
statements are an integral part of this report.

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 515	\$ 533,556	\$	\$ 533,556
306,082	4,720,535		4,720,535
	73,245		73,245
		25,031	25,031
	314,901		314,901
	143		143
	106,253	(106,253)	
	7,962	10,936	18,898
		813,573	813,573
		35,736	35,736
		12,179,334	12,179,334
<u>\$ 306,597</u>	<u>\$ 5,756,595</u>	<u>\$ 12,958,357</u>	<u>\$ 18,714,952</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 53,711</u>	<u>\$ 53,711</u>
<u>\$ 306,597</u>	<u>\$ 5,756,595</u>	<u>\$ 13,012,068</u>	<u>\$ 18,768,663</u>

The accompanying notes to the financial statements are an integral part of this report.

**LAKE MUNICIPAL UTILITY DISTRICT  
STATEMENT OF NET POSITION AND  
GOVERNMENTAL FUNDS BALANCE SHEET  
JULY 31, 2024**

	General Fund	Debt Service Fund
<b>LIABILITIES</b>		
Accounts Payable	\$ 269,678	\$
Accrued Interest Payable		
Due to Other Funds	66,140	
Security Deposits	248,672	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
<b>TOTAL LIABILITIES</b>	\$ 584,490	\$ -0-
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes	\$ 34,625	\$ 38,620
 <b>FUND BALANCES</b>		
Nonspendable:		
Prepaid Costs	\$ 7,962	\$
Restricted for Authorized Construction		
Restricted for Debt Service		2,447,397
Unassigned	2,336,904	
<b>TOTAL FUND BALANCES</b>	\$ 2,344,866	\$ 2,447,397
 <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	\$ 2,963,981	\$ 2,486,017
 <b>NET POSITION</b>		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
<b>TOTAL NET POSITION</b>		

The accompanying notes to the financial  
statements are an integral part of this report.

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 4,571	\$ 274,249	\$	\$ 274,249
		189,198	189,198
40,113	106,253	(106,253)	
	248,672		248,672
		525,000	525,000
		14,950,521	14,950,521
<u>\$ 44,684</u>	<u>\$ 629,174</u>	<u>\$ 15,558,466</u>	<u>\$ 16,187,640</u>
<u>\$ -0-</u>	<u>\$ 73,245</u>	<u>\$ (73,245)</u>	<u>\$ -0-</u>
\$	\$ 7,962	\$ (7,962)	\$
261,913	261,913	(261,913)	
	2,447,397	(2,447,397)	
	2,336,904	(2,336,904)	
<u>\$ 261,913</u>	<u>\$ 5,054,176</u>	<u>\$ (5,054,176)</u>	<u>\$ - 0 -</u>
<u>\$ 306,597</u>	<u>\$ 5,756,595</u>		
		\$ (2,120,318)	\$ (2,120,318)
		2,321,850	2,321,850
		2,379,491	2,379,491
		<u>\$ 2,581,023</u>	<u>\$ 2,581,023</u>

The accompanying notes to the financial statements are an integral part of this report.

**LAKE MUNICIPAL UTILITY DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JULY 31, 2024**

Total Fund Balances - Governmental Funds \$ 5,054,176

Amounts reported for governmental activities in the Statement of Net Position are different because:

The cost of bond insurance is amortized over the repayment period of the related bonds in the governmental activities. 10,936

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 13,028,643

Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the new debt or the old debt, whichever is shorter. 53,711

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2023 and prior tax levies became part of recognized revenue in the governmental activities of the District. 98,276

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Accrued Interest Payable	\$ (189,198)	
Bonds Payable	<u>(15,475,521)</u>	<u>(15,664,719)</u>

Total Net Position - Governmental Activities \$ 2,581,023

The accompanying notes to the financial statements are an integral part of this report.



**LAKE MUNICIPAL UTILITY DISTRICT**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JULY 31, 2024**

	General Fund	Debt Service Fund
<b>REVENUES</b>		
Property Taxes	\$ 1,017,801	\$ 921,393
Water Service	1,029,622	
Wastewater Service	1,341,932	
Penalty and Interest	46,782	16,890
Investment Revenues	103,912	105,707
Miscellaneous Revenues	50,918	13,352
<b>TOTAL REVENUES</b>	<b>\$ 3,590,967</b>	<b>\$ 1,057,342</b>
<b>EXPENDITURES/EXPENSES</b>		
Service Operations:		
Professional Fees	\$ 113,547	\$ 6,031
Contracted Services	759,301	40,169
Purchased Water Service	507,356	
Purchased Wastewater Service	938,220	
Utilities	90,379	
Repairs and Maintenance	503,622	
Depreciation		
Other	159,945	9,534
Capital Outlay		
Debt Service:		
Bond Principal		510,000
Bond Interest		459,856
Bond Issuance Costs	11,007	
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>\$ 3,083,377</b>	<b>\$ 1,025,590</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER</b>		
<b>EXPENDITURES/EXPENSES</b>	<b>\$ 507,590</b>	<b>\$ 31,752</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In (Out)	\$ 92,131	\$ -0-
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 599,721</b>	<b>\$ 31,752</b>
<b>CHANGE IN NET POSITION</b>		
<b>FUND BALANCES/NET POSITION -</b>		
<b>AUGUST 1, 2023</b>	<b>1,745,145</b>	<b>2,415,645</b>
<b>FUND BALANCES/NET POSITION -</b>		
<b>JULY 31, 2024</b>	<b>\$ 2,344,866</b>	<b>\$ 2,447,397</b>

The accompanying notes to the financial statements are an integral part of this report.

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 1,939,194	\$ (872)	\$ 1,938,322
	1,029,622		1,029,622
	1,341,932		1,341,932
	63,672	(7,968)	55,704
25,823	235,442		235,442
	64,270		64,270
\$ 25,823	\$ 4,674,132	\$ (8,840)	\$ 4,665,292
\$	\$ 119,578	\$	\$ 119,578
	799,470		799,470
	507,356		507,356
	938,220		938,220
	90,379		90,379
	503,622		503,622
		437,163	437,163
100	169,579		169,579
371,671	371,671	(371,671)	
	510,000	(510,000)	
	459,856	19,658	479,514
	11,007		11,007
\$ 371,771	\$ 4,480,738	\$ (424,850)	\$ 4,055,888
\$ (345,948)	\$ 193,394	\$ 416,010	\$ 609,404
\$ (92,131)	\$ -0-	\$ -0-	\$ -0-
\$ (438,079)	\$ 193,394	\$ (193,394)	\$
		609,404	609,404
699,992	4,860,782	(2,889,163)	1,971,619
\$ 261,913	\$ 5,054,176	\$ (2,473,153)	\$ 2,581,023

The accompanying notes to the financial statements are an integral part of this report.

**LAKE MUNICIPAL UTILITY DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JULY 31, 2024**

Net Change in Fund Balances - Governmental Funds	\$	193,394
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.		(872)
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.		(7,968)
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.		(437,163)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected. During the current year, construction in progress costs were reclassified to expense.		371,671
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.		510,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.		(19,658)
Change in Net Position - Governmental Activities	\$	<u><u>609,404</u></u>

The accompanying notes to the financial statements are an integral part of this report.

**LAKE MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2024**

**NOTE 1. CREATION OF DISTRICT**

Lake Municipal Utility District (the “District”), located in Harris County, Texas was created effective February 27, 1979, by an Order of the Texas Water Commission, presently known as the Texas Commission on Environmental Quality (the “Commission”). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste service and to construct roads, and parks and recreational facilities for the residents of the District. The Board of Directors held its first meeting on April 7, 1979, and the first bonds were sold on December 8, 1981.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local 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 statement as component units.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”). The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

**LAKE MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2024**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Financial Statement Presentation (Continued)

- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it's the District's policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated to obtain net total revenues and expenses of the government-wide Statement of Activities.

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Governmental Funds Balance Sheet and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

The District has three governmental funds and considers each to be a major fund.

General Fund - To account for resources not required to be accounted for in another fund, customer service revenues, costs and general expenditures.

Debt Service Fund - To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund - To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**LAKE MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2024**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both “measurable and available.” Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of July 31, 2024, the General Fund owes the Debt Service Fund (Tax Fund) \$66,140 for an excess transfer of maintenance taxes; and the Capital Projects Fund owes the General Fund \$40,113: \$7,706 for engineering costs related to lift station no. 2 rehabilitation and \$32,407 for engineering related to wastewater treatment plant improvement project. During the current year, the Capital Projects Fund transferred \$92,131 to the General Fund for costs related to lift station no. 2 rehabilitation project.

Capital Assets

Capital assets which include property, plant, equipment, and infrastructure assets are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset.



**LAKE MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2024**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Capital Assets (Continued)

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Buildings	40
Water System	10-45
Wastewater System	10-45
Drainage Systems	10-45
All Other Equipment	3-20

Budgeting

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 original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Directors are wages subject to federal income tax withholding for payroll tax purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

**LAKE MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2024**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus (Continued)

*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.

*Restricted:* amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

*Committed:* amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. 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 expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**NOTE 3. LONG-TERM DEBT**

	<u>Series 2015</u>	<u>Series 2016</u>
Amount Outstanding – July 31, 2024	\$ 5,300,000	\$ 3,185,000
Interest Rates	3.00% - 3.50%	2.375% - 3.00%
Maturity Dates - Serially Beginning/Ending	September 1, 2031/2042	September 1, 2024/2045
Interest Payment Dates	September 1 / March 1	September 1 / March 1
Callable Dates	September 1, 2022*	September 1, 2023*

**LAKE MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2024**

**NOTE 3. LONG-TERM DEBT (Continued)**

	Refunding Series 2018	Refunding Series 2021
Amount Outstanding – July 31, 2024	\$ 3,755,000	\$ 3,445,000
Interest Rates	2.50% - 3.25%	2.00% - 3.00%
Maturity Dates - Serially Beginning/Ending	September 1, 2024/2030	September 1, 2024/2040
Interest Payment Dates	September 1 / March 1	September 1 / March 1
Callable Dates	September 1, 2023*	September 1, 2026*

\* Or on any date thereafter, at a price of par, plus accrued interest to the date of redemption. Series 2015 term bonds maturing September 1, 2038, September 1, 2040, and September 1, 2042, are subject to mandatory redemption on September 1, 2037, September 1, 2039, and September 1, 2041, respectively. Series 2016 term bonds maturing on September 1, 2031, September 1, 2036, and September 1, 2045, are subject to mandatory redemption on September 1, 2028, September 1, 2032, and September 1, 2037, respectively. Refunding Series 2021 term bonds maturing September 1, 2031, are subject to mandatory redemption on September 1, 2028.

The following is a summary of transactions regarding bonds payable for the year ended July 31, 2024:

	August 1, 2023	Additions	Retirements	July 31, 2024
Bonds Payable	\$ 16,195,000	\$	\$ 510,000	\$ 15,685,000
Unamortized Discounts	(244,007)		(16,912)	(227,095)
Unamortized Premiums	18,714		1,098	17,616
Bonds Payable, Net	\$ 15,969,707	\$ -0-	\$ 494,186	\$ 15,475,521
		Amount Due Within One Year		\$ 525,000
		Amount Due After One Year		14,950,521
		Bonds Payable, Net		\$ 15,475,521

As of July 31, 2024, the District has authorized but unissued tax bonds in the amount of \$15,270,000, which may also be used for refunding purposes.

**LAKE MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2024**

**NOTE 3. LONG-TERM DEBT (Continued)**

As of July 31, 2024, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2025	\$ 525,000	\$ 447,479	\$ 972,479
2026	545,000	433,394	978,394
2027	565,000	417,479	982,479
2028	580,000	400,481	980,481
2029	600,000	383,060	983,060
2030-2034	3,125,000	1,645,121	4,770,121
2035-2039	3,585,000	1,211,659	4,796,659
2040-2044	4,310,000	632,655	4,942,655
2045-2046	1,850,000	56,250	1,906,250
	<u>\$ 15,685,000</u>	<u>\$ 5,627,578</u>	<u>\$ 21,312,578</u>

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District without limitation as to rate or amount.

During the year ended July 31, 2024, the District levied an ad valorem debt service tax rate of \$0.18 per \$100 of assessed valuation, which resulted in a tax levy of \$924,181 on the adjusted taxable valuation of \$513,433,990 for the 2023 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

All property values and exempt status, if any, are determined by the 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.

**NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS**

The bond orders state that so long as any of the bonds or coupons remain outstanding, the District covenants that it will at all times keep insured such parts of the system as are usually insured by municipal corporations and political subdivisions in Texas operating like properties in similar locations under the same circumstances with a responsible insurance company or companies against risk, accidents, or casualties against which and to the extent insurance is usually carried by such municipal corporations and political subdivisions; provided, however, that at any time while any contractor engaged in such insurance.

**LAKE MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2024**

**NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS**  
(Continued)

The bond orders state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of annual financial information and operating data to the Municipal Securities Rulemaking Board. This information is of the general type included in the annual audit report. It is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

**NOTE 5. DEPOSITS AND INVESTMENTS**

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District’s deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District’s deposits was \$533,556 and the bank balance was \$670,657. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at July 31, 2024, as listed below:

	Cash
GENERAL FUND	\$ 416,874
DEBT SERVICE FUND	116,167
CAPITAL PROJECTS FUND	515
TOTAL DEPOSITS	\$ 533,556

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District’s financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth;

**LAKE MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2024**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

and yield, sixth. The District’s investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.” No person may invest District funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District’s investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool meets the criteria established in GASB Statement No. 79 and measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

As of July 31, 2024, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$ 2,149,363	\$ 2,149,363
<u>DEBT SERVICE FUND</u>		
TexPool	2,265,090	2,265,090
<u>CAPITAL PROJECTS FUND</u>		
TexPool	306,082	306,082
<b>TOTAL INVESTMENTS</b>	<b>\$ 4,720,535</b>	<b>\$ 4,720,535</b>



**LAKE MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2024**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At July 31, 2024, the District's investment in the TexPool was rated AAAM by Standard and Poor's.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers its investment in TexPool to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been significant change in value.

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the year ended July 31, 2024:

	August 1, 2023	Increases	Decreases	July 31, 2024
<b>Capital Assets Not Being Depreciated</b>				
Land and Land Improvements	\$ 813,573	\$	\$	\$ 813,573
Construction in Progress	92,131	371,671	428,066	35,736
<b>Total Capital Assets Not Being Depreciated</b>	<b>\$ 905,704</b>	<b>\$ 371,671</b>	<b>\$ 428,066</b>	<b>\$ 849,309</b>
<b>Capital Assets Subject to Depreciation</b>				
Water System	\$ 4,029,028	\$	\$	\$ 4,029,028
Wastewater System	11,587,627	428,066		12,015,693
Drainage System	3,268,917			3,268,917
Building	115,654			115,654
<b>Total Capital Assets Subject to Depreciation</b>	<b>\$ 19,001,226</b>	<b>\$ 428,066</b>	<b>\$ - 0 -</b>	<b>\$ 19,429,292</b>
<b>Accumulated Depreciation</b>				
Water System	\$ 1,456,177	\$ 89,510	\$	\$ 1,545,687
Wastewater System	3,750,125	270,382		4,020,507
Drainage System	1,589,805	73,390		1,663,195
Building	16,688	3,881		20,569
<b>Total Accumulated Depreciation</b>	<b>\$ 6,812,795</b>	<b>\$ 437,163</b>	<b>\$ - 0 -</b>	<b>\$ 7,249,958</b>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 12,188,431</b>	<b>\$ (9,097)</b>	<b>\$ - 0 -</b>	<b>\$ 12,179,334</b>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 13,094,135</b>	<b>\$ 362,574</b>	<b>\$ 428,066</b>	<b>\$ 13,028,643</b>

**LAKE MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2024**

**NOTE 7. MAINTENANCE TAX**

On December 8, 1981, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$0.20 per \$100 of assessed valuation of taxable property within the District. During the fiscal year ended July 31, 2024, the District levied an ad valorem maintenance tax rate of \$0.20 per \$100 of assessed valuation, which resulted in a tax levy of \$1,026,868 on the adjusted taxable valuation of \$513,433,990 for the 2023 tax year. The taxes are to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater systems.

**NOTE 8. 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 natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**NOTE 9. PURCHASED WATER AND WASTEWATER CONTRACTS**

The District entered into a Wastewater Disposal Contract (the "Wastewater Contract") with the City of Baytown, Texas (the "City") dated December 4, 1980, as amended April 21, 1981, to extend its term to forty years, and as amended July 15, 2022 to extend its terms to December 31, 2030. The Wastewater Contract provides for the District's construction of its wastewater collection system, including metering device, lift stations and force main, to discharge into the City's wastewater system at a specified location within the City. The District is required to operate and maintain its system, or contract for such service subject to approval by the City, and set rates and charges to produce revenues sufficient to pay for such operation and maintenance. The Wastewater Contract also provides for the City's acceptance and treatment of wastewater collected and transported by the District and for the reservation of capacity.

In accordance with the amended agreement dated July 15, 2022, the City agrees to accept and treat waste from the District in an amount not to exceed 400,000 gallons per day average daily flow. During the current fiscal year, the District recorded \$938,220 in purchased wastewater costs.

The District entered into a wholesale water supply contract (the "Water Contract") with Baytown Area Water Authority, dated December 4, 1980 as amended June 15, 2006, for a term until December 31, 2020 and as amended December 15, 2022 to extend its terms to December 31, 2030 and reduce the quantity of supplied treated water per day. The Water Contract provides that Baytown Area Water Authority will supply treated water to the District's water supply system and the District will purchase up to 855,000 gallons per day. The Water Contract provides for

**LAKE MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2024**

**NOTE 9. PURCHASED WATER AND WASTEWATER CONTRACTS (Continued)**

additional monthly quantities upon request, as available. Should the quantity of water taken during any month exceed by 10% the contract quantity (855,000 gallons times days in the month), an additional 5% surcharge will be charged against that portion of the consumption that exceeds the contract quantity. Baytown Area Water Authority may change the base price at any time. The current price paid by the District is \$3.67 per 1,000 gallons taken. During the current year, the District recorded \$507,356 in purchased water costs.

**NOTE 10. USE OF SURPLUS FUNDS**

During the current year, the District approved the use of surplus funds in the amount of \$428,066 for the Lift Station No. 2 improvement project. The use of surplus funds were approved under TAC 293.83(3)(C).

**NOTE 11. SUBSEQUENT BOND APPLICATION**

Subsequent to year-end, on October 14, 2024, the District submitted an application for issuance of \$6,850,000 in bonds. Proceeds will be used for engineering and construction costs: emergency interconnect between Bay River Colony and Meadowlake Village systems; water backflow improvements for Meadowlake Village; Bay River Colony wastewater treatment plant expansion and site improvements; West Meadows wastewater treatment plant generator and site improvement; Lift Station No. 1 portable generator; Lift Station No. 2 bypass diesel pump; Lift Station No. 4 portable generator; and costs of issuing the bonds.

**LAKE MUNICIPAL UTILITY DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**JULY 31, 2024**

**LAKE MUNICIPAL UTILITY DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JULY 31, 2024**

	Original and Final Budget	Actual	Variance Positive (Negative)
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Property Taxes	\$ 625,000	\$ 1,017,801	\$ 392,801
Water Service	995,000	1,029,622	34,622
Wastewater Service	1,300,000	1,341,932	41,932
Penalty and Interest	44,000	46,782	2,782
Investment Revenues	60,000	103,912	43,912
Miscellaneous Revenues	500	50,918	50,418
<b>TOTAL REVENUES</b>	<u>\$ 3,024,500</u>	<u>\$ 3,590,967</u>	<u>\$ 566,467</u>
<b>EXPENDITURES</b>			
Service Operations:			
Professional Fees	\$ 126,500	\$ 113,547	\$ 12,953
Contracted Services	668,000	759,301	(91,301)
Purchased Water Service	472,000	507,356	(35,356)
Purchased Wastewater Service	805,000	938,220	(133,220)
Utilities	90,000	90,379	(379)
Repairs and Maintenance	547,000	503,622	43,378
Other	150,600	170,952	(20,352)
<b>TOTAL EXPENDITURES</b>	<u>\$ 2,859,100</u>	<u>\$ 3,083,377</u>	<u>\$ (224,277)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ 165,400</u>	<u>\$ 507,590</u>	<u>\$ 342,190</u>
<b>OTHER FINANCING SOURCES(USES)</b>			
Transfers In	<u>\$ -0-</u>	<u>\$ 92,131</u>	<u>\$ 92,131</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 165,400	\$ 599,721	\$ 434,321
<b>FUND BALANCE - AUGUST 1, 2023</b>	<u>1,745,145</u>	<u>1,745,145</u>	<u>          </u>
<b>FUND BALANCE - JULY 31, 2024</b>	<u>\$ 1,910,545</u>	<u>\$ 2,344,866</u>	<u>\$ 434,321</u>

See accompanying independent auditor's report.

**LAKE MUNICIPAL UTILITY DISTRICT**  
**SUPPLEMENTARY INFORMATION REQUIRED BY THE**  
**WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**  
**JULY 31, 2024**



**LAKE MUNICIPAL UTILITY DISTRICT  
SERVICES AND RATES  
FOR THE YEAR ENDED JULY 31, 2024**

**1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:**

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

**2. RETAIL SERVICE PROVIDERS**

**a. RETAIL RATES FOR A 5/8” METER (OR EQUIVALENT):**

Based on the rate order effective March 21, 2024.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 17.49	2,000	N	\$0.40 0.50 1.00	2,001 – 10,000 10,001 – 20,000 20,001 and above
WASTEWATER:	\$ 35.35*	2,000	N	\$5.88 5.98 6.25	2,001 – 10,000 10,001 – 20,000 20,001 and above
SURCHARGE:					
Baytown Area Water Authority Fee			N	\$4.037	0001 and up
District employs winter averaging for wastewater usage?					<u>      </u> <u>  X  </u> Yes            No

Total monthly charges per 10,000 gallons usage: Water: \$20.69 Wastewater: \$82.39 Surcharge: \$40.37

\* Includes \$12.88 plus the prevailing garbage charge of \$20.95, plus prevailing recycling charge of \$1.27, plus \$0.25.

See accompanying independent auditor’s report.

**LAKE MUNICIPAL UTILITY DISTRICT  
SERVICES AND RATES  
FOR THE YEAR ENDED JULY 31, 2024**

**2. RETAIL SERVICE PROVIDERS (Continued)**

**b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)**

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤ <sup>3</sup> / <sub>4</sub> "	<u>2,032</u>	<u>2,021</u>	x 1.0	<u>2,021</u>
1"	<u>7</u>	<u>7</u>	x 2.5	<u>18</u>
1½"	<u>3</u>	<u>3</u>	x 5.0	<u>15</u>
2"	<u>4</u>	<u>3</u>	x 8.0	<u>24</u>
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u><u>2,046</u></u>	<u><u>2,034</u></u>		<u><u>2,078</u></u>
Total Wastewater Connections	<u><u>2,026</u></u>	<u><u>2,014</u></u>	x 1.0	<u><u>2,014</u></u>

**3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (Unaudited)**

Gallons billed to customers:	144,813,000	Water Accountability Ratio: 103 % (Gallons billed and used/Gallons purchased)
Gallons purchased:	140,033,000	From: <u>Baytown Area Water Authority</u>

See accompanying independent auditor's report.

**LAKE MUNICIPAL UTILITY DISTRICT  
SERVICES AND RATES  
FOR THE YEAR ENDED JULY 31, 2024**

**4. STANDBY FEES** (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes  No

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

**5. LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes  No

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely  Partly  Not at all

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

Entirely  Partly  Not at all

ETJ in which District is located:

City of Baytown, Texas

Are Board Members appointed by an office outside the District?

Yes  No

See accompanying independent auditor's report.

**LAKE MUNICIPAL UTILITY DISTRICT  
GENERAL FUND EXPENDITURES  
FOR THE YEAR ENDED JULY 31, 2024**

PROFESSIONAL FEES:	
Auditing	\$ 15,250
Engineering	18,999
Legal	<u>79,298</u>
TOTAL PROFESSIONAL FEES	<u>\$ 113,547</u>
 PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 507,356
Purchased Wastewater Service	<u>938,220</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 1,445,576</u>
 CONTRACTED SERVICES:	
Bookkeeping	\$ 17,000
Operations and Billing	226,954
Solid Waste Disposal	<u>515,347</u>
TOTAL CONTRACTED SERVICES	<u>\$ 759,301</u>
 UTILITIES:	
Electricity	<u>\$ 90,379</u>
 REPAIRS AND MAINTENANCE	<u>\$ 503,622</u>
 ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 25,008
Insurance	20,075
Office Supplies and Postage	12,329
Payroll Taxes	1,920
Travel and Meetings	13,304
Other	<u>4,199</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 76,835</u>
 OTHER EXPENDITURES:	
Laboratory Fees	\$ 61,272
Permit Fees	7,456
Regulatory Assessment	<u>14,382</u>
TOTAL OTHER EXPENDITURES	<u>\$ 83,110</u>
 BOND ISSUANCE COSTS	<u>\$ 11,007</u>
 TOTAL EXPENDITURES	<u>\$ 3,083,377</u>

See accompanying independent auditor's report.

**LAKE MUNICIPAL UTILITY DISTRICT  
INVESTMENTS  
JULY 31, 2024**

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
TexPool	XXXX0002	Varies	Daily	\$ 2,149,363	\$ -0-
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 2,265,090	\$ -0-
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0005	Varies	Daily	\$ 35,904	\$
TexPool	XXXX0006	Varies	Daily	135,933	
TexPool	XXXX0007	Varies	Daily	134,245	
TOTAL CAPITAL PROJECTS FUND				<u>\$ 306,082</u>	<u>\$ -0-</u>
TOTAL - ALL FUNDS				<u>\$ 4,720,535</u>	<u>\$ -0-</u>

See accompanying independent auditor's report.

**LAKE MUNICIPAL UTILITY DISTRICT  
TAXES LEVIED AND RECEIVABLE  
FOR THE YEAR ENDED JULY 31, 2024**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
AUGUST 1, 2023	\$	31,576	\$	42,541
Adjustments to Beginning				
Balance		<u>(6,018)</u>		<u>(6,709)</u>
	\$	25,558	\$	35,832
Original 2023 Tax Levy	\$	1,014,976	\$	913,478
Adjustment to 2023 Tax Levy		<u>11,892</u>	<u>1,026,868</u>	<u>10,703</u>
				<u>924,181</u>
TOTAL TO BE				
ACCOUNTED FOR		\$	1,052,426	\$
				960,013
TAX COLLECTIONS:				
Prior Years	\$	7,435	\$	12,064
Current Year		<u>1,010,366</u>	<u>1,017,801</u>	<u>921,393</u>
TAXES RECEIVABLE -				
JULY 31, 2024		<u>\$</u>	<u>34,625</u>	<u>\$</u>
				<u>38,620</u>
TAXES RECEIVABLE BY				
YEAR:				
2023	\$	16,502	\$	14,852
2022		9,310		10,241
2021		3,655		4,934
2020		1,956		2,935
2019		965		1,448
2018		655		1,048
2017		379		625
2016 and prior		<u>1,203</u>		<u>2,537</u>
TOTAL	\$	<u>34,625</u>	\$	<u>38,620</u>

See accompanying independent auditor's report.



**LAKE MUNICIPAL UTILITY DISTRICT  
TAXES LEVIED AND RECEIVABLE  
FOR THE YEAR ENDED JULY 31, 2024**

	2023	2022	2021	2020
<b>PROPERTY VALUATIONS:</b>				
Land	\$ 92,129,315	\$ 92,203,364	\$ 91,801,901	\$ 87,704,694
Improvements	414,389,264	365,050,201	309,961,359	299,101,471
Personal Property	22,145,818	21,322,960	16,517,045	15,859,755
Exemptions	(15,230,407)	(13,352,541)	(11,196,017)	(10,758,212)
<b>TOTAL PROPERTY VALUATIONS</b>	<b>\$ 513,433,990</b>	<b>\$ 465,223,984</b>	<b>\$ 407,084,288</b>	<b>\$ 391,907,708</b>
<b>TAX RATES PER \$100 VALUATION:</b>				
Debt Service	\$ 0.18	\$ 0.22	\$ 0.27	\$ 0.30
Maintenance	0.20	0.20	0.20	0.20
<b>TOTAL TAX RATES PER \$100 VALUATION</b>	<b>\$ 0.38</b>	<b>\$ 0.42</b>	<b>\$ 0.47</b>	<b>\$ 0.50</b>
<b>ADJUSTED TAX LEVY*</b>	<b>\$ 1,951,049</b>	<b>\$ 1,953,941</b>	<b>\$ 1,913,297</b>	<b>\$ 1,959,539</b>
<b>PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED</b>				
	<b>98.39 %</b>	<b>99.00 %</b>	<b>99.55 %</b>	<b>99.75 %</b>

\* Based upon adjusted tax at time of audit for the period in which the tax was levied.

\*\* Breakdown of property valuation is unavailable

Maintenance Tax – A maintenance tax rate not to exceed \$0.20 per \$100 of assessed valuation was approved by voters on December 8, 1981.

See accompanying independent auditor's report.

**LAKE MUNICIPAL UTILITY DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS  
JULY 31, 2024**

S E R I E S - 2 0 1 5			
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2025		\$ 177,094	\$ 177,094
2026		177,094	177,094
2027		177,094	177,094
2028		177,094	177,094
2029		177,094	177,094
2030		177,094	177,094
2031		177,094	177,094
2032	295,000	172,669	467,669
2033	305,000	163,669	468,669
2034	315,000	154,369	469,369
2035	330,000	144,694	474,694
2036	345,000	134,353	479,353
2037	355,000	123,194	478,194
2038	370,000	110,950	480,950
2039	385,000	97,737	482,737
2040	405,000	83,912	488,912
2041	420,000	69,475	489,475
2042	865,000	46,987	911,987
2043	910,000	15,925	925,925
2044			
2045			
2046			
	\$ 5,300,000	\$ 2,557,592	\$ 7,857,592

See accompanying independent auditor's report.

**LAKE MUNICIPAL UTILITY DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS  
JULY 31, 2024**

S E R I E S - 2 0 1 6				
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total	
2025	\$ 25,000	\$ 94,128	\$	119,128
2026	25,000	93,519		118,519
2027	25,000	92,878		117,878
2028	25,000	92,206		117,206
2029	25,000	91,534		116,534
2030	25,000	90,878		115,878
2031	25,000	90,222		115,222
2032	25,000	89,566		114,566
2033	25,000	88,894		113,894
2034	25,000	88,206		113,206
2035	25,000	87,519		112,519
2036	25,000	86,831		111,831
2037	25,000	86,144		111,144
2038	25,000	85,425		110,425
2039	25,000	84,675		109,675
2040	25,000	83,925		108,925
2041	25,000	83,175		108,175
2042	25,000	82,425		107,425
2043	25,000	81,675		106,675
2044	860,000	68,400		928,400
2045	900,000	42,000		942,000
2046	950,000	14,250		964,250
	\$ 3,185,000	\$ 1,798,475	\$	4,983,475

See accompanying independent auditor's report.

**LAKE MUNICIPAL UTILITY DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS  
JULY 31, 2024**

SERIES - 2018 REFUNDING

Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2025	\$ 480,000	\$ 105,194	\$ 585,194
2026	500,000	92,319	592,319
2027	520,000	77,644	597,644
2028	535,000	61,819	596,819
2029	555,000	45,469	600,469
2030	575,000	28,159	603,159
2031	590,000	9,588	599,588
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
	<u>\$ 3,755,000</u>	<u>\$ 420,192</u>	<u>\$ 4,175,192</u>

See accompanying independent auditor's report.

**LAKE MUNICIPAL UTILITY DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS  
JULY 31, 2024**

SERIES - 2021 REFUNDING

Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2025	\$ 20,000	\$ 71,063	\$ 91,063
2026	20,000	70,462	90,462
2027	20,000	69,863	89,863
2028	20,000	69,362	89,362
2029	20,000	68,963	88,963
2030	20,000	68,562	88,562
2031	20,000	68,163	88,163
2032	280,000	65,162	345,162
2033	295,000	59,413	354,413
2034	305,000	53,413	358,413
2035	315,000	47,213	362,213
2036	320,000	40,863	360,863
2037	335,000	34,312	369,312
2038	345,000	27,513	372,513
2039	360,000	20,236	380,236
2040	370,000	12,481	382,481
2041	380,000	4,275	384,275
2042			
2043			
2044			
2045			
2046			
	<u>\$ 3,445,000</u>	<u>\$ 851,319</u>	<u>\$ 4,296,319</u>

See accompanying independent auditor's report.

**LAKE MUNICIPAL UTILITY DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS  
JULY 31, 2024**

ANNUAL REQUIREMENTS  
FOR ALL SERIES

Due During Fiscal Years Ending July 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2025	\$ 525,000	\$ 447,479	\$ 972,479
2026	545,000	433,394	978,394
2027	565,000	417,479	982,479
2028	580,000	400,481	980,481
2029	600,000	383,060	983,060
2030	620,000	364,693	984,693
2031	635,000	345,067	980,067
2032	600,000	327,397	927,397
2033	625,000	311,976	936,976
2034	645,000	295,988	940,988
2035	670,000	279,426	949,426
2036	690,000	262,047	952,047
2037	715,000	243,650	958,650
2038	740,000	223,888	963,888
2039	770,000	202,648	972,648
2040	800,000	180,318	980,318
2041	825,000	156,925	981,925
2042	890,000	129,412	1,019,412
2043	935,000	97,600	1,032,600
2044	860,000	68,400	928,400
2045	900,000	42,000	942,000
2046	950,000	14,250	964,250
	<u>\$ 15,685,000</u>	<u>\$ 5,627,578</u>	<u>\$ 21,312,578</u>

See accompanying independent auditor's report.

**LAKE MUNICIPAL UTILITY DISTRICT  
CHANGE IN LONG-TERM BOND DEBT  
FOR THE YEAR ENDED JULY 31, 2024**

Description	Original Bonds Issued	Bonds Outstanding August 1, 2023
Lake Municipal Utility District Unlimited Tax Bonds - Series 2015	\$ 5,300,000	\$ 5,300,000
Lake Municipal Utility District Unlimited Tax Bonds - Series 2016	3,335,000	3,210,000
Lake Municipal Utility District Unlimited Tax Refunding Bonds - Series 2018	5,815,000	4,220,000
Lake Municipal Utility District Unlimited Tax Refunding Bonds - Series 2021	<u>3,485,000</u>	<u>3,465,000</u>
TOTAL	<u>\$ 17,935,000</u>	<u>\$ 16,195,000</u>
Debt Service Fund cash and investment balances as of July 31, 2024:		<u>\$ 2,381,257</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:		<u>\$ 968,754</u>

See Note 3 for interest rate, interest payment dates and maturity dates.

See accompanying independent auditor's report.



Current Year Transactions

<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding July 31, 2024</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$		\$ 177,094	\$ 5,300,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	25,000	94,675	3,185,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	465,000	116,425	3,755,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	<u>20,000</u>	<u>71,662</u>	<u>3,445,000</u>	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ - 0 -</u>	<u>\$ 510,000</u>	<u>\$ 459,856</u>	<u>\$ 15,685,000</u>	

Bond Authority:	<u>Unlimited Tax Bonds*</u>
Amount Authorized by Voters	\$ 47,270,000
Amount Issued	<u>32,000,000</u>
Remaining to be Issued	<u>\$ 15,270,000</u>

\* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes and may be used for refunding purposes.

See accompanying independent auditor's report.

**LAKE MUNICIPAL UTILITY DISTRICT**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**GENERAL FUND - FIVE YEARS**

	Amounts		
	2024	2023	2022
<b>REVENUES</b>			
Property Taxes	\$ 1,017,801	\$ 919,475	\$ 810,330
Water Service	1,029,622	957,727	899,761
Wastewater Service	1,341,932	1,318,052	1,269,584
Penalty and Interest	46,782	44,055	40,899
Investment Revenues	103,912	63,509	4,990
Miscellaneous Revenues	50,918	51,535	51,696
<b>TOTAL REVENUES</b>	<b>\$ 3,590,967</b>	<b>\$ 3,354,353</b>	<b>\$ 3,077,260</b>
<b>EXPENDITURES</b>			
Professional Fees	\$ 113,547	\$ 149,252	\$ 149,631
Contracted Services	759,301	735,873	646,560
Purchased Water Service	507,356	482,711	450,410
Purchased Wastewater Service	938,220	907,040	801,233
Utilities	90,379	85,745	90,392
Repairs and Maintenance	503,622	469,143	596,003
Other	170,952	145,842	227,027
Capital Outlay		92,089	13,242
<b>TOTAL EXPENDITURES</b>	<b>\$ 3,083,377</b>	<b>\$ 3,067,695</b>	<b>\$ 2,974,498</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 507,590</b>	<b>\$ 286,658</b>	<b>\$ 102,762</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In (Out)	\$ 92,131	\$ -0-	\$ -0-
<b>NET CHANGE IN FUND BALANCE</b>	\$ 599,721	\$ 286,658	\$ 102,762
<b>BEGINNING FUND BALANCE</b>	1,745,145	1,458,487	1,355,725
<b>ENDING FUND BALANCE</b>	<b>\$ 2,344,866</b>	<b>\$ 1,745,145</b>	<b>\$ 1,458,487</b>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2021	2020	2024	2023	2022	2021	2020
\$ 782,497	\$ 742,710	28.3 %	27.4 %	26.3 %	25.9 %	24.6 %
885,873	890,005	28.7	28.6	29.2	29.3	29.3
1,265,808	1,280,905	37.4	39.3	41.3	41.9	42.2
48,208	43,237	1.3	1.3	1.3	1.6	1.4
805	10,416	2.9	1.9	0.2		0.3
40,222	65,865	1.4	1.5	1.7	1.3	2.2
<u>\$ 3,023,413</u>	<u>\$ 3,033,138</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 108,029	\$ 93,505	3.2 %	4.4 %	4.9 %	3.6 %	3.1 %
604,145	585,465	21.2	21.9	21.0	20.0	19.3
435,465	425,423	14.1	14.4	14.6	14.4	14.0
830,773	831,800	26.1	27.0	26.0	27.5	27.4
74,974	72,431	2.5	2.6	2.9	2.4	2.4
566,270	551,582	14.0	14.0	19.4	18.7	18.2
236,057	195,578	4.8	4.3	7.4	7.8	6.4
	77,751		2.7	0.4		2.6
<u>\$ 2,855,713</u>	<u>\$ 2,833,535</u>	<u>85.9 %</u>	<u>91.3 %</u>	<u>96.6 %</u>	<u>94.4 %</u>	<u>93.4 %</u>
\$ 167,700	\$ 199,603	14.1 %	8.7 %	3.4 %	5.6 %	6.6 %
\$ -0-	\$ -0-					
\$ 167,700	\$ 199,603					
1,188,025	988,422					
<u>\$ 1,355,725</u>	<u>\$ 1,188,025</u>					

See accompanying independent auditor's report.

**LAKE MUNICIPAL UTILITY DISTRICT**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**DEBT SERVICE FUND - FIVE YEARS**

	Amounts		
	2024	2023	2022
<b>REVENUES</b>			
Property Taxes	\$ 921,393	\$ 1,013,326	\$ 1,095,394
Penalty and Interest	16,890	19,114	14,901
Investment Revenues	105,707	81,961	6,671
Miscellaneous Revenues	13,352	24,847	535
<b>TOTAL REVENUES</b>	<b>\$ 1,057,342</b>	<b>\$ 1,139,248</b>	<b>\$ 1,117,501</b>
<b>EXPENDITURES</b>			
Tax Collection Expenditures	\$ 53,259	\$ 45,156	\$ 39,905
Debt Service Principal	510,000	490,000	430,000
Debt Service Interest and Fees	462,331	474,387	476,141
Bond Issuance Costs			
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,025,590</b>	<b>\$ 1,009,543</b>	<b>\$ 946,046</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 31,752</b>	<b>\$ 129,705</b>	<b>\$ 171,455</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Refunding Bonds	\$	\$	\$
Payment to Refunded Bond Escrow Agent			
Bond Discount			
Bond Premium			
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ - 0 -</b>	<b>\$ - 0 -</b>	<b>\$ - 0 -</b>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 31,752	\$ 129,705	\$ 171,455
<b>BEGINNING FUND BALANCE</b>	2,415,645	2,285,940	2,114,485
<b>ENDING FUND BALANCE</b>	<b>\$ 2,447,397</b>	<b>\$ 2,415,645</b>	<b>\$ 2,285,940</b>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<b>2,034</b>	<b>2,033</b>	<b>2,033</b>
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<b>2,014</b>	<b>2,025</b>	<b>2,021</b>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2021	2020	2024	2023	2022	2021	2020
\$ 1,174,117	\$ 1,114,814	87.1 %	88.9 %	98.0 %	98.0 %	96.9 %
21,132	12,564	1.6	1.7	1.3	1.8	1.1
1,167	16,743	10.0	7.2	0.6	0.1	1.5
<u>1,719</u>	<u>5,207</u>	<u>1.3</u>	<u>2.2</u>	<u>0.1</u>	<u>0.1</u>	<u>0.5</u>
<u>\$ 1,198,135</u>	<u>\$ 1,149,328</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 46,784	\$ 41,331	5.0 %	4.0 %	3.6 %	3.9 %	3.6 %
595,000	575,000	48.2	43.0	38.4	49.6	50.0
542,548	557,945	43.7	41.6	42.6	45.3	48.5
<u>155,528</u>					<u>13.0</u>	
<u>\$ 1,339,860</u>	<u>\$ 1,174,276</u>	<u>96.9 %</u>	<u>88.6 %</u>	<u>84.6 %</u>	<u>111.8 %</u>	<u>102.1 %</u>
\$ (141,725)	\$ (24,948)	<u>3.1 %</u>	<u>11.4 %</u>	<u>15.4 %</u>	<u>(11.8) %</u>	<u>(2.1) %</u>
\$ 3,485,000	\$					
(3,300,181)						
(50,559)						
<u>21,268</u>						
<u>\$ 155,528</u>	<u>\$ - 0 -</u>					
\$ 13,803	\$ (24,948)					
<u>2,100,682</u>	<u>2,125,630</u>					
<u>\$ 2,114,485</u>	<u>\$ 2,100,682</u>					
<u>2,019</u>	<u>2,028</u>					
<u>2,009</u>	<u>2,018</u>					

See accompanying independent auditor's report.

**LAKE MUNICIPAL UTILITY DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
JULY 31, 2024**

District Mailing Address - Lake Municipal Utility District  
c/o Bacon, Wallace & Philbin, L.L.P.  
6363 Woodway, Suite 800  
Houston, TX 77057

District Telephone Number - (713) 739-1060

<b>Board Members</b>	Term of Office (Elected or <u>Appointed</u> )	Fees of Office for the year ended <u>July 31, 2024</u>	Expense Reimbursements for the year ended <u>July 31, 2024</u>	<u>Title</u>
Kathleen Witkowski	05/24 05/28 (Elected)	\$ 7,200	\$ 49	President
Kenneth J. Sandor	05/22 05/26 (Elected)	\$ 7,642	\$ 2,567	Vice President
Alias Jones	05/22 05/26 (Elected)	\$ 2,652	\$ 1,953	Secretary
Shelia Crianza	05/24 05/28 (Elected)	\$ 4,862	\$ 3,070	Assistant Secretary
Linda Mason	05/24 05/28 (Elected)	\$ 2,652	\$ 2,383	Director

Note: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developer or with any of the District's consultants.

Submission date of most recent District Registration Form: May 17, 2024

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution on July 20, 2023. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year. During the current year, one director exceeded the limit. The overage will be repaid during the next fiscal year.

See accompanying independent auditor's report.

**LAKE MUNICIPAL UTILITY DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
JULY 31, 2024**

<b>Consultants:</b>	<u>Date Hired</u>	<u>Fees for the year ended July 31, 2024</u>	<u>Title</u>
Bacon, Wallace & Philbin, L.L.P.	11/14/90	\$ 78,548 \$ -0-	General Counsel Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	07/17/14	\$ 15,250	Auditor
District Data Services, Inc.	01/18/81	\$ 17,000	Bookkeeper
Langford Engineering, Inc.	02/14/13	\$ 80,761	Engineer
Rathmann & Associates, L.P.	04/09/03	\$ -0-	Financial Advisor
Texas Operations & Professional Services	06/30/12	\$ 595,613	Operator
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/03/15	\$ 6,031	Delinquent Tax Attorney
San Jacinto Tax Service Company, LLC	12/04/80	\$ 21,741	Tax Assessor/ Collector

See accompanying independent auditor's report.





APPENDIX C

SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND  
INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AG shall have received Notice of Nonpayment, AG will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AG, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AG. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AG is incomplete, it shall be deemed not to have been received by AG for purposes of the preceding sentence and AG shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AG shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AG hereunder. Payment by AG to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AG under this Policy.

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

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

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

This Policy sets forth in full the undertaking of AG, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY INC.

By \_\_\_\_\_  
Authorized Officer

1633 Broadway, New York, N.Y. 10019

(212) 974-0100

Form 500 (8/24)



