

OFFICIAL STATEMENT DATED APRIL 17, 2025

IN THE OPINION OF BOND COUNSEL (HEREIN DEFINED), INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW 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 "TAX MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

The Bonds are not designated as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Not Qualified Tax-Exempt Obligations."

NEW ISSUE – Book Entry Only

S&P Global Ratings (BAM Insured)..... "AA"
See "MUNICIPAL BOND INSURANCE" and "RATING."

\$8,000,000

EAST MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 5
(A Political Subdivision of the State of Texas Located in Montgomery County)

**UNLIMITED TAX ROAD BONDS
SERIES 2025**

Dated: May 1, 2025

Interest accrues from: Date of Delivery

Due: September 1, as shown on inside cover

The \$8,000,000 Unlimited Tax Road Bonds, Series 2025 (the "Bonds"), are obligations of East Montgomery County Municipal Utility District No. 5 (the "District") and are not obligations of the State of Texas; Montgomery County, Texas; the City of Houston, Texas; or any entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; Montgomery County, Texas; the City of Houston, Texas; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

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

Principal of the Bonds is payable to the registered owner(s) of the Bonds (the "Registered Owner(s)") at the principal payment office of the Paying Agent/Registrar upon surrender of the Bonds for payment at maturity or upon prior redemption. The Bonds are dated May 1, 2025 (the "Dated Date") and will accrue interest from the date of delivery, which is expected to be on or about May 20, 2025 (the "Date of Delivery"), with interest payable on September 1, 2025, and on each March 1 and September 1 thereafter to the person in whose name the Bonds are registered as of the 15th day of the calendar month next preceding each interest payment date. Unless otherwise agreed between the Paying Agent/Registrar and a Registered Owner, such interest is payable by check mailed to such persons or by other means acceptable to such person and the Paying Agent/Registrar. The Bonds are issuable in principal denominations of \$5,000 or any integral multiple thereof in fully registered form only.

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

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



The Bonds constitute the first series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing road facilities to serve the District ("the Road System"). At an election held within the District on May 12, 2007, voters of the District authorized the District's issuance of \$63,529,430 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road facilities to serve the District the Road System, and \$82,004,262 principal amount of unlimited tax bonds for purpose of acquiring or constructing the water, sewer, and drainage facilities to serve the District (the "System"). A second election was held within the District on May 6, 2023, where voters of the District authorized the District's issuance of \$58,500,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, \$157,700,000 principal amount of unlimited tax bonds for the System, \$24,600,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District (the "Park System"), and \$386,333,692 for the refunding of the System, Road System and Park System collectively. Following the issuance of the Bonds, an aggregate of \$114,029,430 principal amount of authorized unlimited tax bonds for the Road System, \$235,704,262 principal amount of authorized unlimited tax bonds for the System, and \$24,600,000 principal amount of authorized unlimited tax bonds for the Park System will remain authorized but unissued.

The Bonds, when issued, will constitute valid and binding obligations of the District 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." Investment in the Bonds is subject to special risk factors as described herein. Prospective purchasers should review this entire Official Statement, including particularly the section of this Official Statement entitled "RISK FACTORS," before making an investment decision. See "RISK FACTORS."

The Bonds are offered when, as, and if issued by the District and accepted by the winning bidder for the Bonds (the "Initial Purchaser"), subject among other things to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Coats Rose, P.C., Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Disclosure Counsel. The Bonds in definitive form are expected to be available for delivery on or about May 20, 2025. See "LEGAL MATTERS."

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

\$8,000,000 Unlimited Tax Road Bonds, Series 2025

\$3,055,000 Serial Bonds

Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 27373M (b)	Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 27373M (b)
2031 (c)	\$ 220,000	7.000%	3.800%	BF9	2042 (c)	\$ 365,000	4.625%	4.750%	BS1
2032 (c)	230,000	6.375%	3.900%	BG7	2043 (c)	380,000	4.625%	4.790%	BT9
2033 (c)	240,000	4.500%	4.000%	BH5	2044 (c)	400,000	4.750%	4.830%	BU6
2034 (c)	250,000	4.500%	4.150%	BJ1	2045 (c)	420,000	4.750%	4.860%	BV4
2035 (c)	265,000	4.500%	4.300%	BK8	2046 (c)	440,000	4.750%	4.880%	BW2
***	***	***	***	***	2047 (c)	460,000	4.750%	4.900%	BX0
2038 (c)	305,000	4.500%	4.550%	BN2	2048 (c)	480,000	4.750%	4.920%	BY8
2039 (c)	315,000	4.500%	4.600%	BP7	2049 (c)	505,000	4.750%	4.940%	BZ5
2040 (c)	330,000	4.500%	4.650%	BQ5	2050 (c)	530,000	4.750%	4.950%	CA9
2041 (c)	345,000	4.500%	4.700%	BR3					

\$1,520,000 Term Bonds

\$955,000 Term Bonds Due September 1, 2030 (d), Interest Rate: 7.000% (Price: \$110.400) (a), CUSIP No. 27373M BE2 (b)

\$565,000 Term Bonds Due September 1, 2037 (c)(d), Interest Rate: 4.500% (Price: \$100.000) (a), CUSIP No. 27373M BM4 (b)

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- (a) The initial reoffering yields has been provided by the Initial Purchaser and represents the initial offering price to the public of a substantial amount of the Bonds for each maturity. Such initial reoffering yield may subsequently be changed. The initial reoffering yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.
- (c) The Bonds maturing on and after September 1, 2031, are subject to redemption prior to maturity at the option of the District, as a whole or from time to time in part, on September 1, 2030, or any date thereafter at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions - *Optional Redemption*."
- (d) Subject to mandatory redemption as provided under "THE BONDS – Redemption Provisions - *Mandatory Redemption*."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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, audited financial statements, 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 Coats Rose, P.C., 9 Greenway Plaza, Suite 1000, Houston, Texas 77046, Bond Counsel to the District.

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

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

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

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

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SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net interest cost, which was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser"). The Initial Purchaser has agreed to purchase the Bonds, bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS" on the inside cover page of this Official Statement, at a price of 97.012704% of the principal amount thereof, which resulted in a net effective interest rate of 4.966580%, calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

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 delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker or similar person acting in the capacity of underwriter or wholesaler. Other than as described in the Official Notice of Sale, the District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser.

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial reoffering prices, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE 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 jurisdictions. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds should not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, BAM will issue a Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as "APPENDIX B."

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.bambonds.com.

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2024, and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$498.6 million, \$253.4 million and \$245.2 million, respectively.

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

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

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

Additional Information Available from BAM

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

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit

Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at <https://bambonds.com/credit-profiles>. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

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

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

RATING

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

The District is not aware of any rating assigned to the Bonds other than the rating discussed above.

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OFFICIAL STATEMENT SUMMARY

The following material is a summary of certain information contained herein and is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement.

THE BONDS

- The District.....East Montgomery County Municipal Utility District No. 5 (the “District”), a political subdivision of the State of Texas, is located in Montgomery County, Texas. See “THE DISTRICT.”

- The Bonds.....The District is issuing its \$8,000,000 Unlimited Tax Road Bonds, Series 2025 (the “Bonds”). The Bonds are dated May 1, 2025 (the “Dated Date”) and will accrue interest from the date of delivery, which is expected to be on or about May 20, 2025 (the “Date of Delivery”), with interest payable on September 1, 2025, and on each March 1 and September 1 thereafter until maturity or prior redemption. See “THE BONDS” herein.

- Redemption ProvisionsThe Bonds maturing on or after September 1, 2031, are subject to redemption prior to maturity at the option of the District, in whole or in part, 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. See “THE BONDS – Redemption Provisions – *Optional Redemption.*”

The Bonds maturing on September 1, 2031 through September 1, 2035, both inclusive, and September 1, 2038 through September 1, 2050, both inclusive, are serial bonds. The Bonds maturing September 1 in the years 2030 and 2037 are term bonds (the “Term Bonds”), that are also subject to mandatory sinking fund redemption as provided herein under “THE BONDS – Redemption Provisions – *Mandatory Redemption.*”

- Book-Entry-Only System.....The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”), in accordance with the Book-Entry-Only System (herein defined). Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners (herein defined) thereof. Principal of and interest on the Bonds will be payable by Zions Bancorporation, National Association, 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 PaymentPrincipal of and interest on the Bonds are payable from the proceeds of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, levied against taxable property located within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas; Montgomery County, Texas; the City of Houston, Texas; or any entity other than the District. See “THE BONDS – Source of Payment.”

- Payment Record.....The Bonds are the second issuance of bonded indebtedness by the District.

- Outstanding BondsThe District has previously issued one (1) series of unlimited tax bonds for the System: \$4,000,000 Unlimited Tax Bonds, Series 2024;

As of the Date of Delivery, \$4,000,000 principal amount of such bonds remains outstanding (the "Outstanding Bonds"). See "THE BONDS – Outstanding Bonds."

Authority for Issuance..... At an election held within the District on May 12, 2007, voters of the District authorized the District's issuance of \$63,529,430 principal amount of unlimited tax bonds for the Road System, and \$82,004,262 principal amount of unlimited tax bonds for the System (the "2007 Authorization"). A second election was held within the District on May 6, 2023, where voters of the District authorized the District's issuance of \$58,500,000 principal amount of unlimited tax bonds for the Road System, \$157,700,000 principal amount of unlimited tax bonds for the System, and \$24,600,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks, and recreational facilities to serve the District (the "Park System"), and \$386,333,692 for the refunding of the System, Road System and Park System collectively (the "2023 Authorization").

The Bonds are issued pursuant to (i) Article III, Section 52 of the Texas Constitution, and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended; (ii) an election held within the District on May 12, 2007; and (iii) an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board"). See "THE BONDS – Authority for Issuance."

Use of Proceeds Proceeds from the sale of the Bonds will be used by the District to reimburse the Developer (herein defined) for the improvements and related costs as shown herein under "THE BONDS – Use and Distribution of Bond Proceeds." Additionally, proceeds from the sale of the Bonds will be used to pay developer interest, eighteen (18) months of capitalized interest, and other certain costs associated with the issuance of the Bonds. See "THE BONDS – Use and Distribution of Bond Proceeds."

Not Qualified Tax-Exempt Obligations The District has not designated the Bonds as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Not Qualified Tax-Exempt Obligations."

Municipal Bond Insurance Build America Mutual Assurance Company ("BAM"). See "MUNICIPAL BOND INSURANCE."

Rating..... S&P Global Ratings (BAM Insured): "AA." See "RATING."

Legal Opinion Coats Rose, P.C., Houston, Texas, Bond Counsel. See "LEGAL MATTERS."

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

Financial Advisor..... Robert W. Baird & Co. Incorporated, Houston, Texas.

Paying Agent/Registrar..... Zions Bancorporation, National Association, Houston, Texas.

THE DISTRICT

Description..... East Montgomery County Municipal Utility District No. 5, a political subdivision of the State of Texas, is located in Montgomery County, Texas, located along US Highway 59 (US 59), approximately 30 miles north of the central business district of Houston, Texas, just west of Peach Creek Drive, New Caney, Texas and mostly south of Roman

Forest Boulevard, New Caney, Texas. The District is entirely located within the extra-territorial jurisdiction area of the City of Houston, Texas and is also located within the New Caney Independent School District. A portion of the District lies within the East Montgomery County Improvement District. See “THE DISTRICT – General” and “THE DISTRICT– Description.”

- Authority.....The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code, as amended. See “THE DISTRICT – General.”
- Tavola.....The District is a part of the master-planned development known as “Tavola.” Tavola includes approximately 1,500 total acres and is located in Montgomery County, Texas, approximately 30 miles northeast of the City of Houston, Texas and approximately two (2) miles north of the City of New Caney, Texas. See “TAVOLA.”
- Status of Development.....The District contains approximately 516.81 total acres of land. To date, residential development in the District includes approximately 1,050 single-family lots within the Tavola West, subdivision Sections 1-10. As of March 1, 2025, single-family residential development within the District included approximately 861 complete homes (approximately 778 occupied, 83 unoccupied, and 0 model homes), approximately 79 homes under construction, and approximately 110 vacant lots available for additional home construction. See “DEVELOPMENT STATUS OF THE DISTRICT.”
- Developer.....Land within the District is being developed by Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership d/b/a Friendswood Development Company (the “Developer”). See “DEVELOPER” and “TAVOLA.”
- HomebuildersThe Developer is the only active homebuilder in the District. Prices of new homes being constructed range from \$200,000 to \$435,000 and in square footage 2,000 to 3,700. See “DEVELOPMENT STATUS OF THE DISTRICT – Homebuilders within the District.”

RISK FACTORS

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

SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2024 Certified Taxable Assessed Valuation	\$ 33,670,180	(a)
Estimated Taxable Valuation as of January 1, 2025	\$203,582,314	(b)
Direct Debt:		
The Outstanding Bonds (as of Date of Delivery of the Bonds)	\$ 4,000,000	
The Bonds	<u>8,000,000</u>	
Total	\$ 12,000,000	
Estimated Overlapping Debt	<u>\$ 5,788,866</u>	(c)
Total Direct and Estimated Overlapping Debt	\$ 17,788,866	
Direct Debt Ratios:		
Based on 2024 Certified Taxable Assessed Valuation	35.64	%
Based on Estimated Taxable Valuation as of January 1, 2025	5.89	%
Direct and Estimated Overlapping Debt Ratios:		
Based on 2024 Certified Taxable Assessed Valuation	52.83	%
Based on Estimated Taxable Valuation as of January 1, 2025	8.74	%
General Operating Fund Balance (as of March 20, 2025)	\$ 748,537	
System Debt Service Fund Balance (as of March 20, 2025)	\$ 207,686	(d)
Road System Debt Service Fund Balance (as of Date of Delivery)	\$ 601,371	(e)
2024 Tax Rate		
System Debt Service	\$0.310	
Road Debt Service	\$0.000	
Maintenance & Operation	\$0.520	
Contract Tax	<u>\$0.470</u>	(f)
Total	\$1.300	
Combined Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2025–2050)	\$ 784,776	(g)
Combined Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2026)	\$ 841,381	(g)
Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2025–2050) at 95% Tax Collections		
Based on 2024 Certified Taxable Assessed Valuation	\$ 2.46	
Based on Estimated Taxable Valuation as of January 1, 2025	\$ 0.41	
Combined Debt Service Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement on the Outstanding Bonds And the Bonds (2026) at 95% Tax Collections		
Based on 2024 Certified Taxable Assessed Valuation	\$ 2.64	
Based on Estimated Taxable Valuation as of January 1, 2025	\$ 0.44	
Single-Family Homes as of March 1, 2025 (Including 79 homes under construction)	940	

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- (a) Represents the taxable assessed valuation as of January 1, 2024, of all taxable property located within the District, as provided by the Montgomery Central Appraisal District (the "Appraisal District"). Such amount includes \$0 of assessed valuation assigned to properties that remain under review by the Montgomery Central Appraisal Review Board (the "Appraisal Review Board"). Such amount represents the estimated minimum amount of assessed valuation that will ultimately be approved by the Appraisal Review Board, upon which the District will levy its tax. See "TAXING PROCEDURES" and "TAX DATA."
 - (b) Provided by the Appraisal District for informational purposes only. This amount is an estimate of the taxable value of all taxable property located within the District as of January 1, 2025, and includes an estimate of additional taxable value resulting from the construction of taxable improvements from January 1, 2024, through January 1, 2025. No taxes will be levied on this estimated value. See "TAXING PROCEDURES" and "TAX DATA."
 - (c) See "DISTRICT DEBT - Estimated Overlapping Debt Statement."
 - (d) Neither Texas law nor the Bond Order (herein defined) requires that the District maintain any particular sum in the System Debt Service Fund. The funds in the System Debt Service Fund are pledged only to pay the debt service on the Outstanding Bonds (herein defined), not the Contract Revenue Bonds (herein defined), or bonds issued for the Road System (herein defined), such as the Bonds.
 - (e) This amount represents eighteen (18) months of capitalized interest which will be deposited into the Road System Debt Service Fund at the delivery of the Bonds. The funds in the Road System Debt Service Fund are pledged only to pay the debt service on bonds issued for the Road System, such as the Bonds, not the Contract Revenue Bonds (herein defined), or bonds issued for the System (herein defined).
 - (f) Contract Taxes (herein defined) are levied to pay the District's share of the Master District Contract Revenue Bonds. See "RISK FACTORS - Contract Tax" and "THE SYSTEM - The Master District" herein.
 - (g) Requirement of debt service on the Outstanding Bonds and the Bonds. See "DISTRICT DEBT - Debt Service Requirements."

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by East Montgomery County Municipal Utility District No. 5 (the "District") of its \$8,000,000 Unlimited Tax Road Bonds, Series 2025 (the "Bonds").

The Bonds are issued pursuant to (i) Article III, Section 52 of the Texas Constitution, and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended; (ii) an election held within the District on May 12, 2007; and (iii) an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board").

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

This Official Statement includes descriptions of the Bonds, the Developer (herein defined), the Bond Order, 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 Coats Rose, P.C., 9 Greenway Plaza, Suite 1000, Houston, Texas 77046, upon payment of the costs of duplication therefor. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Order, except as otherwise indicated herein.

RISK FACTORS

General

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

Economic Factors Affecting Taxable Values and Tax Payments

The rate of development within the District is directly related to the vitality of the single-family housing in the City of Houston, Texas metropolitan area. New single-family residential construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of single-family residential construction would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development within the District. See "DEVELOPMENT STATUS OF THE DISTRICT."

Developer's Obligations to the District: There is no commitment by or legal requirement of the Developer (herein defined) or any other landowner to the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of any home builder to proceed at any particular pace with the construction of homes in the District. Moreover, there is no restriction on any landowner's right to sell its land. Therefore, the District can make no representation about the profitability of future development, if any, or the rate of future home construction activity in the District. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable values in the District and result in higher tax rates. See "DEVELOPMENT STATUS OF THE DISTRICT" and "DEVELOPER."

Maximum Impact on District Tax Rate: Assuming no further development or home construction, the value of the land, improvements, and other taxable property currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The taxable assessed valuation as of January

1, 2024, of all taxable property located within the District is \$33,670,180 and the estimated taxable assessed valuation as of January 1, 2025, of all taxable property located within the District is \$203,582,314. After issuance of the Bonds, the combined maximum annual debt service requirement of the Outstanding Bonds and the Bonds (2026) will be \$841,381, and the combined average annual debt service requirement of the Outstanding Bonds and the Bonds (2025–2050) will be \$784,776. See “DISTRICT DEBT – Debt Service Requirements.”

Assuming no increase or decrease from the District’s taxable assessed valuation as of January 1, 2024, a tax rate of \$2.64 and \$2.46 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the combined maximum annual debt service requirement and the combined average annual debt service requirement, respectively. Assuming no increase or decrease from the District’s estimated taxable assessed valuation as of January 1, 2025, a tax rate of \$0.44 and \$0.41 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the combined maximum annual debt service requirement and the combined average annual debt service requirement, respectively. In 2024, the District levied a total tax rate of \$1.30 per \$100 of assessed valuation. Such tax rate is composed of the following: a utility debt service tax rate of \$0.31 per \$100 of assessed valuation; a maintenance and operations tax rate of \$0.52 per \$100 of assessed valuation; and a contract tax rate of \$0.47 per \$100 of assessed valuation.

Contract Tax

The District, in its capacity as the Master District (herein defined), is responsible for constructing or otherwise obtaining the Regional water supply and Regional wastewater treatment, as well as the regional water distribution and wastewater collection trunklines and Regional drainage and detention facilities necessary to serve Tavola (collectively, the “Master District Facilities” as further defined in “THE SYSTEM – The Master District”). By execution of the “Contract for Financing, Operation and Maintenance of Regional Water, Sanitary Sewer and Drainage Facilities” (the “Master District Contract”), the District, individually and as the Master District, East Montgomery County Municipal Utility District No. 6 (“MUD 6”), and East Montgomery County Municipal Utility District No. 7 (“MUD 7”) (MUD 5, MUD 6, and MUD 7 being referred to herein individually as a “Participant” or “Tavola MUD” and collectively as the “Participants” or “Tavola MUDs”) are obligated to pay a pro rata share of debt service on bonds to be issued by the Master District to finance the Master District Facilities (the “Contract Revenue Bonds”) based upon the certified assessed valuation of each Participant. Each Participant is obligated to pay its pro rata share of debt service on the Contract Revenue Bonds, including the Bonds, from the proceeds of ad valorem taxes levied by such district for such purpose (the “Contract Tax”) or from any other lawful source of district income. The Master District is authorized, without additional voter approval, to issue Contract Revenue Bonds in an amount up to \$225,000,000 to finance the Master District Facilities to serve the entire development of Tavola.

The taxable assessed valuation of the District as of January 1, 2024 (\$33,639,129), represents 4.06% of the total taxable assessed valuation as of January 1, 2024, within all of Tavola (\$829,004,926).

The District cannot represent whether any of the development planned or occurring in the area within the Tavola MUDs served by the Master Facilities (the “Service Area”) will be successful. A levy of a Contract Tax to substantially high levels could have an adverse impact upon future development and upon development and home sales within the Service Area, including the District, and the ability of the District to collect, and the willingness of owners of property located within the Service Area to pay, the ad valorem taxes levied by the Tavola MUDs (including the Contract Tax).

Until additional development occurs within Tavola, landowners within the District are not only responsible for paying ad valorem taxes securing the Bonds, but also for the paying more than 4.06% of the ad valorem taxes that comprise the Contract Taxes that secure the Contract Revenue Bonds issued by the Master District. Potential investors should be aware that the District will be required to levy an unlimited ad valorem tax to pay debt service on both the Bonds and the Contract Revenue Bonds. If additional development does not occur within Tavola, the combined ad valorem tax rate needed to support debt service payments on the Outstanding Bonds, the Bonds, and the Contract Revenue Bonds may negatively affect the marketability of homes in the District and the ability of the District to collect, and the willingness of owners of property within the District to pay, the ad valorem taxes levied by the District (including the Contract Tax). See “THE SYSTEM.”

Tax Collections and Foreclosure Remedies

The District's ability to make debt service payments on the Outstanding Bonds, the Bonds, and on the Contract Revenue Bonds may be adversely affected by difficulties in collecting ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time consuming and expensive collection procedures; (b) a bankruptcy court's stay of tax collection proceedings against a taxpayer; or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property.

Moreover, the proceeds of any sale of property within the District available to pay debt service on the Outstanding Bonds, the Bonds, and the Contract Revenue Bonds may be limited by the existence of other tax liens on the property (see "TAX DATA - Estimated Overlapping Taxes"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property after foreclosure). Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer.

Registered Owners' Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the registered owners of the Bonds (the "Registered Owners") have the right to seek of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners.

Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it 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 to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or 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.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of 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. Texas law requires a district, such as the District, to obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code.

Notwithstanding noncompliance by the District with Texas law requirements, the District could file a voluntary bankruptcy petition under Chapter 9, thereby invoking the protection of the automatic stay until the bankruptcy court, after a hearing, dismisses the petition. A federal bankruptcy court is a court of equity and federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceedings and in making the decision of whether to grant the petitioning District relief from its creditors. While such a decision might be appealable, the concomitant delay and loss of remedies to the Registered Owner could potentially and adversely impair the value of the Registered Owner's claim.

If the petitioning District were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect Registered Owners by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owners' claims against a district. The District may not be placed into bankruptcy involuntarily.

Marketability of the Bonds

The District has no understanding with the winning bidder for the Bonds (the "Initial Purchaser") regarding the reoffering yields or prices of the Bonds and has no control 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 price may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers, since such bonds are more generally bought, sold and traded in the secondary market.

Future Debt

After issuance of the Bonds, the following amounts of unlimited tax bonds will remain authorized but unissued: \$114,029,430 principal amount of unlimited tax bonds for the Road System; \$235,704,262 principal amount of unlimited tax bonds for the System; and \$24,600,000 principal amount of unlimited tax bonds for the Park System.

The District reserves in the Bond Order the right to issue the remaining authorized but unissued bonds plus such additional bonds as may hereafter be authorized by voters in the District. The Bond Order imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and approved by the Board and, in the case of bonds for the System, parks and recreational facilities, approved by the TCEQ). The District's issuance of bonds for roads is not subject to approval by the TCEQ. In addition, the District has the right to issue obligations, other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow money for any valid public purpose.

By execution of the Master District Contract, the Financing Participants are obligated to pay a pro rata share of debt service on Contract Revenue Bonds issued by the Master District to finance the Master District Facilities based upon the certified assessed valuation of each Financing Participant as a proportion of the total certified assessed valuation of the Financing Participants. Each Financing Participant, including the District, is obligated to pay its pro rata share of debt service on the Contract Revenue Bonds from the proceeds of the Contract Tax levied by each Financing Participant or from any other lawful source of district income.

Further, the Master District has existing voter approved authority to issue up to \$225,000,000 unlimited tax contract revenue bonds, which will be primarily supported by ad valorem taxes levied on property owners in the District until additional development, if any, occurs in East Montgomery County Municipal Utility District No. 6 ("MUD 6") and East Montgomery County Municipal Utility District No. 7 ("MUD 7"); (together with the District, the "Tavola MUDS"). The Master District has previously issued eight series of Contract Revenue Bonds, of which \$54,295,000 principal amount remains outstanding. The District, in its capacity as the Master District, is authorized to issue unlimited tax Contract Revenue Bonds in an amount necessary to finance the Master District Facilities to serve the entire master-planned development of Tavola, without additional voter approval. The District cannot represent whether any of the development planned or occurring in the area within the Tavola Districts served by the Master District Facilities (the "Service Area") will be successful. The levy of a Contract Tax to substantially higher levels could have an adverse impact upon future development and upon development and home sales within the within boundaries of all Financing Participants, including the District, and the ability of each Financing Participant to collect, and the willingness of owners of property located within the boundaries of all Financing Participants to pay ad valorem taxes (including the Contract Tax). For the 2024 tax year, the District levied a Contract Tax of \$0.47 per \$100 of assessed valuation. See "THE SYSTEM."

Unlimited tax contract revenue bonds issued by the Master District will be primarily supported by ad valorem taxes levied on property owners in the District until additional development, if any, occurs in the other Tavola MUDs. The District cannot represent whether any of the development planned or occurring in the area within the Service Area will be successful. The levy of a Contract Tax to substantially higher levels could have an

adverse impact upon future development and upon development and home sales within the Service Area, including the District, and the ability of each Tavola MUD to collect, and the willingness of owners of property located within the Service Area to pay, ad valorem taxes (including the Contract Tax). See “THE SYSTEM.” The issuance of additional obligations by the District or the Master District may increase the District’s tax rate and adversely affect the security for and the investment quality and value of the Bonds. See “DEVELOPMENT STATUS OF THE DISTRICT.”

Following the issuance of the Bonds, the District will owe the Developer approximately \$17,000,000 for its expenditures to construct the System, Road System, and Park System serving the developed land within the District.

Lone Star Groundwater Conservation District

On October 10, 2017, the Lone Star Groundwater Conservation District (the “Conservation District”) Board of Directors approved new recommendations for future increases in groundwater pumping in Montgomery County based upon the results of a three-year scientific study. The Conservation District commissioned its “Strategic Water Resources Planning Study” in October 2014 to evaluate the impacts to local aquifers of its 2016 groundwater pumping reductions, to evaluate whether and how additional groundwater supplies could be safely developed in the county, and to develop other related information and recommendations for use in the next five-year cycle of joint planning for establishing goals for future aquifer conditions in a multi-county region of the Gulf Coast known as Groundwater Management Area 14 (“GMA 14”). As part of the study, the Conservation District surveyed all of the large water well permit holders in the county to determine how much additional declines in the water levels of the aquifers that they could tolerate in their water wells. The new recommended planning goal for the aquifers in Montgomery County would allow groundwater pumping to increase from the current goal of 64,000 acre-feet per year to 100,000 acre-feet per year. The study found that increased pumping would result in greater declines in water levels in the aquifers over the 50-year planning period than under the current goal, but that the survey results supported the board making such a policy decision because of the limited number of well owners who may have to lower their wells to accommodate the water-level declines.

The Conservation District Board of Directors’ decision was unanimous to approve the increased groundwater pumping levels and resulting aquifer conditions included in what is referred to as groundwater availability model “Run D” in the Final Report for Task 3 of the study as the Board’s recommended model scenario. The board of directors also approved a recommendation that the Conservation District’s general manager and technical consultants present the results of the study, including the board’s new recommendation for Run D, to the other groundwater conservation district representatives of GMA 14, with a request that Run D be considered in the new round of joint planning for the aquifers as either an amendment to the current desired future conditions for the aquifers or as a new proposal. By law, GMA 14 must adopt desired future conditions for the aquifers at least once every five years, with the current five-year cycle ending no later than January 5, 2022. However, GMA 14 can adopt new or amended desired future conditions for the aquifers earlier than those deadlines. In order to be finally approved, any new proposal or amendment must go through a lengthy technical evaluation and public hearings process prescribed by law and must receive an affirmative vote of at least four out of the five-member groundwater conservation districts in GMA 14.

In 2015, dissatisfied with the production limits the Conservation District created through the rulemaking authority delegated to it by the Texas Legislature, a group of large water producers filed suit claiming that the rules the Conservation District created imposing per-producer yearly production limits on their production of groundwater were invalid because they purported to regulate the production of groundwater in ways the Texas Legislature never authorized. On October 2, 2018, the 284th District Court of Montgomery County, ruled that, as a matter of law, the core groundwater regulation, which the Conservation District imposed on large groundwater producers, is outside of the Conservation District’s authority under the Texas Water Code and is not valid. Under the ruling, the Conservation District could appeal directly to the Beaumont Court of Appeals for review of the decision. However, at the Conservation District board meeting held on January 23, 2019, the board announced that they unanimously agreed on a settlement offer with the large water producers, but the specifics of the settlement will not be made public until all parties have reviewed and signed it. As a result of the District Court’s ruling on October 2, 2018, the District adopted new groundwater regulations on

September 8, 2020, that repeal, supersede and replace all previously adopted rules and regulatory plans of the District.

San Jacinto River Authority GRP Agreement

In response to the Conservation District requirements, the San Jacinto River Authority (“SJRA”) expressed a willingness to assume responsibility to construct and operate a surface water treatment plant at or near Lake Conroe, a large manmade lake in the County, and a water transmission system to major populated areas of the County, thus enabling the entire County to comply with the Conservation District requirements.

SJRA offered to enter into a contract for groundwater reduction planning, alternative water supply, and related goods and services (the “GRP Contract”) with all large water users in Montgomery County to achieve the goals for reduction of groundwater pumpage for the entire County. Approximately 149 larger volume water users in the County, including the Master District, approved and entered into the GRP Contract (collectively the “GRP Affiliates”) and are in compliance with SJRA and Conservation District requirements applicable to groundwater pumpage from the Master District’s well.

Pursuant to the GRP Contract, SJRA will develop, implement and enforce a groundwater reduction plan (“GRP”) covering all GRP Affiliates to achieve and maintain compliance with the Conservation District requirements. The initial focus of the GRP will be the design and construction of a surface water treatment and transmission system (the “Project”) to be owned and operated by SJRA for the benefit of all GRP Affiliates.

The SJRA will design, permit, finance, construct, own, operate, and maintain the Project, and the Project will be constructed in phases. A group compliance approach will be utilized. Certain large volume GRP Affiliates may be wholly-converted to treated surface water, while other users may continue to use groundwater. This approach is expected to minimize overall Project cost, equalize costs for GRP Affiliates, and avoid geographic advantages and disadvantages.

All GRP Affiliates will pay a monthly groundwater pumpage fee for groundwater pumped from wells. The pumpage fee shall be set so that GRP Affiliates are neither benefitted nor penalized for utilizing groundwater and allowances will be made for GRP Participant costs of operating and maintaining their wells.

GRP Affiliates that receive treated surface water from the Project will pay the prevailing rate for water. Such rate will be set so the GRP Affiliates are neither benefitted nor penalized for being required to take water from the Project under the GRP and allowances will be made for GRP Participant costs of operating on-site water facilities, as well as operating and maintaining their wells. The pumpage fees and water service fees received from the Project will be comparable so that all GRP Affiliates will be paying equivalent charges without preference for customers within or outside the areas converted to surface water.

SJRA has and will issue bonds to finance the capital costs of the Project, and groundwater pumpage fees and water service fees will be used to cover costs of debt service on such bonds. SJRA has created a new, separate, non-treated surface water system for substantially all of Montgomery County. The direct costs to SJRA’s groundwater reduction plan division for the first phase of such conversion to surface water sources are currently estimated to be approximately \$500,000,000, which will be paid for through pumpage fees charged to the participants. The SJRA pumpage fees are currently \$2.67 per 1,000 gallons of water pumped from wells and the Master District will pay the pumpage fees based upon the amount of water it pumps each month.

The Master District passes these pumpage fees and Conservation District fees on to each of the Tavola MUDs, which in turn pass these costs to their customers.

Collection of Taxes

The District’s ability to pay debt service on the Outstanding Bonds, the Bonds, and the Contract Revenue Bonds, may be adversely affected by its ability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien on the property in favor of the District on a parity with the lien of all other state and local authorities. Such lien can be foreclosed in judicial proceedings. The District’s ability to collect ad valorem taxes through such foreclosure may be impaired by (a) collection procedures, (b) a bankruptcy court’s stay of a tax collection procedure against a taxpayer or (c) market conditions limiting the proceeds from a foreclosure sale of taxable property including the taxpayer’s right to redeem property for a

specified period of time after foreclosure at the foreclosure sale price. See “TAXING PROCEDURES – Levy and Collection of Taxes.”

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.”

Approval of the Bonds

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas, however, does not pass upon or guarantee the safety of the Bonds as an investment or the adequacy or accuracy of the information contained in this Official Statement.

Environmental Regulations

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

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

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

Air Quality Issues: Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the TCEQ may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act (“CAA”) Amendments of 1990, the eight-county Houston-Galveston-Brazoria area (“HGB Area”)—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty Counties—has been designated a nonattainment area under two separate federal ozone standards: the eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the “2008 Ozone Standard”), and the EPA’s most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the “2015 Ozone Standard”). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB Area, the HGB Area remains subject to CAA nonattainment requirements.

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

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

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

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

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

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

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

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

Operations of utility districts, including the District, are also potentially subject to requirements and restrictions under the CWA regarding the use and alteration of wetland areas that are within the “waters of the

United States.” The District must obtain a permit from the United States Army Corps of Engineers (“USACE”) if operations of the District require that wetlands be filled, dredged, or otherwise altered.

On May 25, 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.

Specific Flood Type Risks

The District may be subject to the following flood risks:

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

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

Potential Impact of Natural Disaster

The District is located approximately 60 miles from the Texas Gulf Coast and, as it has in the past, could be impacted by high winds, heavy rains, and flooding caused by hurricane, tornado, tropical storm, or other adverse weather event. In the event that a natural disaster should damage or destroy improvements and personal property in the District, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed value in the District or an increase in the District’s tax rates. See “TAXING PROCEDURES – Valuation of Property for Taxation.”

There can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (certain casualties, including flood, are usually excepted unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild, repair, or replace any taxable properties in the District that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could be a lengthy period in which assessed values in the District are adversely affected.

Potential Effects of Oil Price Declines on the Houston Area

The recent fluctuations in oil prices in the U.S. and globally, which at times have led to the lowest such prices in three decades, may lead to adverse conditions in the oil and gas industry, including but not limited to reduced revenues, declines in capital and operating expenditures, business failures, and layoffs of workers. The economy of the Houston, Texas 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, Texas area and could reduce or

negatively affect property values or homebuilding activity within the District. As previously stated, the Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

Extreme Weather Events

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms, hurricanes, tornadoes, flooding, and other natural disasters. 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.

On August 25, 2017, Hurricane Harvey made landfall on the Texas Gulf Coast. The Houston area, including Montgomery County, Texas, sustained widespread rain damage and flooding as a result of Hurricane Harvey's landfall, and historic levels of rainfall during the succeeding four days.

According to the Engineer, the District's water, sanitary sewer, and drainage facilities sustained no damage as a result of Hurricane Harvey, and there was no interruption of water and sewer service. Furthermore, according to the Engineer, there were no structures in the District that experienced flooding or structural damage. The District cannot predict the effect that additional extreme weather events may have upon the District and the Gulf Coast. Additional extreme weather events have the potential to cause damage within the District and along the Gulf Coast generally that could have a negative effect on taxable assessed valuations in the District and the economy of the District and the region. See "TAXING PROCEDURES – Valuation of Property for Taxation."

If a future weather event or natural disaster significantly damaged taxable property 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.

National Weather Service Atlas 14 Rainfall Study

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

Competitive Nature of Houston Residential Housing Market

Competition: The demand for and construction of taxable improvements in the District could be affected by competition from other developments near the District. In addition to competition for new single-family home sales from other developments, there are numerous previously-owned single-family homes in more established commercial centers and neighborhoods closer to the City of Houston, Texas that are for sale. Such existing developments could represent additional competition for new development proposed to be constructed within the District. The competitive position of the Developer or the principal landowners in the sale of land, and the sale or leasing of residences is affected by most of the factors discussed in this section. Such a competitive position is directly related to the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developer will be implemented or, if implemented, will be successful.

Location and Access: The District is located approximately 30 miles northeast from the central business district of the City of Houston, Texas. Many of the single-family developments with which the District competes are in a more developed state and have lower taxes. As a result, particularly during times of increased competition,

the Developer within the District may be at a competitive disadvantage to the developers in other single-family projects located closer to major urban centers or in a more developed state. See “THE DISTRICT” and “DEVELOPMENT WITHIN THE DISTRICT.”

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.

2025 Legislative Session

The 89th Texas Legislature began on January 14, 2025. The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor of Texas (the “Governor”) may call one or more special sessions, at the Governor’s discretion, each lasting no more than 30 days, and for which the Governor sets the agenda.

During the 89th Texas Legislative Session, the Legislature will consider a general appropriations act and may consider legislation affecting the District, ad valorem taxation procedures and exemptions, and investments; among other legislation affecting the District. The District can make no representations or predictions regarding the scope of legislation that may be considered during the 89th Legislative Session or the potential impact of such legislation at this time.

Bond Insurance Risk Factors

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

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

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

The long-term ratings on the Bonds are dependent in part on the financial strength of the bond insurer and its claim paying ability. The bond insurer’s financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the bond insurer and of the ratings on the Bonds insured by the bond insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See “RATING.”

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

Neither the District or Initial Purchaser has made independent investigation into the claims paying ability of the bond insurer and no assurance or representation regarding the financial strength or projected financial strength of the bond insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the bond insurer, particularly over the life of the investment. See “MUNICIPAL BOND INSURANCE” for further information provided by the bond insurer and the Policy, which includes further instructions for obtaining current financial information concerning the bond insurer.

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 Bond Order. A copy of the Bond Order may be obtained from the District upon request to Coats Rose, P.C., Houston, Texas, Bond Counsel. 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.

The Bonds are dated May 1, 2025 (the “Dated Date”), and will accrue interest from the date of delivery, which is expected to be on or about May 20, 2025 (the “Date of Delivery”), with interest payable on September 1, 2025, and each March 1 and September 1 until maturity or redemption. The Bonds maturing September 1, 2031, and thereafter are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2030, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. If less than all the Bonds are redeemed at any time, the particular maturities of Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a particular maturity are redeemed, the Paying Agent/Registrar (herein defined) shall select the particular Bonds to be redeemed by random selection method.

The Bonds will be issued only in fully registered form in any integral multiples of \$5,000 of principal amount for any one maturity and will be initially 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-Only system described herein. No physical delivery of the Bonds will be made to the owners thereof. Initially, principal of and interest on the Bonds will be payable by Zions Bancorporation, National Association, Houston, Texas (the “Paying Agent/Registrar”).

Record Date for Interest Payment

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

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

registration and transfer books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing such notice.

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 DTC while the Bonds are registered in its nominee's name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 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 Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such

other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

Redemption proceeds, principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or 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 of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or 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 the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

Use of Certain Terms in Other Sections of this Official Statement

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

Paying Agent/Registrar

The Board has selected Zions Bancorporation, National Association, Houston, Texas, as the initial Paying Agent/Registrar for the Bonds. The initial designated payment office for the Bonds is located in Houston, Texas. Provision is made in the Bond Order for removal of the Paying Agent/Registrar, provided that no such removal shall be effective until a successor paying agent/registrar shall have accepted the duties of the Paying Agent/Registrar under the provisions of the Bond Order. Any successor paying agent/registrar selected by the District shall be a national or state banking institution, a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers and subject to supervision or examination by federal or state authority to act as paying agent for the Bonds.

Registration, Transfer and Exchange

In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar or its corporate trust office and such transfer or exchange shall be without expenses or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the principal payment office of the Paying Agent/Registrar, or sent by the United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of the Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be cancelled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See "Book-Entry-Only System" herein defined for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Mutilated, Lost, Stolen or Destroyed Bonds

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

Authority for Issuance

At an election held within the District on May 12, 2007, voters of the District authorized the District's issuance of \$63,529,430 principal amount of unlimited tax bonds for the Road System, and \$82,004,262 principal amount of unlimited tax bonds for the System. An additional election was held within the District on May 6, 2023, voters of the District authorized the District's issuance of \$58,500,000 principal amount of unlimited tax bonds for the Road System, \$157,700,000 principal amount of unlimited tax bonds for the System, \$24,600,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks, and recreational facilities to serve the District (the "Park System"), and \$386,333,692 for the refunding of the System, Road System and Park System collectively.

The bonds authorized by the resident electors of the District, the amount of bonds issued, and the remaining authorized but unissued bonds are as follows:

Election Date	Purpose	Amount Authorized	Amount Issued	Remaining Authorized But Unissued
May 12, 2007	Water, Sewer, and Drainage	\$ 82,004,262	\$ 4,000,000	\$ 78,004,262
May 12, 2007	Roads	63,529,430	8,000,000 (a)	55,529,430
May 6, 2023	Water, Sewer, and Drainage	157,700,000	-	157,700,000
May 6, 2023	Roads	58,500,000	-	58,500,000
May 6, 2023	Parks & Recreation	24,600,000	-	24,600,000
May 6, 2023	The System, Road System, Park System Refunding	386,333,692	-	386,333,692

(a) The Bonds.

The Bonds are issued pursuant to (i) Article III, Section 52 of the Texas Constitution, and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended; (ii) an

election held within the District on May 12, 2007; and (iii) an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the Board of Directors of the District (the “Board”).

Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this Official Statement.

Approval of the Bonds

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas, however, does not pass upon or guarantee the safety of the Bonds as an investment or the adequacy or accuracy of the information contained in this Official Statement.

Source of Payment

The Bonds are payable from the proceeds of a continuing, direct annual ad valorem tax levied without legal limitation as to rate or amount against taxable property located within the District. In the Bond Order, the District covenants to levy a sufficient tax to pay the principal of and interest on the Bonds, with full allowance being made for delinquencies and costs of collection. Collected taxes will be placed in the District’s Road System Debt Service Fund and used to pay principal of and interest on the Bonds and on any additional bonds payable from taxes which may hereafter be issued by the District for the Road System.

Outstanding Bonds

The District has previously issued one (1) series of unlimited tax bonds for the System: \$4,000,000 Unlimited Tax Bonds, Series 2024. As of the Date of Delivery, \$4,000,000 principal amount of such bonds remains outstanding (the “Outstanding Bonds”).

Redemption Provisions

Optional Redemption

The Bonds maturing on and after September 1, 2031, shall be subject to redemption at the option of the District, in whole or from time to time in part, on September 1, 2030, or on any date thereafter, at the par value thereof, plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by a random selection method in integral multiples of \$5,000 within any one maturity. The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Mandatory Redemption

The Bonds maturing on September 1 in the years 2030 and 2037 are term bonds (the “Term Bonds”) and shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the “Mandatory Redemption Date”), and in the principal amount set forth in the following schedule:

\$955,000 Term Bonds Maturing on September 1, 2030

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2026	\$ 175,000
September 1, 2027	\$ 180,000
September 1, 2028	\$ 190,000
September 1, 2029	\$ 200,000
September 1, 2030 (Maturity)	\$ 210,000

\$565,000 Term Bonds Maturing on September 1, 2037

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2036	\$ 275,000
September 1, 2037 (Maturity)	\$ 290,000

On or before 30 days prior to each Mandatory Redemption Date set forth above, the Paying Agent/Registrar shall (i) determine the principal amount of such Term Bonds that must be mandatorily redeemed on such Mandatory Redemption Date, after taking into account deliveries for cancellation and optional redemptions as more fully provided for below, (ii) select, by lot or other customary random method, the Term Bonds or portions of the Term Bonds of such maturity to be mandatorily redeemed on such Mandatory Redemption Date, and (iii) give notice of such redemption as provided in the Bond Order. The principal amount of the Term Bonds to be mandatorily redeemed on such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the District to the Paying Agent/Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

Annexation

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, Texas (the “City of Houston”), the District must conform to a City of Houston consent ordinance. Generally, the District may be annexed by the City of Houston without the District’s consent, and the City of Houston cannot annex territory within the District unless it annexes the entire District; however, under legislation effective December 1, 2017, the City of Houston 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. If the District is annexed, the City of Houston will assume the District’s assets and obligations (including the Bonds) and dissolve the District. Annexation of territory by the City of Houston is a policy-making matter within the discretion of the Mayor and City Council of the City of Houston, and therefore, the District makes no representation that the City of Houston will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City of Houston to make debt service payments should annexation occur.

Consolidation

A district (such as 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 System, with the water and wastewater system of districts with which it is consolidating as well as its liabilities (which would include the Bonds). No representation is made concerning the likelihood of consolidation.

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 or payment (paying agent) for obligations of the District payable from ad valorem taxes, amounts sufficient to provide for 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. In the Bond Order, the District has specifically reserved the right to call the Bonds for redemption after the defeasance thereof.

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

Issuance of Additional Debt

The District may issue additional bonds necessary to provide improvements and facilities for the System consistent with the purposes for which the District was created and with the approval of the TCEQ.

At an election held within the District on May 12, 2007, voters of the District authorized the District's issuance of \$63,529,430 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, and \$82,004,262 principal amount of unlimited tax bonds for the System.

A second election was held within the District on May 6, 2023, where voters of the District authorized the District's issuance of \$58,500,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, \$157,700,000 principal amount of unlimited tax bonds for the System, \$24,600,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District (the "Park System"), and \$386,333,692 for the refunding of the System, Road System and Park System, collectively.

The District's voters have authorized an aggregate of \$122,029,430 principal amount of unlimited tax bonds for the Road System, \$239,704,262 principal amount of unlimited tax bonds for the System, and \$24,600,000 principal amount of unlimited tax bonds for the Park System and could authorize additional amounts.

The Bonds are the first series of unlimited tax bonds issued by the District for the Road System. Following issuance of the Bonds, \$114,029,430 principal amount of authorized unlimited tax bonds for the Road System, \$235,704,262 principal amount of unlimited tax bonds for the System, \$24,600,000 principal amount of unlimited tax bonds for the Park System, and collectively, \$386,333,692 for the refunding of the System, Road System and Park System purposes will remain authorized but unissued. The Bond Order imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and approved by the Board and, in the case of bonds for water, sewer and drainage facilities and recreational facilities, approved by the TCEQ). The District's issuance of bonds for the Road System is not subject to approval by the TCEQ.

By execution of the Master District Contract, the Financing Participants are obligated to pay a pro rata share of debt service on Contract Revenue Bonds issued by the Master District to finance the Master District Facilities based upon the certified assessed valuation of each Financing Participant as a proportion of the total certified assessed valuation of the Financing Participants. Each Financing Participant, including the District, is obligated to pay its pro rata share of debt service on the Contract Revenue Bonds from the proceeds of the Contract Tax levied by each Financing Participant or from any other lawful source of district income.

Further, the Master District has existing voter approved authority to issue up to \$225,000,000 unlimited tax contract revenue bonds, which will be primarily supported by ad valorem taxes levied on property owners in

the District until additional development, if any, occurs in Tavola MUD. The Master District has previously issued eight series of Contract Revenue Bonds, of which \$54,295,000 principal amount remains outstanding. The District, in its capacity as the Master District, is authorized to issue unlimited tax Contract Revenue Bonds in an amount necessary to finance the Master District Facilities to serve the entire master-planned development of Tavola, without additional voter approval. The District cannot represent whether any of the development planned or occurring in the area within the Service Area will be successful. The levy of a Contract Tax to substantially higher levels could have an adverse impact upon future development and upon development and home sales within the within boundaries of all Financing Participants, including the District, and the ability of each Financing Participant to collect, and the willingness of owners of property located within the within the boundaries of all Financing Participants to pay ad valorem taxes (including the Contract Tax). For the 2024 tax year, the District levied a Contract Tax of \$0.47 per \$100 of assessed valuation. See "THE SYSTEM."

The principal amount of bonds issued to finance parks and recreational facilities may not exceed 1% of the District's assessed value. However, effective June 14, 2021, if the District meets certain financial feasibility requirements under TCEQ rules, the outstanding principal amount of such bonds issued by the District may exceed an amount equal to 1% but not greater than 3% of the value of taxable property in the District.

The District cannot represent whether any of the development planned or occurring in the Service Area (herein defined) will be successful. The levy of a Contract Tax (herein defined) to substantially higher levels could have an adverse impact upon future development and upon development and home sales within the Service Area, including the District, and the ability of each Tavola MUD to collect, and the willingness of owners of property located within the Service Area to pay ad valorem taxes (including the Contract Tax). See "THE SYSTEM."

Following the issuance of the Bonds, the District will owe the Developer approximately \$17,000,000 for its expenditures to construct the System, Road System, and Park System serving the developed land within the District.

Amendments to the Bond Order

The District may, without the consent of or notice to any Registered Owners, amend the Bond Order in any manner not detrimental to the interests of the Registered Owners, including the curing of any ambiguity, inconsistency or formal defect or omission therein. In addition, the District may, with the written consent of the Registered Owners of a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to or rescind any of the provisions of the Bond Order, provided that, without the consent of the Registered Owners of all of the Bonds affected, and provided that it has not failed to make a timely payment of principal of or interest on the Bonds, no such amendment, addition or rescission may (1) change the date specified as the date on which the principal of or any installment of interest on any Bond is due and payable, reduce the principal amount thereof, the redemption price thereof, or the rate of interest thereon, change the place or places at, or the coin or currency in which any Bond or the interest thereon is payable, or in any other way modify the terms or sources of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) modify any of the provisions of the Bond Order relating to the amendment thereof, except to increase any percentage provided thereby or to provide that certain other provisions of the Bond Order cannot be modified or waived without the consent of the holder of each Bond affected thereby. In addition, a state, consistent with federal law, may, in the exercise of its police power, make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of a political subdivision as are reasonable and necessary for attainment of an important public purpose.

No Arbitrage

The District will certify, on the date of delivery of the Bonds, that based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed thereunder. Furthermore, all officers, employees, and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District are authorized to certify to the facts and circumstances and reasonable

expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District covenants that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds and take such other and further actions and follow such procedures, including, without limitation, calculating the yield on the Bonds, as may be required so that the Bonds shall not become “arbitrage bonds” under the Code and the regulations prescribed from time to time thereunder.

Registered Owners’ Remedies

The Bond Order does not provide for the appointment of a trustee to represent the interests of the Registered Owners upon any failure of the District to perform in accordance with the terms of the Bond Order, or upon any other condition. Furthermore, the Bond Order does not establish specific events of default with respect to the Bonds and, under Texas law, there is no right to the acceleration of maturity of the Bonds upon the failure of the District to observe any covenant under the Bond Order. Subject to the holdings of several recent Texas Supreme Court cases discussed below, a registered owner of Bonds could seek a judgment against the District if a default occurred in the payment of principal of or interest on any such Bonds; however, such judgment could not be satisfied by execution against any property of the District. A Registered Owner’s only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the District to levy, assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Bonds as it becomes due. The enforcement of any such remedy may be difficult and time consuming and a Registered Owner could be required to enforce such remedy on a periodic basis. In addition, the Texas Supreme Court recently ruled that a waiver of sovereign immunity must be provided for by statute in clear and unambiguous language and that certain statutory language previously relied upon by lower courts to support a finding that sovereign immunity had been waived did not constitute a clear and unambiguous waiver of sovereign immunity. Neither the remedy of mandamus nor any other type of injunctive relief was considered in these recent Supreme Court cases; and, in general, Texas courts have held that a writ of mandamus may be issued to require a public official to perform ministerial acts that clearly pertain to their duties, such as a legal duty that leaves nothing to the exercise of discretion or judgment. Texas courts have also held that mandamus may be used to require a public official to perform legally-imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party, including the payment of monies due under a contract. The District is also eligible to seek relief from its creditors under Chapter 9. Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bond holders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bond Order and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, including rights afforded to creditors under the Bankruptcy Code. See “RISK FACTORS – Bankruptcy Limitation to Registered Owners’ Rights.”

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. Sections 901-946, if the District: (1) is generally authorized to file for federal bankruptcy protection by Texas law; (2) is insolvent or unable to meet its debts as they mature; (3) desires to effect a plan to adjust such debt; 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 Texas law, a municipal utility district such as the District must obtain approval of the TCEQ prior to filing for bankruptcy. The TCEQ must investigate the financial condition of the District and will authorize the District to proceed only if the TCEQ determines that 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 decided 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. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a Registered Owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Registered Owner's claim against the District. A district cannot be placed into bankruptcy involuntarily.

Legal Investment and Eligibility to Secure Public Funds in Texas

Section 49.186 of the Texas Water Code is applicable to the District and provides:

(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.

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Use and Distribution of Bond Proceeds

Proceeds from the sale of the Bonds will be used by the District to reimburse the Developer (herein defined) for the improvements and related costs as shown below. Additionally, proceeds from the Bonds will be used to pay developer interest, eighteen (18) months of capitalized interest, and other certain costs associated with the issuance of the Bonds. Totals may not sum due to rounding.

	<u>Amount</u>
Construction Costs	
A. Developer Contribution Items	
1. Tavola West Reserves Section 1	\$ 731,394
2. Tavola West Reserves Section 2	562,232
3. Via Corsica Drive Street Dedication Section 1	654,520
4. Tavola West Section 1	350,083
5. Tavola West Section 2	1,352,365
6. Tavola West Section 3	736,387
7. Tavola West Section 4	892,308
8. Tavola West Section 5	848,803
Total Developer Contribution Items	<u>\$ 6,128,092</u>
B. District Items	
1. None	\$ -
Total Construction Costs	\$ 6,128,092
Non-Construction Costs	
A. Legal Fees	\$ 175,000
B. Fiscal Agent Fees	160,000
C. Capitalized Interest	601,371
D. Developer Interest	550,370
E. Bond Discount	238,984
F. Attorney General Fee (0.10% or \$9,500 max)	8,000
G. Bond Issue Application Report Cost	35,000
H. Bond Issuance Expenses	73,538
I. Contingency (a)	29,645
Total Non-Construction Costs	<u>\$ 1,871,908</u>
Total Bond Issue Requirement	\$ 8,000,000

(a) Represents the difference between the estimated and actual amounts of Capitalized Interest and Bond Discount.

In the instance that estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for approved uses. In the instance that actual costs exceed previously approved estimated amounts and contingencies, the issuance of additional bonds may be required. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

DISTRICT DEBT

General

2024 Certified Taxable Assessed Valuation	\$ 33,670,180	(a)
Estimated Taxable Valuation as of January 1, 2025	\$203,582,314	(b)
Direct Debt:		
The Outstanding Bonds (as of Date of Delivery of the Bonds)	\$ 4,000,000	
The Bonds	<u>8,000,000</u>	
Total	\$ 12,000,000	
Estimated Overlapping Debt	<u>\$ 5,788,866</u>	(c)
Total Direct and Estimated Overlapping Debt	\$ 17,788,866	
Direct Debt Ratios:		
Based on 2024 Certified Taxable Assessed Valuation	35.64	%
Based on Estimated Taxable Valuation as of January 1, 2025	5.89	%
Direct and Estimated Overlapping Debt Ratios:		
Based on 2024 Certified Taxable Assessed Valuation	52.83	%
Based on Estimated Taxable Valuation as of January 1, 2025	8.74	%
General Operating Fund Balance (as of March 20, 2025)	\$ 748,537	
System Debt Service Fund Balance (as of March 20, 2025)	\$ 207,686	(d)
Road System Debt Service Fund Balance (as of Date of Delivery)	\$ 601,371	(e)
2024 Tax Rate		
System Debt Service	\$0.310	
Road Debt Service	\$0.000	
Maintenance & Operation	\$0.520	
Contract Tax	<u>\$0.470</u>	(f)
Total	\$1.300	
Combined Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2025-2050)	\$ 784,776	(g)
Combined Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2026)	\$ 841,381	(g)
Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirement on the Outstanding Bonds And the Bonds (2025-2050) at 95% Tax Collections		
Based on 2024 Certified Taxable Assessed Valuation	\$ 2.46	
Based on Estimated Taxable Valuation as of January 1, 2025	\$ 0.41	
Combined Debt Service Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement on the Outstanding Bonds And the Bonds (2026) at 95% Tax Collections		
Based on 2024 Certified Taxable Assessed Valuation	\$ 2.64	
Based on Estimated Taxable Valuation as of January 1, 2025	\$ 0.44	
Single-Family Homes as of March 1, 2025 (Including 79 homes under construction)	940	

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- (a) Represents the taxable assessed valuation as of January 1, 2024, of all taxable property located within the District, as provided by the Montgomery Central Appraisal District (the "Appraisal District"). Such amount includes \$0 of assessed valuation assigned to properties that remain under review by the Montgomery Central Appraisal Review Board (the "Appraisal Review Board"). Such amount represents the estimated minimum amount of assessed valuation that will ultimately be approved by the Appraisal Review Board, upon which the District will levy its tax. See "TAXING PROCEDURES" and "TAX DATA."
 - (b) Provided by the Appraisal District for informational purposes only. This amount is an estimate of the taxable value of all taxable property located within the District as of January 1, 2025, and includes an estimate of additional taxable value resulting from the construction of taxable improvements from January 1, 2024, through January 1, 2025. No taxes will be levied on this estimated value. See "TAXING PROCEDURES" and "TAX DATA."
 - (c) See "DISTRICT DEBT – Estimated Overlapping Debt Statement."
 - (d) Neither Texas law nor the Bond Order (herein defined) requires that the District maintain any particular sum in the System Debt Service Fund. The funds in the System Debt Service Fund are pledged only to pay the debt service on the Outstanding Bonds (herein defined), not the Contract Revenue Bonds (herein defined), or bonds issued for the Road System (herein defined), such as the Bonds.
 - (e) This represents includes eighteen (18) months of capitalized interest will be deposited into the Road System Debt Service Fund at the delivery of the Bonds. The funds in the Road System Debt Service Fund are pledged only to pay the debt service on the Outstanding Bonds (herein defined), not the Contract Revenue Bonds (herein defined), or bonds issued for the System (herein defined).
 - (f) Contract Taxes (herein defined) are levied to pay the District's share of the Master District Contract Revenue Bonds. See "RISK FACTORS – Contract Tax" and "THE SYSTEM – The Master District" herein.
 - (g) Requirement of debt service on the Outstanding Bonds and the Bonds. See "DISTRICT DEBT – Debt Service Requirements."

Estimated Overlapping Debt Statement

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities overlapping the District and the estimated percentages and amounts of such indebtedness attributable to property within the District. This information is based upon data secured from the individual jurisdictions and/or *Texas Municipal Reports* prepared by the Municipal Advisory Council of Texas. Such figures do not indicate the tax burden levied by the applicable taxing jurisdictions for operation and maintenance or for other purposes.

Taxing Jurisdiction	Outstanding Debt February 28, 2025	Estimated Overlapping	
		Percent	Amount
Montgomery County	\$417,980,000	0.03%	\$ 137,519
Lone Star College System	471,270,000	0.01%	48,417
New Caney ISD	893,050,000	0.38%	3,397,729
EMC MUD 5 (Master)	54,295,000	4.06%	<u>2,205,201</u>
Total Estimated Overlapping Debt			\$ 5,788,866
The District			<u>12,000,000</u> (a)
Total Direct & Estimated Overlapping Debt			<u>\$ 17,788,866</u>

(a) Includes the Bonds.

Debt Ratios

Direct Debt Ratios:

Based on 2024 Certified Taxable Assessed Valuation	35.64 %
Based on Estimated Taxable Valuation as of January 1, 2025.....	5.89 %

Direct and Estimated Overlapping Debt Ratios:

Based on 2024 Certified Taxable Assessed Valuation	52.83 %
Based on Estimated Taxable Valuation as of January 1, 2025.....	8.74 %

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Debt Service Requirements

The following schedule sets forth the combined debt service requirements on the Outstanding Bonds as well as the principal and interest requirements of the Bonds. Totals may not sum due to rounding.

Calendar Year	Outstanding Debt Service	The Bonds		Total Outstanding Debt Service
		Principal	Interest	
2025	\$ 84,338	\$ -	\$ 112,981	\$ 197,319
2026	263,675	175,000	402,706	841,381
2027	262,975	180,000	390,456	833,431
2028	261,975	190,000	377,856	829,831
2029	260,675	200,000	364,556	825,231
2030	259,075	210,000	350,556	819,631
2031	257,175	220,000	335,856	813,031
2032	256,175	230,000	320,456	806,631
2033	256,800	240,000	305,794	802,594
2034	257,250	250,000	294,994	802,244
2035	257,525	265,000	283,744	806,269
2036	262,625	275,000	271,819	809,444
2037	262,000	290,000	259,444	811,444
2038	265,800	305,000	246,394	817,194
2039	264,200	315,000	232,669	811,869
2040	267,400	330,000	218,494	815,894
2041	265,200	345,000	203,644	813,844
2042	267,800	365,000	188,119	820,919
2043	270,000	380,000	171,238	821,238
2044	266,800	400,000	153,663	820,463
2045	268,400	420,000	134,663	823,063
2046	269,600	440,000	114,713	824,313
2047	270,400	460,000	93,813	824,213
2048	275,800	480,000	71,963	827,763
2049	275,600	505,000	49,163	829,763
2050	-	530,000	25,175	555,175
Total	\$ 6,429,263	\$ 8,000,000	\$ 5,974,925	\$20,404,188

Combined Average Annual Debt Service Requirement (2025–2050).....\$ 784,776

Combined Maximum Annual Debt Service Requirement (2026).....\$ 841,381

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TAXING PROCEDURES

Authority to Levy Taxes

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

Tax Code and County-Wide Appraisal District

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

The Tax Code requires each appraisal district, by May 15 of each year, or as soon thereafter as practicable, to prepare appraisal records of property as of January 1 of each year based upon market value. The chief appraiser must give written notice before May 15, or as soon thereafter as practicable, to each property owner whose property value is appraised higher than the value in the prior tax year or the value rendered by the property owner, or whose property was not on the appraisal roll the preceding year, or whose property was reappraised in the current tax year. Notice must also be given if ownership of the property changed during the preceding year. The Appraisal Review Board has the ultimate responsibility for determining the value of all taxable property within the District; however, any property owner who has timely filed notice with the Appraisal Review Board may appeal a final determination by the Appraisal Review Board by filing suit in a Texas district court. Prior to such appeal or any tax delinquency date, however, the property owner must pay the tax due on the value of that portion of the property involved that is not in dispute or the amount of tax imposed in the prior year, whichever is greater, or the amount of tax due under the order from which the appeal is taken. In such event, the value of the property in question will be determined by the court, or by a jury, if requested by any party. In addition, taxing units, such as the District, are entitled to challenge certain matters before the Appraisal Review Board, including the level of appraisals of a certain category of property, the exclusion of property from the appraisal records of the granting in whole or in part of certain exemptions. A taxing unit may not, however, challenge the valuation of individual properties.

Although the District has the responsibility for establishing tax rates and levying and collecting its taxes each year, under the Tax Code, the District does not establish appraisal standards or determine the frequency of revaluation or reappraisal. The Appraisal District is governed by a board of directors elected by the governing bodies of the county and all cities, towns, school districts and, if entitled to vote, the conservation and reclamation districts that participate in the Appraisal District. The Tax Code requires each appraisal district to implement a plan for periodic reappraisal of property to update appraised values. Such plan must provide for reappraisal of all real property in the appraisal district at least once every three years. It is not known what frequency of future reappraisals will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions, if the property is used for

public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District.

Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, but only to the maximum extent allowed by law. The disabled veteran exemption ranges between \$5,000 and \$12,000, depending upon the disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating of 100% is entitled to an exemption of the full value of the veteran's residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who is or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse's residence if the surviving spouse has not remarried since the first responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption would be transferrable to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

Residential Homestead Exemptions: The Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by May 1. To date, the District has not granted a general homestead exemption.

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

Tax Abatement

Montgomery County, Texas may designate all or part of the area within the District as a reinvestment zone. Thereafter, the District, at the option and discretion of the District, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdiction. None of the area within the District has been designated as a Reinvestment Zone to date, and the District has not approved any such tax abatement agreements.

Valuation of Property for Taxation

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

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

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

used for establishing a tax rate within the District until such time as the Appraisal District chooses to formally include such values on its appraisal roll.

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

During the 2nd Special Session, convened on June 27, 2023, the Texas Legislature passed Senate Bill 2 (“SB 2”), which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on non-homestead properties (the “Subjected Property”) whose appraised values are not more than \$5,000,000 (the “Maximum Property Value”) to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. After the 2024 tax year, through December 31, 2026, the Maximum Property Value may be increased or decreased by the product of the preceding state fiscal year’s increase or decrease in consumer price index, as applicable, to the Maximum Property Value. SB 2 was signed into law by the Governor of Texas (the “Governor”) on July 22, 2023. The provisions described hereinabove took effect January 1, 2024, after the constitutional amendment proposed by H.J.R. 2, 88th Legislature, 2nd Called Session, 2023, was approved by voters at an election held on November 7, 2023.

Tax Payment Installments after Disaster

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.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a timely petition for review in district court. In such event, the property value

in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Tax Code.

The Tax Code establishes procedures for providing notice and the opportunity for a hearing for taxpayers in the event of certain proposed tax increases and provides for taxpayers referenda which could result in the repeal of certain tax increases.

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 date of delinquency may be postponed if the tax bills are mailed after January 1. A person over sixty-five (65) years of age is entitled by law to pay current taxes on his residential homestead in installments or to defer tax without penalty during the time he owns and occupies the property as his residential homestead. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board of Directors of the District based on valuation of property within the District as of the preceding January 1.

Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. 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 of up to twenty percent (20%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property 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. The owner of a residential homestead property who is (i) a person at least sixty-five (65) years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas Law is also 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. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in equal installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes within the District in the preceding 24 months.

Rollback of Operation and Maintenance Tax Rate

Chapter 49, 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 are classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service cannot be reduced by a rollback election held within any of the districts described below.

Special Taxing Units

Special Taxing Units that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are required to hold a rollback 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 Texas Tax Code, are required to hold a rollback 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 Units 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 Units 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 maintenance and operations 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 maintenance and operations tax rate.

The District

A determination as to the District's status as a Special Taxing Units, Developed District or Developing District will be made by the Board on an annual basis in September or October of each year. The District determined it was a Developing District for the 2025 tax year. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within two (2) years for residential and agricultural property and six (6) months for commercial property and all other types of property after the purchaser's deed at the foreclosure sale is filed in the county records.

TAX DATA

General

Taxable property within the District is subject to the assessment, levy and collection by the District of a continuing direct, annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (and any future tax-supported bonds which may be issued from time to time as authorized). Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due September 1 of such year, or when billed, and generally become

delinquent after January 31 of the following year. 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 to produce funds to pay the principal of and interest on the Bonds. 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. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, not to exceed \$1.50 per \$100 of assessed valuation, for operation and maintenance purposes. In 2024, the District levied a total tax rate of \$1.30 per \$100 of assessed valuation. Such tax rate is expected to be composed of the following: a utility debt service tax rate of \$0.31 per \$100 of assessed valuation; a maintenance and operations tax rate of \$0.52 per \$100 of assessed valuation; and a contract tax rate of \$0.47 per \$100 of assessed valuation.

Tax Rate Limitation.

Debt Service:	Unlimited (no legal limit as to rate or amount).
Contract Tax (a):	Unlimited (no legal limit as to rate or amount).
Operation and Maintenance:	\$1.50 per \$100 assessed valuation.
Road Maintenance:	\$1.50 per \$100 assessed valuation.
Parks Maintenance:	\$0.10 per \$100 assessed valuation.

(a) Contract taxes are levied to pay the District's share of the Master District's Contract Revenue Bonds. See "RISK FACTORS – Contract Tax" and "THE SYSTEM – The Master District" herein.

Historical Tax Collections

The following table illustrates the collection history of the District for the 2022 - 2024 tax years:

Tax Year	Assessed Valuation	Tax Rate (a)	Adjusted Levy	Collections Current Year	Current Year Ended 09/30	Collections 03/31/2025
2022	\$ 634,440	\$1.300	\$ 8,248	100.00%	2023	100.00%
2023	627,330	\$1.300	8,155	100.00%	2024	100.00%
2024	33,670,180	\$1.300	437,712	90.00% (b)	2025	90.00% (b)

(a) Total tax rate per \$100 of assessed valuation. Includes a tax for maintenance and operation purposes. See "Tax Rate Distribution" below.

(b) Collections as of March 31, 2025.

Tax Rate Distribution

	2024	2023	2022
Utility	\$ 0.310	\$0.000	\$0.000
Contract	0.470	0.460	0.410
Maintenance	<u>0.520</u>	<u>0.840</u>	<u>0.890</u>
Total Tax Rate	\$ 1.300	\$ 1.300	\$ 1.300

Analysis of Tax Base

The following table illustrates the District's total taxable assessed value in the tax years 2022-2024 by type of property:

Type of Property	2024 Assessed Taxable Valuation	2023 Assessed Taxable Valuation	2022 Assessed Taxable Valuation
Land	\$ 29,931,367	\$ 2,206,400	\$ 2,206,400
Improvements	7,922,419	-	-
Personal Property	19,500	-	-
Exemptions	<u>(4,203,106)</u>	<u>(1,579,070)</u>	<u>(1,571,960)</u>
Total	\$ 33,670,180	\$ 627,330	\$ 634,440

Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values as of January 1, 2024:

Taxpayer	Type of Property	Assessed Taxable Valuation 2024 Tax Roll	Percentage of District's 2024 Taxable Value
Lennar Homes of Texas Land & Construction LTD (a)	Land & Improvements	\$ 3,043,074	9.04%
DRP TX 3 LLC	Land & Improvements	1,403,287	4.17%
Homeowner	Land & Improvements	735,000	2.18%
Homeowner	Land & Improvements	301,206	0.89%
Homeowner	Land & Improvements	208,300	0.62%
ADS Homes LLC	Land & Improvements	189,136	0.56%
Homeowner	Land & Improvements	170,191	0.51%
Homeowner	Land & Improvements	169,166	0.50%
Confidential Owner	Land & Improvements	168,939	0.50%
Homeowner	Land & Improvements	167,630	0.50%
Totals		\$ 6,555,929	19.47%

(a) See "DEVELOPER" and "TAVOLA"

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of taxable assessed valuation that would be required to meet certain combined debt service requirements on the Outstanding Bonds and the Bonds if no growth in the District occurs beyond the 2024 Certified Taxable Assessed Valuation (\$33,670,180) or the Estimated Taxable Valuation as of January 1, 2025 (\$203,582,314). The following further assumes collection of 95% of taxes levied and the sale of no additional bonds:

Combined Average Annual Debt Service Requirement (2025–2050).....	\$ 784,776
Tax Rate of \$2.46 on the 2024 Certified Taxable Assessed Valuation produces.....	\$ 786,872
Tax Rate of \$0.41 on the Estimated Taxable Valuation as of January 1, 2025 produces	\$ 792,953
Combined Maximum Annual Debt Service Requirement (2026).....	\$ 841,381
Tax Rate of \$2.64 on the 2024 Certified Taxable Assessed Valuation produces.....	\$ 844,448
Tax Rate of \$0.44 on the Estimated Taxable Valuation as of January 1, 2025 produces	\$ 850,974

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Estimated Overlapping Taxes

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

Set forth below is a compilation of all 2024 taxes levied by such jurisdictions per \$100 of assessed valuation. Such levies do not include local assessments for community associations, fire department contributions, charges for solid waste disposal, or any other dues or charges made by entities other than political subdivisions.

<u>Taxing Jurisdiction</u>	<u>2024 Tax Rate Per \$100 of Assessed Value</u>
The District	\$ 1.300000
Montgomery County	0.379000
Montgomery County Hospital District	0.049700
Montgomery County ESD No. 7	0.097500
New Caney ISD	1.255200
Lone Star College System	0.107600
	<u>\$ 3.189000</u>

THE DISTRICT

General

The District is a limited-purpose political subdivision of the State of Texas operating as a municipal utility district pursuant to Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution. The District was created by House Bill 3546, 79th Texas Legislature, Regular Session, 2005 (codified as Tex. Special Districts Code Ann §8140), as amended by House Bill 3910, 83rd Legislature Regular Session 2013.

The District is vested with all the rights, privileges, authority and functions conferred by the laws of the State of Texas applicable to municipal utility districts, including without limitation those conferred by Chapters 49 and 54, Texas Water Code, as amended. The District is empowered to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water, among other things. The District may also provide solid waste collection and disposal service and operate and maintain recreational facilities. Currently, the District contracts for solid waste collection service. The District may operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, if approved by the voters and the TCEQ. The District does not operate and/or maintain a fire department. The District is subject to the continuing supervision of the TCEQ and is located exclusively within the extraterritorial jurisdiction of the City of Houston.

Description

The District is located in Montgomery County, Texas, located along US Highway 59 (US 59), approximately 30 miles north of the central business district of Houston, Texas, just west of Peach Creek Drive, New Caney, Texas and mostly south of Roman Forest Boulevard, New Caney, Texas. The District is entirely located within the extra-territorial jurisdiction area of the City of Houston, Texas and is also located within the New Caney Independent School District. A portion of the District lies within the East Montgomery County Improvement District.

Management of the District

The District is governed by a board of five directors which has control and management supervision over all affairs of the District. One of the present members of the Board resides within the District, but all own real property located within the boundaries of the District. Directors are elected in odd-numbered years for staggered, four-year terms. The present members and officers of the Board are listed below:

<u>Name</u>	<u>Position</u>	<u>Term Expires May</u>
John Patterson	President	2025
Jeff Campbell	Vice President	2025
Charles L. Prause	Secretary	2027
Lauren Furlow	Assistant Secretary	2027
Nancy Walker	Assistant Secretary	2027

The District has contracted with following companies and individuals to operate its utilities and recreational facilities:

The District has engaged the following companies and individuals to operate its utilities.

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

Bookkeeper: The District's bookkeeper is L&S District Services, LLC.

Auditor: The financial statements of the District as of May 31, 2024, and for the year then ended, included in this offering document, have been audited by Forvis Mazars, LLP, independent auditors, as stated in their report appearing herein.

System Operator: The District's water and sewer system is operated by H2O Innovation ("H2O").

Engineer: The District's engineer is LJA Engineering, Inc. (the "Engineer" or "Master District Engineer"). Such firm acts as engineer for many residential and commercial developments in Texas.

General Counsel and Bond Counsel: 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 contingent upon the sale and delivery of the Bonds. See "LEGAL MATTERS."

Financial Advisor: Robert W. Baird & Co. Incorporated is employed as Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

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

DEVELOPMENT STATUS OF THE DISTRICT

The District contains approximately 516.81 total acres of land. To date, residential development in the District includes approximately 1,050 single-family lots within the following subdivisions: Tavola West Section 1-10. As of March 1, 2025, single-family residential development within the District included approximately 861 complete homes (approximately 778 occupied, 83 unoccupied, and 0 model homes), approximately 79 homes under construction, and approximately 110 vacant lots available for additional home construction.

The table below summarizes the development within the District as of March 1, 2025, by section.

Tavola	Platted Acreage	Lots	Homes Completed	Homes Construction	Vacant Lots
West Section 1	15.98	44	44	0	0
West Section 2	32.18	149	149	0	0
West Section 3	18.51	96	96	0	0
West Section 4	21.35	137	137	0	0
West Section 5	16.62	71	71	0	0
West Section 6	34.40	139	139	0	0
West Section 7	13.34	60	60	0	0
West Section 8	31.03	143	143	0	0
West Section 9	13.48	53	20	33	0
West Section 10	28.36	158	2	46	110
Single-Family Residential Developed	225.25	1,050	861	79	110
Undevelopable	272.42				
Remaining Developable	19.14				
District Total	516.81				

Homebuilders within the District

The Developer is the only active homebuilder in the District. Prices of new homes being constructed range from \$200,000 to \$435,000 and in square footage 2,000 to 3,700.

TAVOLA

Tavola is an approximately 1,565-acre master planned community being developed by the Developer in Montgomery County, Texas, approximately 30 miles due north-northeast of the central business district of the City and approximately two (2) miles northeast of the City of New Caney, Texas. According to representatives of the Developer, Tavola will eventually include approximately 4,200 single-family lots. Three municipal utility districts have been created to encompass the land within Tavola, including the District, MUD 6, and MUD 7. The District acts as the “Master District” and provides the water supply and wastewater treatment facilities, trunk water and sanitary sewer lines and stormwater and detention facilities to serve Tavola.

In MUD 6, of the approximately 554 total acres of land located within MUD 6, approximately 368 acres (1,307 lots) within MUD 6 have been developed with water distribution, sanitary sewer and storm drainage facilities to serve the single-family residential subdivisions of Tavola, Sections 2–19, 22–24, 26–27, and 38–40. As of March 26, 2025, single-family development in MUD 6 included 1,306 completed and occupied homes; 1 completed and unoccupied homes; 0 homes under construction; and 0 vacant, developed lots.

In MUD 7, of the approximately 494 total acres of land located within MUD 7, approximately 353 acres (1,324 lots) within MUD 7 have been developed with water distribution, sanitary sewer and storm drainage facilities to serve the single-family residential subdivisions of Tavola, Sections 20, 21, 25, 28 – 37 and 41 – 47. As of March 26, 2025, single-family development in the District included 1,309 completed and occupied homes; 15 homes completed and unoccupied homes; 0 homes under construction; and 0 vacant, developed lots.

Tavola Elementary school has been constructed on 14.03 acres in MUD 6.

PHOTOGRAPHS TAKEN WITHIN THE DISTRICT

(March 2025)



THE DEVELOPER

The Role of a Developer

In general, the activities of a developer in a municipal utility district, such as the District, include the following: acquiring the land within the district; designing the subdivision, the utilities and streets to be constructed in the subdivision, and any community facilities to be built; defining a marketing program and building schedule; securing necessary governmental approvals and permits for development; arranging for the construction of roads and the installation of utilities; and selling improved lots and commercial reserves to builders and other developers or other third parties. Pursuant to the rules of the TCEQ, a developer can be required to pay up to 30% of the cost of constructing certain water, wastewater and drainage facilities in a municipal utility district. The relative success or failure of a developer to perform such activities in the development of property within a municipal utility district may have a profound effect on the security of the bonds issued by a district. A developer is generally under no obligation to a municipal utility district to develop the property that it owns in a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land that the developer owns within a municipal utility district.

The Developer

The primary developer of land within the Service Area is Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership d/b/a Friendswood Development Company (the "Developer"). The sole general partner of the Developer is U.S. Home LLC, a Delaware limited liability company.

Lennar Corporation is a publicly traded corporation whose stock is listed on the New York Stock Exchange. Audited financial statements for Lennar Corporation can be found online at <http://phx.corporate-ir.net/phoenix.zhtml?c=65842&p=irol-irhome>. Lennar Corporation is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the United States Securities and Exchange Commission ("SEC"). Reports, proxy statements and other information filed by Lennar can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website at <http://www.sec.gov> that contains reports, proxy information statements and other information regarding registrants that file electronically with the SEC.

Certain financial information concerning the Developer is included as part of the consolidated financial statements of Lennar Corporation. However, Lennar Corporation is not legally obligated to provide funds for the development of the District, to provide funds to pay taxes on property in the District owned by the Developer, or to pay any other obligations of the Developer. Further, neither the Developer nor Lennar Corporation is responsible for, is liable for or has made any commitment for payment of the Bonds or other obligations of the Tavola MUDs, and the inclusion of such financial statements and description of financial arrangements herein should not be construed as an implication to that effect. Neither the Developer nor Lennar Corporation has any legal commitment to the Tavola MUDs or owners of the Bonds to continue development of the land within the District and the Developer may sell or otherwise dispose of its property within the District, or any other assets, at any time. Further, the financial condition of the Developer and Lennar Corporation is subject to change at any time.

In addition to Tavola, the Developer is the developer in the Houston, Texas area master planned communities of Kingwood, West Ranch, Lakemont, Graystone Hills, Lakes of Savannah, Wildwood at Northpointe and Fairfield, as well as numerous smaller communities, including Bay Colony West, Clearview Village, Hidden Creek, Falls at Green Meadows and other communities.

THE SYSTEM

The Master District

On February 23, 2007, each of the Tavola MUDs executed a “Contract for Financing, Operation and Maintenance of Regional Water, Sanitary Sewer and Drainage Facilities” with MUD 7, which was subsequently assigned to MUD 5 to act as the “Master District,” relating to the following facilities and services: the Master District wastewater collection and treatment system, the Master District water supply and distribution system, the Master District storm water conveyance and detention facilities (collectively, the “Master District Facilities”). The Master District Contract was approved by the voters of each of the Tavola MUDs at a separate election held on May 12, 2007. The Master District Contract provides that the Master District and all other districts that have executed similar contracts with the Master District (“Participants”) pay a pro rata share of debt service on contract revenue bonds issued to finance the Master District Facilities based upon certified appraised valuation. The District and the other Participants are obligated to pay each entity’s pro rata share from the proceeds of the Contract Tax for such purpose, revenues derived from the operation of the District’s water distribution system and wastewater collection system or from any other legally available funds of each Participant. The Master District Contract also provides for operation and maintenance expenses for facilities constructed pursuant to the Master District Contract; duties of the parties; establishment and maintenance of funds; assignment; arbitration; amendments; force majeure; insurance; and other provisions.

The Master District is authorized to issue unlimited tax contract revenue bonds sufficient to complete acquisition and construction of the Master District Facilities. The District’s pro rata share (and that of all other Tavola MUDs) of the debt service requirements on the unlimited tax contract revenue bonds is determined by dividing the District’s certified appraised value by the cumulative total of the certified appraised values of all the Tavola MUDs which are parties to the Master District Contract. The Master District Contract obligates the District to pay its pro rata share of debt service requirements on the unlimited tax contract revenue bonds from the proceeds of the Contract Tax, revenues derived from the operation of the District’s water distribution and wastewater collection system or from any other legally available funds of each Participant. The Master District has issued eight series of Contract Revenue Bonds in the total amount of \$54,295,000. See “RISK FACTORS – Contract Tax.”

Each Tavola MUD, including the District and the Master District, is responsible for constructing its internal water distribution, wastewater collection and storm drainage lines within its respective boundaries. The internal facilities are financed with unlimited tax bonds sold by each district. The Master District Facilities will be constructed in stages to meet the needs of a continually expanding population within Tavola. In the event that the Master District fails to meet its obligations under the Master District Contract to provide Master District Facilities, each of the other Tavola MUDs, including the District, has the right pursuant to the Master District Contract to design, acquire, construct, or expand the Master District Facilities needed to provide service to such district, and convey such Master District Facilities to the Master District in consideration of payment by the Master District of the actual reasonable necessary capital costs expended by such district for such Master District Facilities.

The District is further obligated to pay monthly charges for water and sewer services rendered pursuant to the Master District Contract. The monthly charges will be used to pay the District’s share of operation and maintenance expenses and to provide for an operation and maintenance reserve equivalent to three (3) months of operation and maintenance expenses. Each Tavola MUD’s share of operation and maintenance expenses and reserve requirements is determined by dividing the total number of equivalent single family residential connections (“ESFCs”) for all of the Tavola MUDs within the Tavola development (the “Service Area”) by the number of ESFCs for each Tavola MUD, as of the first day of the month. The District’s monthly payment for operation and maintenance expenses is calculated by multiplying the District’s pro rata share by the actual operation and maintenance expenses of the Master District.

Pursuant to the Master District Contract, the District is obligated to establish and maintain rates, fees and charges for services provided by the District’s water distribution system and wastewater collection system, together with taxes levied and funds received from any other lawful sources, sufficient at all times to pay the District’s operation and maintenance expenses, and the District’s obligations pursuant to the Master District Contract, including the District’s pro rata share of the Master District’s debt service requirements and monthly charges. Likewise, each Participant is obligated by the Master District Contract to levy taxes and pay from funds

received from any other lawful source each Participant's pro rata share of the Master District's debt service requirements. All sums payable by the District pursuant to the Master District Contract are to be paid by the District and the other Participants without set off, counterclaim, abatement, suspension or diminution. If the Participants fail to pay its share of these costs in a timely manner, the Master District Contract provides that the Master District shall be entitled to cancel, in whole or in part, any reservation or allocation of capacity in the Master District's Facilities by the Participants in addition to the Master District's other remedies. As a practical matter, the Participants have no alternative provider of these services rendered under the Master District Contract.

Regulation

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

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

Water, Sanitary Sewer and Drainage System

- Water Supply and Distribution -

The water supply facilities constructed by the Master District currently consist of two water wells, rated at 2,700 gallon per minute ("gpm"); 1,110,000 gallons of ground storage capacity; pressure tank capacity of 60,000 gpm; and all related appurtenances. The major components of the Master District's water supply facilities will serve approximately 3,333 equivalent single-family connections. In order to fully provide water supply to the Service Area, the water supply facilities will need to be expanded from time to time to meet the demand for such facilities.

The Master District does not currently have a source for surface water. The Master District has an interconnect with the City of Woodbranch Village, Texas. The City of Woodbranch Village, Texas is to provide the Master District with a second source of water during emergencies. See "RISK FACTORS – Lone Star Groundwater Conservation District" and "RISK FACTORS – San Jacinto River Authority GRP Agreement."

- Wastewater Treatment and Conveyance System -

The Master District entered into a lease agreement with AUC Group LP for two wastewater treatment plants, which currently have a capacity of 675,000 gallons per day ("gpd") for Wastewater Treatment Plant ("Wastewater Plant") 1 and 165,000 gpd for Wastewater Plant 2 for a total of 840,000 gpd. Wastewater Plant 1 is at ultimate capacity and the ultimate capacity of Wastewater Plant 2 is 330,000 gpd. The current plants are able to serve a total of 3,620 equivalent single-family connections ("ESFCs").

In order to fully provide wastewater treatment for the Service Area, the Wastewater Treatment Facilities will need to be expanded from time to time to meet the demand for such facilities.

100-Year Flood Plain

Approximately 167 acres within the District are located in the 100-year flood plain, of which approximately 0 acres are planned for future development.

THE ROAD SYSTEM

The Road System serves residents of the District by providing access to the major thoroughfares and collectors within the Tavola development and surrounding area. The major thoroughfares and collectors serving the District include Tavola Drive, Via Principale Parkway, Aragoste Parkway, Winding Summit Drive, Gran Roble Drive, Via Corsica Drive, and Via Tuscolana Drive. The Road System will ultimately be owned, operated, and maintained by the County as the phases are constructed and accepted by the County. The District does not intend to maintain or operate the roads once they are accepted by the County.

Historical Operations of the System

The following is a summary of the District's general operating fund. The figures below for the fiscal years ended May 31, 2023 and 2024, were obtained from the District's audited financial statements, reference to which is hereby made. See "APPENDIX A." The figures for the 9-month period ended February 28, 2025, are unaudited and were provided by the Bookkeeper. The District is required by statute to have a Certified Public Accountant audit its financial statements, which audited financial statements are then required to be filed with the TCEQ.

	For Fiscal Year Ended May 31,		
	6/1/2024 to 2/28/2025 (a)	2024	2023
<u>Revenues</u>			
Property Taxes	\$ 13,491	\$ 8,113	\$ 8,249
Water Service	121,812	12,828	-
Sewer Service	218,759	38,062	-
Regional Water Fee	124,018	12,324	-
Security Service	73,502	9,997	-
Penalty and Interest	8,093	1,044	-
Tap Connection & Inspection Fees	527,590	554,782	-
Capital Recovery Fee	-	438,061	-
Investment Income	3,449	2,395	7
Other Income	<u>23,101</u>	<u>460</u>	<u>80</u>
<u>Total Revenues</u>	\$ 1,113,814	\$ 1,078,066	\$ 8,336
<u>Expenditures</u>			
Service Operations:			
Purchased Services	\$ 293,141	\$ -	\$ -
Professional Fees	9,093	12,497	54,409
Contracted Services	240,308	11,118	500
Repairs and Maintenance	280,853	200,677	-
Tap Connections	211,942	315,465	-
Other Expenditures	22,745	43,181	2,101
Debt Service:			
Contractual Obligations	1,404	\$ 2,652	-
Debt Issuance Costs	<u>-</u>	<u>27,500</u>	<u>-</u>
<u>Total Expenditures</u>	\$ 1,059,486	\$ 613,090	\$ 57,010
Net Revenues	\$ <u>55,732</u>	\$ <u>464,976</u>	\$ <u>(48,674)</u>
Other Financing Sources (Uses)			
Developer Advances Received	\$ -	\$ 15,000	\$ 42,250
Beginning of Year Fund Balance	\$ 476,552	\$ (3,424)	\$ -
End of Year Fund Balance	\$ <u>532,284</u>	\$ <u>476,552</u>	\$ <u>(3,424)</u>

(a) Unaudited, provided by the Bookkeeper.

LEGAL MATTERS

Legal Opinions

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District payable from an annual ad valorem tax levied without limit as to rate or amount upon all taxable property within the District. Issuance of the Bonds is also subject to the legal opinion of Bond Counsel that, based upon examination of the transcript of the proceedings incident to authorization and issuance of the Bonds, the Bonds are valid and legally binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity, and are payable from annual ad valorem taxes, which are not limited by applicable law in rate or amount, levied against all property within the District which is not exempt from taxation by or under applicable law. The legal opinion will further state that the interest on the Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations, published rulings and court decisions as described below under "TAX MATTERS." The legal opinion of Bond Counsel will be printed on the Bonds, if certificated Bonds are issued. Such opinions will express no opinion with respect to the sufficiency of, the security for, or the marketability of the Bonds. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Disclosure Counsel.

In addition to serving as Bond Counsel, Coats Rose, P.C., also acts as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid Bond Counsel and Disclosure Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

No-Litigation Certificate

The District will furnish the Initial Purchaser a certificate, dated as of the date of delivery of the Bonds, executed by both the President and Secretary of the Board, to the effect that no litigation of any nature is then pending against or, to the best knowledge and belief of the certifying officers, threatened against the District contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority of proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the titles of the then present officers of the Board.

No Material Adverse Change

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

TAX MATTERS

Opinion

In the opinion of Coats Rose, P.C., Bond Counsel, (i) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, and (ii) the Bonds will not be treated as "specified private activity bonds," the interest on which will not be included as an alternative minimum tax preference item under Section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the "Code").

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

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Order pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purpose, and in addition, will rely on representations by the District and the Initial Purchaser with respect to matters solely within the knowledge of the District and the Initial Purchaser, respectively, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Bond Order or if the foregoing representations or report should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

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 stated above, Bond Counsel will express no opinion as to any federal, state, or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

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

Federal Income Tax Accounting Treatment of Original Issue Discount

The issue price of certain of the Bonds (the "Original Issue Discount Bonds") is less than the stated redemption price at maturity. In such case, under existing law, and based upon the assumptions hereinafter stated (a) the difference between (i) the stated amount payable at the maturity of each Original Issue Discount Bond and (ii) the issue price 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 at the initial public offering price in the initial public offering of the Bonds; and (b) 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.

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 Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption "TAX MATTERS" generally applies, except as otherwise provided below, to original issue discount on an Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of the Official Statement.)

The foregoing is based on the assumptions that (a) the Initial Purchaser has purchased the Bonds for contemporaneous sale to the general public and not for investment purposes, and (b) all of the Original Issue Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the inside cover page of this Official Statement, and (c) the respective initial offering prices of the Original Issue Discount Bonds to the general public are equal to the fair market value thereof. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

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 Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Bond for purposes of determining the amount of gain or loss recognized by such owner upon 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 plus the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of 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 Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership and redemption, sale or other disposition of such Bonds.

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.

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 accumulated earnings and profits and excess passive investment income, 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.

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.

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.

Not Qualified Tax-Exempt Obligations

The Bonds have been designated as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Code.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe 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 material events, to the Municipal Securities Rulemaking Board (“MSRB”). The MSRB has established the Electronic Municipal Market Access (“EMMA”) system which is available at www.emma.msrb.org.

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type under the headings “APPENDIX A,” “DISTRICT DEBT,” and “TAX DATA.” The District will update and provide this information within six months after the end of each of its fiscal years.

Any information so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six (6) month period, and audited financial statements when and if the audit report becomes available.

The District’s current fiscal year end is May 31. Accordingly, it must provide updated information by November 30 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes;

(12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR §240.15c2-12 (the “Rule”); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or obligated person, any of which reflect financial difficulties. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. The term “financial obligation” when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term “financial obligation” does not include municipal securities for which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule. 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 information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information from MSRB

The District has agreed to provide the foregoing information only to the MSRB. The information will be available to holders of Bonds at www.emma.msrb.org.

Limitations and Amendments

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

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

Compliance with Prior Undertakings

The District voluntarily entered into a continuing disclosure agreement in connection with the issuance of the Outstanding Bonds as that issuance was exempt from the Rule. The issuance of the Bonds will be the first continuing disclosure requirement pursuant to the Rule. Due to an administrative oversight, the District did not file notices of the incurrence of a financial obligation in its voluntary disclosure regarding the District's \$2,766,000 Bond Anticipation Note, Series 2021 issued on September 28, 2021. Such notices were filed on EMMA, including the notice of failure to file, on September 28, 2021. All related information and notices have been filed as of this date. Except as mentioned above, in the last five (5) years the District has complied in all material respects with such continuing disclosure agreement.

SOURCES OF INFORMATION

General

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

The financial statements of the District as of May 31, 2024, and for the year then ended, included in this offering document, have been audited by Forvis Mazars, LLP, independent auditors, as stated in their report appearing herein. See "APPENDIX A."

Experts

The information contained in this Official Statement relating to development and the status of development within the District generally and, in particular, the information in the section captioned "DEVELOPER – The Developer" has been provided by the Developer and has been included herein in reliance upon the authority and knowledge of such party concerning the matters described therein.

The information contained in this Official Statement relating to engineering and to the description of the System generally and, in particular, the engineering information included in the sections captioned "THE DISTRICT" and "THE SYSTEM" has been provided by the Engineer and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning valuations, analysis of the tax base and percentages of tax collections contained in the sections captioned "TAX DATA" has been provided by the Appraisal District and the District's Tax Assessor/Collector, and has been included herein in reliance upon the authority of such parties as experts in the field of tax assessing and collecting.

Certification as to the Official Statement

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

Updating the Official Statement

If, subsequent to the date of the Official Statement to and including the date the Initial Purchaser is no longer required to provide and Official Statement to potential customers who request the same pursuant to the Rule (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in the Rule) and (ii) the time

when the Official Statement is available to any person from a nationally recognized repository but in no case less than 25 days after the “end of the underwriting period”), the District learns or is notified by the Initial Purchaser of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the District will promptly prepare and supply to the Initial Purchaser a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Initial Purchaser. The obligation of the District to update or change the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser (the “end of the underwriting period” within the meaning of the Rule), unless the Initial Purchaser provides written notice the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official Statement will extend for an additional period of time of 25 days after all of the Bonds have been sold to ultimate customers. In the event the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers, the Initial Purchaser agrees to notify the District in writing following the occurrence of the “end of the underwriting period” as defined in the Rule.

CONCLUDING STATEMENT

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

This Official Statement was approved by the Board of Directors of East Montgomery County Municipal Utility District No. 5 as of the date specified on the first page hereof.


/s/ John Patterson
President, Board of Directors
East Montgomery County Municipal Utility District No. 5

ATTEST:

/s/ Charles L. Prause
Secretary, Board of Directors
East Montgomery County Municipal Utility District No. 5

APPENDIX A


**Independent Auditor's Report and Financial Statements
for Fiscal Year Ended May 31, 2024**



East Montgomery County Municipal Utility District No. 5 Montgomery County, Texas

**Independent Auditor's Report and
Financial Statements**

May 31, 2024



East Montgomery County Municipal Utility District No. 5
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May 31, 2024

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Independent Auditor's Report

Board of Directors
East Montgomery County Municipal Utility District No. 5
Montgomery County, Texas

Opinions

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of East Montgomery County Municipal Utility District No. 5 (the District), as of and for the year ended May 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 accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the District, as of May 31, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 14 to the financial statements, the beginning net position in the government-wide financial statements has been restated to correct misstatements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 12 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 GAAS 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 GAAS, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedules required by the Texas Commission on Environmental Quality listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the

responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Forvis Mazars, LLP

**Houston, Texas
October 9, 2024**

**East Montgomery County Municipal Utility District No. 5
Management's Discussion and Analysis
May 31, 2024**

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains supplementary information required by the Governmental Accounting Standards Board and by the District's state oversight agency, the Texas Commission on Environmental Quality (the Commission).

The District also serves as the Master District for East Montgomery County Municipal Utility District No. 6 (District No. 6), East Montgomery County Municipal Utility District No. 7 (District No. 7) and itself (Internal District), (collectively, "the Participants"), to provide, or cause to be provided, the regional water supply and delivery facilities and the regional waste collection, treatment and disposal facilities, as well as drainage, parks and other services and facilities permitted by law, necessary to serve the Participants.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets, liabilities, and deferred inflows and outflows of resources of the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's assets, liabilities and deferred inflows and outflows of resources is labeled as net position and this difference is similar to the total stockholders' equity presented by a commercial enterprise.

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period and expenses are recorded even though they may not have used cash during the current year.

Although the statement of activities look different from a commercial enterprise's statement of income, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as change in net position, essentially the same thing.

Fund Financial Statements

Unlike government-wide financial statements, the focus of the fund financial statements is directed to specific activities of the District rather than the District as a whole. Except for the general fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations.

Governmental Funds

Governmental-fund financial statements consist of a balance sheet and a statement of revenues, expenditures and changes in fund balance and are prepared on an accounting basis that is significantly different from that used to prepare government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and water, sewer and drainage systems. Fund liabilities include amounts that are to be paid

within a very short period after the end of the fiscal year. The difference between a fund's assets, liabilities, and deferred inflows and outflows of resources is labeled the fund balance and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

Because the focus of the government-wide and fund financial statements is different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in the notes to financial statements that describes the adjustments to fund balances to arrive at net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in the notes to financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position, as reported in the governmental activities column in the statement of activities.

Proprietary Funds

Proprietary funds, in general, charge customers for the services that are provided. These funds use a long-term financial accounting approach, full accrual basis and provide additional information in the statement of cash flows. The proprietary fund statements provide the same information as the business-type activities portion of the government-wide financial statements, only in more detail.

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to a full understanding of the data found in the government-wide and fund financial statements.

Financial Analysis of the District as a Whole

The District's overall financial position and activities for the past two years are summarized as follows, based on the information included in the government-wide financial statements.

2024 Summary of Net Position

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current and other assets	\$ 589,917	\$ 3,910,776	\$ 4,500,693
Capital and lease assets	<u>6,807,629</u>	<u>50,396,811</u>	<u>57,204,440</u>
Total assets	<u>\$ 7,397,546</u>	<u>\$ 54,307,587</u>	<u>\$ 61,705,133</u>
Long-term liabilities	\$ 10,035,037	\$ 55,941,388	\$ 65,976,425
Other liabilities	<u>113,322</u>	<u>647,603</u>	<u>760,925</u>
Total liabilities	<u>10,148,359</u>	<u>56,588,991</u>	<u>66,737,350</u>
Net position:			
Net investment in capital assets	(154,719)	(5,096,927)	(5,251,646)
Restricted	-	2,990,197	2,990,197
Unrestricted	<u>(2,596,094)</u>	<u>(174,674)</u>	<u>(2,770,768)</u>
Total net position	<u>\$ (2,750,813)</u>	<u>\$ (2,281,404)</u>	<u>\$ (5,032,217)</u>

Restated 2023 Summary of Net Position

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current and other assets	\$ 15,635	\$ 2,972,934	\$ 2,988,569
Capital and lease assets	-	38,255,777	38,255,777
Total assets	<u>\$ 15,635</u>	<u>\$ 41,228,711</u>	<u>\$ 41,244,346</u>
Long-term liabilities	\$ 45,250	\$ 42,489,283	\$ 42,534,533
Other liabilities	19,059	736,007	755,066
Total liabilities	<u>64,309</u>	<u>43,225,290</u>	<u>43,289,599</u>
Net position:			
Net investment in capital assets	-	(3,958,800)	(3,958,800)
Restricted	-	1,907,260	1,907,260
Unrestricted	<u>(48,674)</u>	<u>54,961</u>	<u>6,287</u>
Total net position	<u>\$ (48,674)</u>	<u>\$ (1,996,579)</u>	<u>\$ (2,045,253)</u>

The net position of the District's governmental activities decreased by \$2,702,139. The majority of the decrease in net position is related to conveyance of capital assets to another governmental entity for maintenance.

The total net position of the District's business-type activities decreased by \$284,825, or about 14%. The majority of the decrease in net position is related to services, depreciation and amortization, and debt service expenses exceeding charges for services revenues.

Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital and lease assets themselves cannot be used to liquidate these liabilities.

At May 31, 2024, the governmental activities' net investment in capital assets was \$(154,719). This amount was negative because not all expenditures from long-term debt were for the acquisition of capital assets. Within Fort Bend County, the county government assumes the maintenance and other incidents of ownership of most road facilities constructed by the District. Accordingly, these asset are not recorded in the financial statements of the District.

2024 Summary of Changes in Net Position

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Program revenues:			
Charges for services	\$ 1,066,054	\$ 6,241,063	\$ 7,307,117
General revenues:			
Property taxes	8,156	-	8,156
Other revenues	<u>3,899</u>	<u>57,312</u>	<u>61,211</u>
Total revenues	<u>1,078,109</u>	<u>6,298,375</u>	<u>7,376,484</u>

2024 Summary of Changes in Net Position (Continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Expenses:			
Services	\$ 582,938	\$ 3,006,488	\$ 3,589,426
Depreciation and amortization	154,719	1,268,729	1,423,448
Conveyance of capital assets	3,012,439	-	3,012,439
Debt service and contractual payments	30,152	2,307,983	2,338,135
Total expenses	<u>3,780,248</u>	<u>6,583,200</u>	<u>10,363,448</u>
Change in net position	(2,702,139)	(284,825)	(2,986,964)
Net position, beginning of year	<u>(48,674)</u>	<u>(1,996,579)</u>	<u>(2,045,253)</u>
Net position, end of year	<u><u>\$ (2,750,813)</u></u>	<u><u>\$ (2,281,404)</u></u>	<u><u>\$ (5,032,217)</u></u>

Restated 2023 Summary of Changes in Net Position

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Program revenues:			
Charges for services	\$ -	\$ 4,230,223	\$ 4,230,223
General revenues:			
Property taxes	8,249	-	8,249
Other revenues	87	22,288	22,375
Total revenues	<u>8,336</u>	<u>4,252,511</u>	<u>4,260,847</u>
Expenses:			
Services	57,010	2,230,352	2,287,362
Depreciation and amortization	-	848,361	848,361
Debt service and contractual payments	-	1,048,830	1,048,830
Total expenses	<u>57,010</u>	<u>4,127,543</u>	<u>4,184,553</u>
Change in net position	(48,674)	124,968	76,294
Net position, beginning of year	<u>-</u>	<u>(2,121,547)</u>	<u>(2,121,547)</u>
Net position, end of year	<u><u>\$ (48,674)</u></u>	<u><u>\$ (1,996,579)</u></u>	<u><u>\$ (2,045,253)</u></u>

Financial Analysis of the District's Funds

Governmental Activities

The general fund's fund balance increased by \$479,976. This increase was primarily related to tap connection and inspection fees and capital recovery fee revenues exceeding service operations and debt service expenditures.

Business-Type Activities

The enterprise fund's net position decreased by \$284,825 due to operating, depreciation and amortization and interest expenses and debt issuance costs exceeding charges for services revenues.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to professional fees expenditures and developer advances received being less than anticipated. In addition, tap connection and inspection fees revenues and related expenditures, capital recovery fees revenue and repairs and maintenance expenditures were not budgeted. The fund balance as of May 31, 2024, was expected to be \$(3,424) and the actual end-of-year fund balance was \$476,552.

Capital and Lease Assets and Related Debt

Capital and Lease Assets

Capital and lease assets held by the District at the end of the current and previous fiscal years are summarized below:

Capital and Lease Assets (Net of Accumulated Depreciation and Amortization)

	<u>2024</u>	<u>Restated 2023</u>
Governmental Activities		
Water facilities	\$ 1,213,754	\$ -
Wastewater facilities	2,115,486	-
Drainage facilities	3,478,389	-
	<u>\$ 6,807,629</u>	<u>\$ -</u>
Total capital assets		
	<u>2024</u>	<u>Restated 2023</u>
Business-Type Activities		
Land and improvements	\$ 26,707,993	\$ 17,705,355
Construction in progress	153,498	140,502
Water facilities	9,485,606	8,876,706
Wastewater facilities	6,314,944	4,429,142
Drainage facilities	5,856,817	5,586,332
Lease assets	1,877,953	1,517,740
	<u>\$ 50,396,811</u>	<u>\$ 38,255,777</u>
Total capital and lease assets		

During the current year, additions to capital and lease assets were as follows:

Governmental Activities

Water, sewer and drainage facilities to serve Tavola West,
Sections 1-4 and Tavola West Reserves, Section 2

\$ 6,962,348

Business-Type Activities

Land additions and improvements, including Tavola North detention pond, Peach Creek channel improvements, Phases 2 & 3, Tavola West detention, Phase 1 and Tavola West clearing and grubbing, Phase 3	\$ 9,002,638
Construction in progress related to wastewater treatment plant No.1, Phase 4	12,996
Water and drainage facilities to serve Aragoste Parkway, Phase 2	85,878
Roman Forest waterline	3,339
Water plant No. 2 water well	23,344
Tavola Tropical Storm Imelda recovery project	343,255
Peach Creek Channel, Phase 3 drainage improvements	26,795
US 59 water line crossing	841,346
Wastewater treatment plant No. 1, Phase 2	88,973
Wastewater treatment plant No. 2 and lift station No. 2, Phase 1	2,002,928
Wastewater treatment plant No. 2 lease equipment	<u>978,271</u>
Total additions to capital and lease assets	<u>\$ 13,409,763</u>

Debt

The changes in the debt position of the District during the fiscal year ended May 31, 2024, are summarized as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Long-term liabilities, beginning of year restated	\$ 45,250	\$ 42,489,283	\$ 42,534,533
Increases in long-term debt	9,989,787	24,573,793	34,563,580
Decreases in long-term debt	<u>-</u>	<u>(11,121,688)</u>	<u>(11,121,688)</u>
Long-term liabilities, end of year	<u>\$ 10,035,037</u>	<u>\$ 55,941,388</u>	<u>\$ 65,976,425</u>

At May 31, 2024, the Master District had \$183,255,000 of contract revenue bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the regional facilities constructed to serve all participants. The Internal District had \$239,704,262 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the Internal District, \$122,029,430 of unlimited tax bonds authorized, but unissued, for the purpose of constructing road and paving facilities within the Internal District, and \$24,600,000 of unlimited tax bonds authorized, but unissued, for the purpose of constructing park and recreational facilities within the Internal District.

The District’s bonds carry an underlying rating of “Baa2” from Moody’s Investors Service, Inc. The Series 2023 Contract Revenue Bonds carry a “AA” rating from Standard & Poor’s by virtue of bond insurance issued by Build America Mutual Assurance Company.

Other Relevant Factors

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston (the City), the District must conform to the City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City without the District's consent. If the District is annexed, the City must assume the District's assets and obligations (including the bonded indebtedness) and abolish the District within 90 days.

Contingencies

The developer of the District is constructing regional facilities within the boundaries of the Master District's service area, as well as facilities within the boundaries of the Internal District. The Master District and Internal District have agreed to reimburse the developer for a portion of these costs, plus interest, from the proceeds of future contract revenue bonds and tax bonds, respectively, to the extent approved by the Commission, if applicable. The District's engineer has stated that current construction contract amounts are approximately \$14,969,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Subsequent Events

On September 25, 2024, the District awarded the sale of its Unlimited Tax Contract Revenue Bonds, Series 2024, in the amount of \$16,675,000 at a net effective interest rate of approximately 4.097%. The bonds were sold to reimburse the developer for construction projects within the Master District.

On September 25, 2024, the District awarded the sale of its Unlimited Tax Bonds, Series 2024, in the amount of \$4,000,000 at a net effective interest rate of approximately 4.224%. The bonds were sold to reimburse the developer for construction projects within the Internal District.

East Montgomery County Municipal Utility District No. 5
Statement of Net Position
May 31, 2024

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 607,823	\$ 2,130,101	\$ 2,737,924
Receivables:			
Property taxes receivable	43	-	43
Service accounts receivable	56,604	-	56,604
Due from other districts	-	1,701,934	1,701,934
Due from others	-	3,188	3,188
Internal balances	(74,553)	74,553	-
Prepaid expenses	-	1,000	1,000
	<u>589,917</u>	<u>3,910,776</u>	<u>4,500,693</u>
Total current assets			
Noncurrent Assets			
Capital and lease assets (net of accumulated depreciation and amortization):			
Land and improvements	-	26,707,993	26,707,993
Construction in progress	-	153,498	153,498
Infrastructure	6,807,629	21,657,367	28,464,996
Lease assets	-	1,877,953	1,877,953
	<u>6,807,629</u>	<u>50,396,811</u>	<u>57,204,440</u>
Total noncurrent assets			
	<u>\$ 7,397,546</u>	<u>\$ 54,307,587</u>	<u>\$ 61,705,133</u>
Total assets			

East Montgomery County Municipal Utility District No. 5
Statement of Net Position
May 31, 2024

(Continued)

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities and Net Position			
Current Liabilities			
Accounts payable	\$ 82,465	\$ 325,557	\$ 408,022
Customer deposits	18,325	-	18,325
Due to others	247	-	247
Unearned tap connection fees	12,285	-	12,285
Long-term liabilities, due within one year	-	1,140,351	1,140,351
Total current liabilities	<u>113,322</u>	<u>1,465,908</u>	<u>1,579,230</u>
Noncurrent Liabilities			
Operating deposits	-	322,046	322,046
Long-term liabilities, due after one year	<u>10,035,037</u>	<u>54,801,037</u>	<u>64,836,074</u>
Total noncurrent liabilities	<u>10,035,037</u>	<u>55,123,083</u>	<u>65,158,120</u>
Total liabilities	<u>10,148,359</u>	<u>56,588,991</u>	<u>66,737,350</u>
Net Position			
Net investment in capital assets	(154,719)	(5,096,927)	(5,251,646)
Restricted for debt service	-	2,960,347	2,960,347
Restricted for capital projects	-	29,850	29,850
Unrestricted	<u>(2,596,094)</u>	<u>(174,674)</u>	<u>(2,770,768)</u>
Total net position	<u>(2,750,813)</u>	<u>(2,281,404)</u>	<u>(5,032,217)</u>
Total liabilities and net position	<u>\$ 7,397,546</u>	<u>\$ 54,307,587</u>	<u>\$ 61,705,133</u>

East Montgomery County Municipal Utility District No. 5
Statement of Activities
Year Ended May 31, 2024

	Program Revenue		Net Revenue (Expense) and Changes in Net Position			
			Primary Government			
	Expenses	Charges for Services	Charges for Regional Services	Governmental Activities	Business- type Activities	Total
Government/Programs						
Primary Government						
Governmental activities:						
Service operations	\$ 582,938	\$ 1,066,054	\$ -	\$ 483,116	\$ -	\$ 483,116
Depreciation	154,719	-	-	(154,719)	-	(154,719)
Conveyance of capital assets	3,012,439	-	-	(3,012,439)	-	(3,012,439)
Contractual obligation	2,652	-	-	(2,652)	-	(2,652)
Debt issuance costs	27,500	-	-	(27,500)	-	(27,500)
Total governmental activities	<u>3,780,248</u>	<u>1,066,054</u>	<u>-</u>	<u>(2,714,194)</u>	<u>-</u>	<u>(2,714,194)</u>
Business-type activities:						
Regional service operations	3,006,488	-	6,241,063	-	3,234,575	3,234,575
Depreciation and amortization	1,268,729	-	-	-	(1,268,729)	(1,268,729)
Interest expense on long-term liabilities	1,583,288	-	-	-	(1,583,288)	(1,583,288)
Debt issuance costs on long-term liabilities	724,695	-	-	-	(724,695)	(724,695)
Total business-type activities	<u>6,583,200</u>	<u>-</u>	<u>6,241,063</u>	<u>-</u>	<u>(342,137)</u>	<u>(342,137)</u>
Total government/programs primary government	<u>\$ 10,363,448</u>	<u>\$ 1,066,054</u>	<u>\$ 6,241,063</u>	<u>(2,714,194)</u>	<u>(342,137)</u>	<u>(3,056,331)</u>
General Revenues and Transfers						
Property taxes				8,156	-	8,156
Penalty and interest				1,044	-	1,044
Investment income				2,395	57,312	59,707
Other income				460	-	460
Total general revenues and transfers				<u>12,055</u>	<u>57,312</u>	<u>69,367</u>
Change in Net Position				<u>(2,702,139)</u>	<u>(284,825)</u>	<u>(2,986,964)</u>
Net Position						
Beginning of year, as previously reported				(58,922)	(2,881,543)	(2,940,465)
Adjustment applicable to prior years (Note 14)				10,248	884,964	895,212
Beginning of year, as restated				<u>(48,674)</u>	<u>(1,996,579)</u>	<u>(2,045,253)</u>
End of year				<u>\$ (2,750,813)</u>	<u>\$ (2,281,404)</u>	<u>\$ (5,032,217)</u>

East Montgomery County Municipal Utility District No. 5
Balance Sheet – Governmental Fund
May 31, 2024

	General Fund
Assets	
Cash and cash equivalents	\$ 607,823
Property taxes receivable	43
Service accounts receivable	56,604
Internal balances	<u>(74,553)</u>
Total assets	<u><u>\$ 589,917</u></u>
Liabilities and Fund Balance	
Liabilities	
Accounts payable	\$ 82,465
Customer deposits	18,325
Due to others	247
Unearned tap connection fees	<u>12,285</u>
Total liabilities	113,322
Deferred Inflows of Resources	
Deferred property tax revenues	43
Fund Balance	
Unassigned	<u>476,552</u>
Total liabilities, deferred inflows of resources and fund balance	<u><u>\$ 589,917</u></u>

**East Montgomery County Municipal Utility District No. 5
Statement of Revenues, Expenditures and Changes in
Fund Balance – Governmental Fund
Year Ended May 31, 2024**

	General Fund
Revenues	
Property taxes	\$ 8,113
Water service	12,828
Sewer service	38,062
Regional water fee	12,324
Security service	9,997
Penalty and interest	1,044
Tap connection and inspection fees	554,782
Capital recovery fee	438,061
Investment income	2,395
Other income	460
	<hr/>
Total revenues	1,078,066
	<hr/>
Expenditures	
Service operations:	
Professional fees	12,497
Contracted services	11,118
Repairs and maintenance	200,677
Tap connections	315,465
Other expenditures	43,181
Debt service:	
Contractual obligation	2,652
Debt issuance costs	27,500
	<hr/>
Total expenditures	613,090
	<hr/>
Excess of Revenues Over Expenditures	464,976
Other Financing Sources	
Developer advances received	15,000
	<hr/>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	479,976
Fund Balance (Deficit), Beginning of Year	<hr/> (3,424)
Fund Balance, End of Year	<hr/> <hr/> \$ 476,552

East Montgomery County Municipal Utility District No. 5
Statement of Net Position – Proprietary Fund
May 31, 2024

	Business-Type Activities - Enterprise Fund
Assets	
Current Assets	
Cash and cash equivalents	\$ 2,130,101
Due from other districts	1,701,934
Due from others	3,188
Internal balances	74,553
Prepaid expenses	1,000
Total current assets	<u>3,910,776</u>
Noncurrent Assets	
Capital and lease assets, net of accumulated depreciation and amortization	<u>50,396,811</u>
Total assets	<u><u>\$ 54,307,587</u></u>
Liabilities and Net Position	
Current Liabilities	
Accounts payable	\$ 325,557
Long-term liabilities, current portion	<u>1,140,351</u>
Total current liabilities	<u>1,465,908</u>
Noncurrent Liabilities	
Operating deposits	322,046
Long-term liabilities, net of unamortized discount	<u>54,801,037</u>
Total noncurrent liabilities	<u>55,123,083</u>
Total liabilities	<u>56,588,991</u>
Net Position	
Net investment in capital assets	(5,096,927)
Restricted:	
Debt service fund	2,960,347
Capital projects fund	29,850
Unrestricted	<u>(174,674)</u>
Total net position	<u>(2,281,404)</u>
Total liabilities and net position	<u><u>\$ 54,307,587</u></u>

East Montgomery County Municipal Utility District No. 5
Statement of Revenues, Expenses and Changes
in Net Position – Proprietary Fund
Year Ended May 31, 2024

	Business-Type Activities - Enterprise Fund
Operating Revenues	
Charges for services	\$ 6,241,063
Operating Expenses	
Purchased services	97,635
Regional water authority	955,174
Professional fees	102,628
Contracted services	129,680
Utilities	201,642
Repairs and maintenance	1,473,589
Other expenditures	46,140
Depreciation and amortization	1,268,729
Total operating expenses	4,275,217
Operating Income	1,965,846
Nonoperating Revenues (Expenses)	
Investment income	57,312
Interest expense	(1,583,288)
Debt issuance costs	(724,695)
Total nonoperating expenses	(2,250,671)
Change in Net Position	(284,825)
Net Position	
Beginning of year, as previously reported	(2,881,543)
Adjustment applicable to prior years (Note 14)	884,964
Beginning of year, as restated	(1,996,579)
End of year	\$ (2,281,404)

East Montgomery County Municipal Utility District No. 5
Statement of Cash Flows – Proprietary Fund
Year Ended May 31, 2024

	Business-Type Activities - Enterprise Fund
Operating Activities	
Receipts from contract payments	\$ 2,800,999
Payments for service operations	(3,047,785)
Receipts for service operations	3,151,357
Other operating receipts	32,030
	<hr/>
Net cash provided by operating activities	2,936,601
Capital and Related Financing Activities	
Proceeds from the issuance of contract revenue bonds	12,951,530
Principal payments on long-term liabilities	(1,098,969)
Payments to developer	(10,044,601)
Interest and agent fees paid on long-term liabilities	(1,573,706)
Debt issuance costs	(724,695)
Purchase of capital assets	(1,909,227)
	<hr/>
Net cash used in capital and related financing activities	(2,399,668)
Investing Activity	
Investment income	57,312
	<hr/>
Net Increase in Cash and Cash Equivalents	594,245
Cash and Cash Equivalents, Beginning of Year	1,535,856
	<hr/>
Cash and Cash Equivalents, End of Year	\$ 2,130,101
	<hr/> <hr/>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	\$ 1,965,846
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization expense	1,268,729
Change in assets and liabilities:	
Receivables, net	(368,197)
Prepaid expenses and other assets	24,600
Accounts payable	(65,897)
Other liabilities	111,520
	<hr/>
Net cash provided by operating activities	\$ 2,936,601
	<hr/> <hr/>
Noncash Activities	
Assets acquired by debt incurred to developer	\$ 10,656,292
Lease asset obtained through lease liability	965,971

Note 1. Nature of Operations and Summary of Significant Accounting Policies

East Montgomery County Municipal Utility District No. 5 (the District) was created by House Bill Number 3546 (the Bill) of the 79th Legislature of the State of Texas, effective September 1, 2005, in accordance with the provisions of Article III, Section 52, and Article XVI, Section 59, of the Texas Constitution. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of Texas Commission on Environmental Quality (the Commission). The principal functions of the District are to finance, construct, own and operate waterworks, wastewater, drainage, parks and recreational and road and paving facilities. The District also serves as the "Master District" as discussed in Note 5 to the financial statements.

The District is governed by a Board of Directors (the Board) consisting of five individuals who are residents or owners of property within the District and are elected by voters within the District. The Board sets the policies of the District. The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America for state and local governments, as defined by the Governmental Accounting Standards Board. The following is a summary of the significant accounting and reporting policies of the District:

Reporting Entity

There are no component units that are legally separate entities for which the District is considered to be financially accountable. Accountability is defined as the District's substantive appointment of the voting majority of the component unit's governing board. Furthermore, to be financially accountable, the District must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to, or impose specific financial burdens on, the District.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. The statements distinguish between governmental and business-type activities. Governmental activities are generally financed through intergovernmental revenues and reimbursements from participants. Business-type activities are financed by fees charged to external parties for goods and services.

In the government-wide statement of net position, both the governmental and business-type activities columns are presented on a full accrual, economic resource basis, which recognizes all long-term assets and receivables, as well as long-term debt and obligations.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs that are restricted to meeting operational or capital requirements of a particular program. Revenues that are not classified as program revenues, such as investment earnings, are presented as general revenues.

Fund Financial Statements

Fund financial statements of the District are organized into funds, each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into two categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District or if it meets certain other criteria.

East Montgomery County Municipal Utility District No. 5
Notes to Financial Statements
May 31, 2024

Governmental Fund

The District presents the following major governmental fund:

General Fund – The general fund is the primary operating fund of the District which accounts for all financial resources not accounted for in another fund. Revenues are derived primarily from property taxes, charges for services and interest income.

Fund Balance – Governmental Fund

The fund balance for the District’s governmental fund can be displayed in up to five components:

Nonspendable – Amounts that are not in a spendable form or are required to be maintained intact.

Restricted – Amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed – Amounts that can be used only for the specific purposes determined by resolution of the Board. Commitments may be changed or lifted only by issuance of a resolution by the District’s Board.

Assigned – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned – The residual classification for the general fund and includes all amounts not contained in the other classifications.

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Proprietary Fund

Enterprise Fund – The enterprise fund accounts for the operations of the regional facilities. These facilities provide water supply and delivery, wastewater collection, treatment and disposal facilities to participants.

Measurement Focus

Measurement focus is a term used to describe which transactions are recorded within the various financial statements.

In the government-wide statement of net position and the statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item (B) as shown below.

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In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus is used as appropriate:

- (A) All governmental funds utilize a current financial resources measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- (B) The proprietary funds utilize an 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 (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting and Presentation

All governmental funds use the modified accrual basis of accounting. Under this basis of accounting, revenues are recognized when susceptible to accrual (*i.e.*, when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

All primary sources of the District's revenue are susceptible to accrual. Examples of revenue accrued are taxes, fees for services, charges to participants based on cost-reimbursement contracts and earnings from investments.

Deferred inflows of resources is recorded when the potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received before earned.

Expenditures and liabilities are recognized when the related fund obligations are incurred as a result of receipt of goods and services.

All proprietary funds use the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services, along with penalties and fees. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Deferred Outflows and Inflows of Resources

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period and a deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period.

Pension Costs

The District does not participate in a pension plan and, therefore, has no pension costs.

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Use of 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 amounts 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 expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The District considers all liquid investments with original maturities of three months or less to be cash equivalents.

Investments and Investment Income

Investments in certificates of deposit, U.S. Government and agency securities, and certain pooled funds, which have a remaining maturity of one year or less at the date of purchase, are recorded at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market values.

Investment income includes dividends and interest income and the net change for the year in the fair value of investments carried at fair value. Investment income is credited to the fund in which the investment is recorded.

Property Taxes

An appraisal district annually prepares appraisal records listing all property within the District and the appraised value of each parcel or item as of January 1. Additionally, on January 1, a tax lien attaches to property to secure the payment of all taxes, penalty and interest ultimately imposed for the year on the property. After the District receives its certified appraisal roll from the appraisal district, the rate of taxation is set by the Board of the District based upon the aggregate appraisal value. Taxes are due and payable October 1 or when billed, whichever is later, and become delinquent after January 31 of the following year.

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended May 31, 2024, include collections during the current period or within 60 days of year-end related to the 2023 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended May 31, 2024, the 2023 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

The accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Capital assets of proprietary funds are reported in both the government-wide and fund financial statements. All other capital assets of the governmental unit are general capital assets. They are not reported as assets in governmental funds, but are reported in the governmental activities column in the government-wide statement of net position.

Capital assets are recorded at historical cost and depreciated over their estimated useful lives unless they are inexhaustible, such as land. Depreciation expense is reported in the government-wide statement of activities, and the proprietary fund statement of revenues, expenses and changes in net position.

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

Capital assets are depreciated using the straight-line method over their estimated useful lives as follows:

	<u>Years</u>
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45
Drainage facilities	10-45

Lease Assets

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Debt Issuance Costs

Debt issuance costs, other than prepaid insurance, do not meet the definition of an asset or deferred outflows of resources since the costs are not applicable to a future period and, therefore, are recognized as an expense/expenditure in the period incurred.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Premiums and discounts on bonds are recognized as a component of long-term liabilities and amortized over the life of the related debt using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize premiums and discounts on bonds during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position/Fund Balance

Fund balance and net position are reported as restricted when constraints placed on them are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

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

Reconciliation of Government-Wide and Fund Financial Statements

Amounts reported for net position of governmental activities in the statement of net position and fund balance in the governmental fund balance sheet are different because of the following items.

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Capital assets used in governmental activities are not financial resources and are not reported in the funds.	\$ 6,807,629
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	43
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(10,035,037)</u>
Adjustment to fund balance to arrive at net position.	<u><u>\$ (3,227,365)</u></u>

Amounts reported for change in net position of governmental activities in the statement of activities are different from change in fund balance in the governmental fund statement of revenues, expenditures and change in fund balance because:

Change in fund balance.	\$ 479,976
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of depreciation expense and conveyance of capital assets in the current year.	(3,167,158)
Governmental funds report developer advances as other financing sources or uses as amounts are received or paid. However, for government-wide financial statements, these amounts are recorded as an increase or decrease in due to developer.	(15,000)
Revenues that do not provide current financial resources are not reported as revenues for the funds, but are reported as revenues in the statement of activities.	<u>43</u>
Change in net position of governmental activities.	<u><u>\$ (2,702,139)</u></u>

Note 2. Deposits, Investments and Investment Income

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, a government’s deposits may not be returned to it. The District’s deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; a surety bond; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Texas; or certain collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.

At May 31, 2024, none of the District’s bank balances were exposed to custodial credit risk.

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Investments

The District may legally invest in obligations of the United States or its agencies and instrumentalities, direct obligations of Texas or its agencies or instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, other obligations guaranteed as to principal and interest by the State of Texas or the United States or their agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, obligations of states, agencies and counties and other political subdivisions with an investment rating not less than "A," insured or collateralized certificates of deposit, and certain bankers' acceptances, repurchase agreements, mutual funds, commercial paper, guaranteed investment contracts and investment pools.

The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in money market treasury funds. These investments are reported at net asset value and may be redeemed at any time.

At May 31, 2024, the District had the following investments and maturities:

Type	Maturities in Years				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
Government money market funds	\$ 1,561,297	\$ 1,561,297	\$ -	\$ -	\$ -

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy does not allow investments in certain mortgage-backed securities, collateralized mortgage obligations with a final maturity date in excess of 10 years and interest rate indexed collateralized mortgage obligations. The government money market funds are presented as investments with a maturity of less than one year because they are redeemable in full immediately.

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At May 31, 2024, the District's investments in government money market funds were rated "AAAm" by Standard & Poor's.

Concentration of Credit Risk. The District places no limit on the amount that may be invested in any one issuer. At May 31, 2024, the District's investment in government money market funds constituted 100% of its total investments.

Summary of Carrying Values

The carrying values of deposits and investments shown previously are included in the statement of net position at May 31, 2024, as follows:

Carrying value:	
Deposits	\$ 1,176,627
Investments	<u>1,561,297</u>
Total	<u>\$ 2,737,924</u>

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Included in the following captions:

Governmental activities:	
Cash and cash equivalents	\$ 607,823
Business-type activities:	
Cash and cash equivalents	<u>2,130,101</u>
 Total	 <u><u>\$ 2,737,924</u></u>

Investment Income

Investment income of \$2,395 in governmental activities and \$57,312 in business-type activities for the year ended May 31, 2024, consisted of interest income.

Fair Value Measurements

The District has the following recurring fair value measurements as of May 31, 2024:

- Government money market funds of \$1,561,297 are valued at fair value per share of the fund's underlying portfolio.

Note 3. Capital and Lease Assets

A summary of changes in capital and lease assets for the year ended May 31, 2024, is presented below:

Governmental Activities	Balances, Beginning of Year Restated	Additions	Balances, End of Year
Capital assets, depreciable:			
Water production and distribution facilities	\$ -	\$ 1,241,340	\$ 1,241,340
Wastewater collection and treatment facilities	-	2,163,565	2,163,565
Drainage facilities	-	<u>3,557,443</u>	<u>3,557,443</u>
Total capital assets, depreciable	<u>-</u>	<u>6,962,348</u>	<u>6,962,348</u>
Less accumulated depreciation:			
Water production and distribution facilities	-	(27,586)	(27,586)
Wastewater collection and treatment facilities	-	(48,079)	(48,079)
Drainage facilities	<u>-</u>	<u>(79,054)</u>	<u>(79,054)</u>
Total accumulated depreciation	<u>-</u>	<u>(154,719)</u>	<u>(154,719)</u>
Total governmental activities, net	<u><u>\$ -</u></u>	<u><u>\$ 6,807,629</u></u>	<u><u>\$ 6,807,629</u></u>

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Business-Type Activities	Balances, Beginning of Year Restated	Additions	Balances, End of Year
Capital assets, non-depreciable:			
Land and improvements	\$ 17,705,355	\$ 9,002,638	\$ 26,707,993
Construction in progress	140,502	12,996	153,498
Total capital assets, non-depreciable	17,845,857	9,015,634	26,861,491
Capital and lease assets, depreciable and amortizable:			
Water production and distribution facilities	10,074,172	910,956	10,985,128
Wastewater collection and treatment facilities	5,216,925	2,091,902	7,308,827
Drainage facilities	5,965,673	413,000	6,378,673
Lease assets - equipment	1,817,345	978,271	2,795,616
Total capital and lease assets, depreciable and amortizable	23,074,115	4,394,129	27,468,244
Less accumulated depreciation and amortization:			
Water production and distribution facilities	(1,197,466)	(302,056)	(1,499,522)
Wastewater collection and treatment facilities	(787,783)	(206,100)	(993,883)
Drainage facilities	(379,341)	(142,515)	(521,856)
Lease assets - equipment	(299,605)	(618,058)	(917,663)
Total accumulated depreciation and amortization	(2,664,195)	(1,268,729)	(3,932,924)
Total business-type activities, net	\$ 38,255,777	\$ 12,141,034	\$ 50,396,811

Note 4. Long-Term Liabilities

Changes in long-term liabilities for the year ended May 31, 2024, were as follows:

Governmental Activities	Balances, Beginning of Year Restated	Increases	Decreases	Balances, End of Year	Amounts Due in One Year
Due to developer, construction	\$ -	\$ 9,974,787	\$ -	\$ 9,974,787	\$ -
Due to developer, advances	45,250	15,000	-	60,250	-
Total governmental activities long-term liabilities	\$ 45,250	\$ 9,989,787	\$ -	\$ 10,035,037	\$ -

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Business-Type Activities	Balances, Beginning of Year Restated	Increases	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:					
Contract revenue bonds	\$ 26,025,000	\$ 13,350,000	\$ 865,000	\$ 38,510,000	\$ 890,000
Less discounts on bonds	621,143	398,470	21,881	997,732	-
	25,403,857	12,951,530	843,119	37,512,268	890,000
Due to developer, construction	15,409,200	10,656,292	10,044,601	16,020,891	-
Due to developer, advances	949	-	-	949	-
Lease liability	1,675,277	965,971	233,968	2,407,280	250,351
	\$ 42,489,283	\$ 24,573,793	\$ 11,121,688	\$ 55,941,388	\$ 1,140,351

Business-Type Activities

Contract Revenue Bonds

	Series 2016	Series 2017
Amounts outstanding, May 31, 2024	\$5,545,000	\$2,390,000
Interest rates	1.250% to 3.625%	2.00% to 4.00%
Maturity dates, serially beginning/ending	December 1, 2024/2041	December 1, 2024/2042
Interest payment dates	December 1/June 1	December 1/June 1
Callable dates*	December 1, 2024	December 1, 2024
	Series 2018	Series 2019
Amounts outstanding, May 31, 2024	\$4,150,000	\$4,465,000
Interest rates	2.25% to 4.00%	2.10% to 3.75%
Maturity dates, serially beginning/ending	December 1, 2024/2042	December 1, 2024/2044
Interest payment dates	December 1/June 1	December 1/June 1
Callable dates*	December 1, 2023	December 1, 2024

*Or any date thereafter; callable at par plus accrued interest to the date of redemption.

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	<u>Series 2021</u>	<u>Series 2022</u>
Amounts outstanding, May 31, 2024	\$3,880,000	\$4,730,000
Interest rates	2.00% to 3.00%	4.000% to 4.375%
Maturity dates, serially beginning/ending	December 1, 2024/2045	December 1, 2024/2046
Interest payment dates	December 1/June 1	December 1/June 1
Callable dates*	December 1, 2026	May 1, 2027
		<u>Series 2023</u>
Amount outstanding, May 31, 2024		\$13,350,000
Interest rates		5.00% to 7.50%
Maturity dates, serially beginning/ending		December 1, 2025/2048
Interest payment dates		December 1/June 1
Callable date*		November 1, 2030

*Or any date thereafter; callable at par plus accrued interest to the date of redemption.

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on contract revenue bonds outstanding at May 31, 2024:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 890,000	\$ 1,583,342	\$ 2,473,342
2026	1,215,000	1,546,625	2,761,625
2027	1,255,000	1,496,894	2,751,894
2028	1,295,000	1,444,868	2,739,868
2029	1,340,000	1,390,068	2,730,068
2030-2034	7,475,000	6,041,990	13,516,990
2035-2039	9,005,000	4,419,932	13,424,932
2040-2044	10,120,000	2,409,328	12,529,328
2045-2049	5,915,000	624,147	6,539,147
	<u>\$ 38,510,000</u>	<u>\$ 20,957,194</u>	<u>\$ 59,467,194</u>
Total			

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Principal and interest on the bonds are payable from and secured by an unconditional obligation to make certain payments by the participating districts in the applicable service area pursuant to the contracts described in Note 7. The participants have each agreed to pay a pro rata share of the debt service of the bonds based on the certified assessed valuation of each participant as a percentage of the total assessed valuation of all participating districts.

Under the terms of the contract, the Master District shall calculate and bill on or before September 1 of each year, or as soon thereafter as practical, the amount of contract tax payments due from each participant for the following year. The contract tax payments are payable by the participants semiannually, on May 15 and November 15 of each year, for the June 1 and December 1 debt service requirements. A summary of the participants and their assessed valuations and contract tax payments for the 2024 calendar year is shown as follows:

	<u>Assessed Valuations</u>	<u>Contractual Payments</u>
The District	\$ 627,330	\$ 2,811
East Montgomery County Municipal Utility District No. 6	385,527,930	1,736,696
East Montgomery County Municipal Utility District No. 7	<u>235,644,754</u>	<u>1,061,493</u>
	<u>\$ 621,800,014</u>	<u>\$ 2,801,000</u>
Master District Contract revenue bonds authorized	\$ 225,000,000	
Master District Contract revenue bonds sold	41,745,000	
Internal District Tax bonds authorized:		
Water, sewer and drainage	239,704,262	
Road and paving	122,029,430	
Park and recreational facilities	24,600,000	
Refunding	386,333,692	

Governmental Activities

Due to Developer - Construction

The developer of the Internal District has constructed facilities on behalf of the Internal District. The Internal District is maintaining and operating the facilities and has agreed to reimburse the developer for these construction costs, plus interest, to the extent approved by the Commission from the proceeds of tax bond sales. The District's engineer estimates reimbursable costs for completed projects are \$9,974,787. These amounts have been recorded in the financial statements as long-term liabilities.

Due to Developer - Advances

The developer of the Internal District has advanced \$60,250 to the Internal District for operations. These advances have been recorded as liabilities in the government-wide financial statements.

Business-Type Activities

Due to Developer - Construction

The developer of the Master District has constructed regional facilities on behalf of the Master District. The Master District is maintaining and operating the facilities and has agreed to reimburse the developer for these construction costs, plus interest, to the extent approved by the Commission from the proceeds of contract revenue bond sales.

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The District’s engineer estimates reimbursable costs for completed projects are \$16,020,891. These amounts have been recorded in the financial statements as long-term liabilities.

Due to Developer - Advances

The developer of the Master District has advanced \$949 to the Master District for operations. These advances have been recorded as liabilities in the government-wide financial statements.

Lease Liability

The following schedule shows the annual lease requirements to pay principal and interest on the lease liability outstanding at May 31, 2024:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 250,351	\$ 225,749	\$ 476,100
2026	597,284	179,401	776,685
2027	222,252	142,848	365,100
2028	796,043	92,964	889,007
2029	541,350	3,759	545,109
Total	<u>\$ 2,407,280</u>	<u>\$ 644,721</u>	<u>\$ 3,052,001</u>

On October 23, 2019, as subsequently amended, the Master District entered into an equipment lease agreement for a 150,000 gallon-per-day (gpd) sewage treatment plant and certain other equipment. The agreement will remain in effect for 60 months and will begin on the first day of the month following substantial completion of the leased equipment. Monthly payments are \$9,250 for the first 60 months. After the first 60 months, the agreement automatically extends under the original terms and conditions until the District gives 90-day written notice of its intent to cancel and terminate the lease and the monthly payments will be \$8,200. During a prior year, the District paid \$17,600 for the first and last month’s deposit. The lease commenced in fiscal year 2021, and the Master District paid \$111,000 in monthly lease payments in the current year.

On August 25, 2021, the Master District entered into an equipment lease agreement for a 150,000 gallon-per-day (gpd) sewage treatment plant and certain other equipment. The agreement will remain in effect for 60 months and will begin on the first day of the month following substantial completion of the leased equipment. Monthly payments are \$18,125 for the first 60 months. After the first 60 months, the agreement automatically extends under the original terms and conditions until the District gives 90-day written notice of its intent to cancel and terminate the lease and the monthly payments will be \$14,250. During a prior year, the District paid \$36,250 for the first and last month’s deposit. The lease commenced in fiscal year 2023, and the Master District paid \$217,500 in monthly lease payments in the current year.

On January 20, 2022, the Master District entered into an equipment lease agreement for a 165,000 gallon-per-day (gpd) sewage treatment plant. The agreement will remain in effect for 60 months and will begin on the first day of the month following substantial completion of the leased equipment. A set up and installation fee of \$50,000 is due on the date the installation of the leased equipment is substantially complete. Monthly payments are \$12,300 for the first 60 months. After the first 60 months, the agreement automatically extends under the original terms and conditions until the District gives 90-day written notice of its intent to cancel and terminate the lease and the monthly payments are \$11,100. During the prior year, the Master District paid \$24,600 for the first and last month’s deposit. The lease commenced in the current fiscal year, and the Master District paid \$147,600 in monthly lease payments in the current year.

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Note 5. Significant Bond Order and Commission Requirements

Bond Interest Reserve

In accordance with the Series 2023 Contract Revenue Bond Order, a portion of the bond proceeds were deposited with the Master District and reserved for the payment of bond interest during the construction period. The bond interest reserve is reduced as interest is paid.

Bond interest reserve, beginning of year	\$ -
Additions--Interest appropriated from Series bond proceeds, Series 2023	361,750
Deductions--Appropriation from bond interest paid, Series 2023	<u>(361,750)</u>
Bond interest reserve, end of year	<u><u>\$ -</u></u>

Note 6. Maintenance Taxes

At an election held May 12, 2007, voters authorized a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation on all property within the Internal District subject to taxation. During the year ended May 31, 2024, the District levied a total ad valorem maintenance tax at the rate of \$0.8400 per \$100 of assessed valuation, which resulted in a tax levy of \$5,270 on the taxable valuation of \$627,330 for the 2023 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

At an election held May 6, 2023, voters authorized a road maintenance tax not to exceed \$1.50 per \$100 of assessed valuation on all property within the Internal District subject to taxation. During the year ended May 31, 2024, the District did not levy an ad valorem road maintenance tax. The road maintenance tax, when levied, will be used to pay expenditures for maintaining certain roads within the Internal District.

At an election held May 6, 2023, voters authorized a park and recreational facilities maintenance tax not to exceed \$0.10 per \$100 of assessed valuation on all property within the Internal District subject to taxation. During the year ended May 31, 2024, the District did not levy an ad valorem park and recreational facilities maintenance tax. The park and recreational facilities maintenance tax, when levied, will be used to pay expenditures for maintaining the park and recreational facilities within the Internal District.

Note 7. Contract Tax

At an election held May 12, 2007, voters authorized a contract tax on all property within the Internal District subject to taxation. During the year ended May 31, 2024, the District levied a total ad valorem contract tax at the rate of \$0.4600 per \$100 of assessed valuation, which resulted in a tax levy of \$2,886 on the taxable valuation of \$627,330 for the 2023 tax year. The contract tax is used to pay for its pro rata share of principal and interest on the District's contract revenue bonds as described in Note 8.

Note 8. Financing and Operation of Regional Facilities

As of February 23, 2007, and as amended, East Montgomery County Municipal Utility District No. 7 (District No. 7) entered into regional contracts with the District, East Montgomery County Municipal Utility District No. 6 (District No. 6), and itself, District No. 7 (collectively, the Participants), whereby District No. 7 would act as a master district

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May 31, 2024

to provide, or cause to be provided, the regional water supply and delivery facilities and the regional waste collection, treatment and disposal facilities, as well as drainage, parks, and other services and facilities permitted by law, necessary to serve the Participants. As of October 1, 2015, each Participant authorized an assignment and assumption of the regional contract whereby District No. 7 assigned its right, title and interest in the regional contracts and the District accepted title as master district and began operating and providing services as master district.

Under the terms of the regional contract, which is in effect for 50 years, monthly operating charges will be determined by dividing the total number of equivalent single-family residential connections for all participants by the number of equivalent single-family residential connections for each district, as of the first day of the month, and then multiplying that share by the actual expenses. The District received \$1,666,698 and \$1,383,532 of operating costs attributable to this contract for the year ended May 31, 2024, from District No. 6 and District No. 7, respectively. The District is to maintain an operation and maintenance reserve equivalent to three months of budgeted operation and maintenance expenses.

In addition, the District is authorized to issue master district bonds sufficient for the acquisition, construction or improvement of regional facilities as needed to serve all participants. Each participant is obligated to pay its pro rata share of the debt service requirements on the master district bonds.

Note 9. Water Supply Contract

On March 19, 2013, District No. 7 entered into a water supply contract with the City of Woodbranch Village (the City). The City owns and operates a water production and supply system and has sufficient surplus water capacity to provide emergency water service. District No. 7 paid to construct and maintain a water line interconnect with the City's system. The City will make available capacity sufficient to serve up to 250 connections and will charge a rate of \$2.75 per 1,000 gallons plus the applicable fees charged by the Lone Star Groundwater Conservation District and San Jacinto River Authority. On October 1, 2015, the District approved an assignment and assumption of contract with District No. 7, where District No. 7 assigned its right, title and interest in the contract to the District.

Note 10. Regional Water Authority

The District is within the boundaries of the Lone Star Groundwater Conservation District (the Conservation District), which was created by the Texas Legislature. The Conservation District was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Harris-Galveston Subsidence District, which regulates groundwater withdrawal. During the year ended May 31, 2024, the District paid \$97,635 to the Conservation District.

Note 11. Groundwater Reduction Agreement

The District has entered into a Contract for Groundwater Reduction Planning, Alternative Water Supply and Related Goods and Services (GRP Contract) with the San Jacinto River Authority (the Authority) in order to meet the Conservation District's requirements. As a participant in the Authority's GRP Contract, the District has complied with all current Conservation District requirements for surface water conversion and is obligated to pay to the Authority a groundwater withdrawal fee for all groundwater produced and used by the District, and will be required to pay a water purchase fee for any water actually purchased from the Authority in the future. As of May 31, 2024, the Authority was billing the Master District \$2.99 per 1,000 gallons of water pumped. This amount is subject to future increases. During the year ended May 31, 2024, the Master District recorded expenses of \$955,174 under the GRP Contract.

Note 12. 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. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past three fiscal years.

Note 13. Contingencies

The developer of the District is constructing regional facilities within the boundaries of the Master District's service area, as well as Internal District facilities. The Master District and Internal District have agreed to reimburse the developer for a portion of these costs, plus interest, from the proceeds of future contract revenue bonds and tax bonds, respectively, to the extent approved by the Commission, if applicable. The District's engineer has stated that current construction contract amounts are approximately \$14,969,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Note 14. Restatement of Prior Year Financial Statements

Beginning net position in the governmental activities and business-type activities financial statements has been restated for correction of errors of \$10,248 and \$884,964, respectively, due to land and drainage facilities being incorrectly included in the governmental activities capital assets, when these facilities should be recorded in the business-type activities capital assets and due to the accrual of the remaining 2023 contractual obligation payments due from the Participants not being included. This restatement increased previously reported ending net position in the May 31, 2023, governmental activities financial statements by \$10,248 and business-type activities financial statements by \$884,964 and increased previously reported change in net position in the May 31, 2023, governmental activities financial statements by \$10,248 and business-type activities financial statements by \$166,324.

Note 15. Subsequent Events

On September 25, 2024, the District awarded the sale of its Unlimited Tax Contract Revenue Bonds, Series 2024, in the amount of \$16,675,000 at a net effective interest rate of approximately 4.097%. The bonds were sold to reimburse the developer for construction projects within the Master District.

On September 25, 2024, the District awarded the sale of its Unlimited Tax Bonds, Series 2024, in the amount of \$4,000,000 at a net effective interest rate of approximately 4.224%. The bonds were sold to reimburse the developer for construction projects within the Internal District.

Required Supplementary Information

**East Montgomery County Municipal Utility District No. 5
 Budgetary Comparison Schedule – General Fund
 Year Ended May 31, 2024**

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 5,000	\$ 8,113	\$ 3,113
Water service	-	12,828	12,828
Sewer service	-	38,062	38,062
Regional water fee	-	12,324	12,324
Service to other districts	-	9,997	9,997
Penalty and interest	-	1,044	1,044
Tap connection and inspection fees	-	554,782	554,782
Capital recovery fees	-	438,061	438,061
Investment income	-	2,395	2,395
Other income	-	460	460
Total revenues	<u>5,000</u>	<u>1,078,066</u>	<u>1,073,066</u>
Expenditures			
Service operations:			
Professional fees	77,000	12,497	64,503
Contracted services	4,200	11,118	(6,918)
Repairs and maintenance	-	200,677	(200,677)
Other expenditures	18,500	43,181	(24,681)
Tap connections	-	315,465	(315,465)
Debt service:			
Contractual obligations	-	2,652	(2,652)
Debt issuance costs	-	27,500	(27,500)
Total expenditures	<u>99,700</u>	<u>613,090</u>	<u>(513,390)</u>
Excess (Deficiency) of Revenues Over Expenditures	(94,700)	464,976	559,676
Other Financing Sources			
Developer advances received	<u>94,700</u>	<u>15,000</u>	<u>(79,700)</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	-	479,976	479,976
Fund Balance (Deficit), Beginning of Year	<u>(3,424)</u>	<u>(3,424)</u>	-
Fund Balance (Deficit), End of Year	<u>\$ (3,424)</u>	<u>\$ 476,552</u>	<u>\$ 479,976</u>

East Montgomery County Municipal Utility District No. 5
Notes to Required Supplementary Information
May 31, 2024

Budgets and Budgetary Accounting

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was not amended during fiscal 2024.

The District prepares its annual operating budget on a basis consistent with accounting principles generally accepted in the United States of America. The Budgetary Comparison Schedule – General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Supplementary Information

East Montgomery County Municipal Utility District No. 5
Other Schedules Included Within This Report
May 31, 2024

(Schedules included are checked or explanatory notes provided for omitted schedules.)

- [X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 19-34
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedule of Long-Term Debt Service Requirements by Years, Business-Type Activities
- [X] Changes in Long-Term Bonded Debt, Business-Type Activities
- [X] Comparative Schedule of Revenues and Expenditures – General Fund
- [X] Board Members, Key Personnel and Consultants

**East Montgomery County Municipal Utility District No. 5
 Schedule of Services and Rates
 Year Ended May 31, 2024**

1. Services provided by the District:

- | | | |
|--|---|--|
| <input checked="" type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input checked="" type="checkbox"/> Drainage |
| <input checked="" type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Irrigation |
| <input checked="" type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input checked="" type="checkbox"/> Security |
| <input type="checkbox"/> Solid Waste/Garbage | <input type="checkbox"/> Flood Control | <input checked="" type="checkbox"/> Roads |
| <input checked="" type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) | | |
| <input type="checkbox"/> Other _____ | | |

2. Retail service providers

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate Per 1,000 Gallons Over Minimum</u>	<u>Usage Levels</u>
Water:	<u>\$ 12.00</u>	<u>5,000</u>	<u>N</u>	<u>\$ 2.50</u>	<u>5,001 to 10,000</u>
				<u>\$ 2.70</u>	<u>10,001 to 15,000</u>
				<u>\$ 2.90</u>	<u>15,001 to 20,000</u>
				<u>\$ 3.05</u>	<u>20,001 to 30,000</u>
				<u>\$ 4.00</u>	<u>30,001 to No Limit</u>
Wastewater:	<u>\$ 20.00</u>	<u>10,000</u>	<u>N</u>	<u>\$ 2.25</u>	<u>10,001 to No Limit</u>
Regional water fee:	<u>\$ 3.29</u>	<u>1,000</u>	<u>N</u>	<u>\$ 3.29</u>	<u>1,001 to No Limit</u>
Garbage:	<u>\$ -</u>	<u>N/A</u>	<u>Y</u>		
Law enforcement fee:	<u>\$ 13.00</u>	<u>N/A</u>	<u>Y</u>		

Does the District employ winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage (including fees): Water \$ 57.40 Wastewater \$ 20.00

b. Water and wastewater retail connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC*</u>
Unmetered	<u>-</u>	<u>-</u>	<u>x1.0</u>	<u>-</u>
≤ 3/4"	<u>454</u>	<u>451</u>	<u>x1.0</u>	<u>451</u>
1"	<u>-</u>	<u>-</u>	<u>x2.5</u>	<u>-</u>
1 1/2"	<u>2</u>	<u>2</u>	<u>x5.0</u>	<u>10</u>
2"	<u>4</u>	<u>4</u>	<u>x8.0</u>	<u>32</u>
3"	<u>-</u>	<u>-</u>	<u>x15.0</u>	<u>-</u>
4"	<u>-</u>	<u>-</u>	<u>x25.0</u>	<u>-</u>
6"	<u>-</u>	<u>-</u>	<u>x50.0</u>	<u>-</u>
8"	<u>-</u>	<u>-</u>	<u>x80.0</u>	<u>-</u>
10"	<u>-</u>	<u>-</u>	<u>x115.0</u>	<u>-</u>
Total water	<u>460</u>	<u>457</u>		<u>493</u>
Total wastewater	<u>454</u>	<u>451</u>	<u>x1.0</u>	<u>451</u>

3. Total water consumption (in thousands) during the fiscal year:

Gallons pumped into the system:	<u>315,436</u>
Gallons billed to customers:	<u>303,311</u>
Water accountability ratio (gallons billed/gallons pumped):	<u>96.16%</u>

*"ESFC" means equivalent single-family connections

East Montgomery County Municipal Utility District No. 5
Schedule of General Fund Expenditures
Year Ended May 31, 2024

Personnel (including benefits)		\$	-
Professional Fees			
Auditing	\$	2,000	
Legal		6,132	
Engineering		4,365	
Financial advisor		-	12,497
Purchased Services for Resale			
Bulk water and wastewater service purchases			-
Regional Water Authority			-
Contracted Services			
Bookkeeping		1,870	
General manager		-	
Appraisal district		80	
Tax collector		1,200	
Security		-	
Other contracted services		-	3,150
Utilities			-
Repairs and Maintenance			200,677
Administrative Expenditures			
Directors' fees		-	
Office supplies		-	
Insurance		50	
Other administrative expenditures		43,131	43,181
Capital Outlay			
Capitalized assets		-	
Expenditures not capitalized		-	-
Tap Connection Expenditures			315,465
Solid Waste Disposal			7,968
Fire Fighting			-
Parks and Recreation			-
Contractual Obligations			2,652
Debt Issuance Costs			27,500
Total expenditures		\$	<u>613,090</u>

East Montgomery County Municipal Utility District No. 5
Schedule of Temporary Investments
May 31, 2024

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Face Amount</u>	<u>Accrued Interest Receivable</u>
Business-Type Activities				
Proprietary Fund				
Fidelity Money Market Fund	4.94%	Demand	<u>\$ 1,561,297</u>	<u>\$ -</u>

**East Montgomery County Municipal Utility District No. 5
 Analysis of Taxes Levied and Receivable
 Year Ended May 31, 2024**

	<u>Maintenance Taxes</u>	<u>Contract Taxes</u>
Receivable, Beginning of Year	\$ -	\$ -
2023 Original Tax Levy	<u>5,270</u>	<u>2,886</u>
Total to be accounted for	5,270	2,886
Current year tax collections	<u>(5,242)</u>	<u>(2,871)</u>
Receivable, end of year	<u>\$ 28</u>	<u>\$ 15</u>
Receivable, by Years		
2023	<u>\$ 28</u>	<u>\$ 15</u>
	<u>2023</u>	<u>2022</u>
Property Valuations		
Land	\$ 2,206,400	\$ 2,342,180
Improvements	-	-
Personal property	-	-
Exemptions	<u>(1,579,070)</u>	<u>(1,707,740)</u>
Total property valuations	<u>\$ 627,330</u>	<u>\$ 634,440</u>
Tax Rates per \$100 Valuation		
Contract tax rates	\$ 0.4600	\$ 0.4100
Maintenance tax rates*	<u>0.8400</u>	<u>0.8900</u>
Total tax rates per \$100 valuation	<u>\$ 1.3000</u>	<u>\$ 1.3000</u>
Tax Levy	<u>\$ 8,156</u>	<u>\$ 8,249</u>
Percent of Taxes Collected to Taxes Levied**	<u>99%</u>	<u>100%</u>

*Maximum tax rate approved by voters: \$1.50 for maintenance on May 12, 2007

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

East Montgomery County Municipal Utility District No. 5
Schedule of Long-Term Debt Service Requirements
by Years, Business-Type Activities
May 31, 2024

<u>Due During Fiscal Years Ending May 31</u>	<u>Series 2016</u>		
	<u>Principal Due December 1</u>	<u>Interest Due December 1, June 1</u>	<u>Total</u>
2025	\$ 215,000	\$ 177,922	\$ 392,922
2026	225,000	172,310	397,310
2027	235,000	166,213	401,213
2028	245,000	159,610	404,610
2029	255,000	152,483	407,483
2030	265,000	144,810	409,810
2031	275,000	136,710	411,710
2032	285,000	128,168	413,168
2033	295,000	118,956	413,956
2034	305,000	109,206	414,206
2035	320,000	98,850	418,850
2036	330,000	87,881	417,881
2037	345,000	76,275	421,275
2038	360,000	63,937	423,937
2039	375,000	50,841	425,841
2040	390,000	36,975	426,975
2041	405,000	22,566	427,566
2042	420,000	7,612	427,612
Totals	<u>\$ 5,545,000</u>	<u>\$ 1,911,325</u>	<u>\$ 7,456,325</u>

The District pays the amount due June 1 prior to that date. This schedule shows the amounts due within the fiscal year assuming the practice will continue in the future.

East Montgomery County Municipal Utility District No. 5
Schedule of Long-Term Debt Service Requirements
by Years, Business-Type Activities
May 31, 2024

(Continued)

<u>Due During Fiscal Years Ending May 31</u>	<u>Series 2017</u>		
	<u>Principal Due December 1</u>	<u>Interest Due December 1, June 1</u>	<u>Total</u>
2025	\$ 105,000	\$ 84,650	\$ 189,650
2026	105,000	81,500	186,500
2027	105,000	78,350	183,350
2028	105,000	75,200	180,200
2029	110,000	71,838	181,838
2030	110,000	68,194	178,194
2031	110,000	64,413	174,413
2032	115,000	60,475	175,475
2033	120,000	56,363	176,363
2034	125,000	51,997	176,997
2035	125,000	47,387	172,387
2036	130,000	42,606	172,606
2037	130,000	37,730	167,730
2038	135,000	32,762	167,762
2039	135,000	27,616	162,616
2040	140,000	22,200	162,200
2041	145,000	16,500	161,500
2042	155,000	10,500	165,500
2043	185,000	3,700	188,700
Totals	<u>\$ 2,390,000</u>	<u>\$ 933,981</u>	<u>\$ 3,323,981</u>

The District pays the amount due June 1 prior to that date. This schedule shows the amounts due within the fiscal year assuming the practice will continue in the future.

East Montgomery County Municipal Utility District No. 5
Schedule of Long-Term Debt Service Requirements
by Years, Business-Type Activities
May 31, 2024

(Continued)

<u>Due During Fiscal Years Ending May 31</u>	<u>Series 2018</u>		
	<u>Principal Due December 1</u>	<u>Interest Due December 1, June 1</u>	<u>Total</u>
2025	\$ 145,000	\$ 150,568	\$ 295,568
2026	155,000	145,990	300,990
2027	160,000	141,088	301,088
2028	165,000	135,906	300,906
2029	175,000	130,272	305,272
2030	180,000	123,719	303,719
2031	190,000	116,319	306,319
2032	195,000	109,106	304,106
2033	205,000	101,978	306,978
2034	215,000	94,365	309,365
2035	220,000	86,344	306,344
2036	230,000	77,906	307,906
2037	240,000	69,094	309,094
2038	250,000	59,906	309,906
2039	260,000	50,181	310,181
2040	275,000	39,816	314,816
2041	285,000	28,966	313,966
2042	295,000	17,728	312,728
2043	310,000	6,006	316,006
Totals	<u>\$ 4,150,000</u>	<u>\$ 1,685,258</u>	<u>\$ 5,835,258</u>

The District pays the amount due June 1 prior to that date. This schedule shows the amounts due within the fiscal year assuming the practice will continue in the future.

East Montgomery County Municipal Utility District No. 5
Schedule of Long-Term Debt Service Requirements
by Years, Business-Type Activities
May 31, 2024

(Continued)

<u>Due During Fiscal Years Ending May 31</u>	<u>Series 2019</u>		
	<u>Principal Due December 1</u>	<u>Interest Due December 1, June 1</u>	<u>Total</u>
2025	\$ 140,000	\$ 151,346	\$ 291,346
2026	145,000	147,569	292,569
2027	150,000	143,549	293,549
2028	160,000	139,246	299,246
2029	165,000	134,531	299,531
2030	170,000	129,506	299,506
2031	175,000	124,330	299,330
2032	185,000	118,700	303,700
2033	190,000	112,488	302,488
2034	200,000	105,906	305,906
2035	205,000	98,944	303,944
2036	215,000	91,594	306,594
2037	225,000	83,894	308,894
2038	235,000	75,697	310,697
2039	240,000	66,938	306,938
2040	250,000	57,750	307,750
2041	260,000	48,188	308,188
2042	270,000	38,250	308,250
2043	285,000	27,844	312,844
2044	295,000	16,969	311,969
2045	305,000	5,719	310,719
Totals	<u>\$ 4,465,000</u>	<u>\$ 1,918,958</u>	<u>\$ 6,383,958</u>

The District pays the amount due June 1 prior to that date. This schedule shows the amounts due within the fiscal year assuming the practice will continue in the future.

East Montgomery County Municipal Utility District No. 5
Schedule of Long-Term Debt Service Requirements
by Years, Business-Type Activities
May 31, 2024

(Continued)

<u>Due During Fiscal Years Ending May 31</u>	<u>Series 2021</u>		
	<u>Principal Due December 1</u>	<u>Interest Due December 1, June 1</u>	<u>Total</u>
2025	\$ 155,000	\$ 100,750	\$ 255,750
2026	150,000	97,700	247,700
2027	150,000	94,700	244,700
2028	150,000	91,700	241,700
2029	145,000	88,750	233,750
2030	150,000	85,613	235,613
2031	155,000	81,987	236,987
2032	155,000	78,113	233,113
2033	155,000	74,237	229,237
2034	150,000	70,425	220,425
2035	160,000	66,550	226,550
2036	160,000	62,550	222,550
2037	160,000	58,350	218,350
2038	160,000	53,950	213,950
2039	170,000	49,200	219,200
2040	170,000	44,100	214,100
2041	175,000	38,925	213,925
2042	175,000	33,675	208,675
2043	240,000	27,450	267,450
2044	255,000	20,025	275,025
2045	265,000	12,225	277,225
2046	275,000	4,125	279,125
Totals	<u>\$ 3,880,000</u>	<u>\$ 1,335,100</u>	<u>\$ 5,215,100</u>

The District pays the amount due June 1 prior to that date. This schedule shows the amounts due within the fiscal year assuming the practice will continue in the future.

East Montgomery County Municipal Utility District No. 5
Schedule of Long-Term Debt Service Requirements
by Years, Business-Type Activities
May 31, 2024

(Continued)

<u>Due During Fiscal Years Ending May 31</u>	<u>Series 2022</u>		
	<u>Principal Due December 1</u>	<u>Interest Due December 1, June 1</u>	<u>Total</u>
2025	\$ 130,000	\$ 194,606	\$ 324,606
2026	135,000	189,306	324,306
2027	140,000	183,807	323,807
2028	140,000	178,206	318,206
2029	145,000	172,506	317,506
2030	150,000	166,606	316,606
2031	150,000	160,606	310,606
2032	155,000	154,506	309,506
2033	160,000	148,207	308,207
2034	170,000	141,606	311,606
2035	170,000	134,806	304,806
2036	175,000	127,906	302,906
2037	185,000	120,591	305,591
2038	190,000	112,856	302,856
2039	195,000	104,915	299,915
2040	200,000	96,644	296,644
2041	205,000	88,038	293,038
2042	215,000	79,113	294,113
2043	565,000	62,538	627,538
2044	270,000	44,625	314,625
2045	285,000	32,484	317,484
2046	295,000	19,797	314,797
2047	305,000	6,672	311,672
Totals	<u>\$ 4,730,000</u>	<u>\$ 2,720,947</u>	<u>\$ 7,450,947</u>

The District pays the amount due June 1 prior to that date. This schedule shows the amounts due within the fiscal year assuming the practice will continue in the future.

East Montgomery County Municipal Utility District No. 5
Schedule of Long-Term Debt Service Requirements
by Years, Business-Type Activities
May 31, 2024

(Continued)

<u>Due During Fiscal Years Ending May 31</u>	<u>Series 2023</u>		
	<u>Principal Due December 1</u>	<u>Interest Due December 1, June 1</u>	<u>Total</u>
2025	\$ -	\$ 723,500	\$ 723,500
2026	300,000	712,250	1,012,250
2027	315,000	689,187	1,004,187
2028	330,000	665,000	995,000
2029	345,000	639,688	984,688
2030	365,000	613,062	978,062
2031	385,000	584,938	969,938
2032	400,000	558,000	958,000
2033	420,000	535,000	955,000
2034	445,000	513,375	958,375
2035	465,000	490,625	955,625
2036	490,000	466,750	956,750
2037	515,000	441,625	956,625
2038	540,000	415,250	955,250
2039	565,000	387,625	952,625
2040	595,000	358,625	953,625
2041	625,000	328,125	953,125
2042	655,000	296,125	951,125
2043	690,000	262,500	952,500
2044	720,000	227,250	947,250
2045	760,000	190,250	950,250
2046	795,000	151,375	946,375
2047	835,000	110,625	945,625
2048	875,000	67,875	942,875
2049	920,000	23,000	943,000
Totals	<u>\$ 13,350,000</u>	<u>\$ 10,451,625</u>	<u>\$ 23,801,625</u>

The District pays the amount due June 1 prior to that date. This schedule shows the amounts due within the fiscal year assuming the practice will continue in the future.

East Montgomery County Municipal Utility District No. 5
Schedule of Long-Term Debt Service Requirements
by Years, Business-Type Activities
May 31, 2024

(Continued)

<u>Due During Fiscal Years Ending May 31</u>	<u>Annual Requirements For All Series</u>		
	<u>Total Principal Due</u>	<u>Total Interest Due</u>	<u>Total Principal and Interest Due</u>
2025	\$ 890,000	\$ 1,583,342	\$ 2,473,342
2026	1,215,000	1,546,625	2,761,625
2027	1,255,000	1,496,894	2,751,894
2028	1,295,000	1,444,868	2,739,868
2029	1,340,000	1,390,068	2,730,068
2030	1,390,000	1,331,510	2,721,510
2031	1,440,000	1,269,303	2,709,303
2032	1,490,000	1,207,068	2,697,068
2033	1,545,000	1,147,229	2,692,229
2034	1,610,000	1,086,880	2,696,880
2035	1,665,000	1,023,506	2,688,506
2036	1,730,000	957,193	2,687,193
2037	1,800,000	887,559	2,687,559
2038	1,870,000	814,358	2,684,358
2039	1,940,000	737,316	2,677,316
2040	2,020,000	656,110	2,676,110
2041	2,100,000	571,308	2,671,308
2042	2,185,000	483,003	2,668,003
2043	2,275,000	390,038	2,665,038
2044	1,540,000	308,869	1,848,869
2045	1,615,000	240,678	1,855,678
2046	1,365,000	175,297	1,540,297
2047	1,140,000	117,297	1,257,297
2048	875,000	67,875	942,875
2049	920,000	23,000	943,000
Totals	<u>\$ 38,510,000</u>	<u>\$ 20,957,194</u>	<u>\$ 59,467,194</u>

**East Montgomery County Municipal Utility District No. 5
Changes in Long-Term Bonded Debt, Business-Type Activities
Year Ended May 31, 2024**

	Bond			
	Series 2016	Series 2017	Series 2018	Series 2019
Interest rates	1.250% to 3.625%	2.00% to 4.00%	2.25% to 4.00%	2.10% to 3.75%
Dates interest payable	December 1/ June 1	December 1/ June 1	December 1/ June 1	December 1/ June 1
Maturity dates	December 1, 2024/2041	December 1, 2024/2042	December 1, 2024/2042	December 1, 2024/2044
Bonds outstanding, beginning of current year	\$ 5,750,000	\$ 2,495,000	\$ 4,290,000	\$ 4,600,000
Bonds sold during current year	-	-	-	-
Retirements, principal	205,000	105,000	140,000	135,000
Bonds outstanding, end of current year	<u>\$ 5,545,000</u>	<u>\$ 2,390,000</u>	<u>\$ 4,150,000</u>	<u>\$ 4,465,000</u>
Interest paid during current year	<u>\$ 183,019</u>	<u>\$ 87,800</u>	<u>\$ 154,842</u>	<u>\$ 154,786</u>

Paying agent's name and address:

- Series 2016** - Amegy Bank, a division of ZB, N.A., Houston, Texas
- Series 2017** - Amegy Bank, a division of ZB, N.A., Houston, Texas
- Series 2018** - Amegy Bank, a division of ZB, N.A., Houston, Texas
- Series 2019** - Zions Bancorporation, N.A., Houston, Texas
- Series 2021** - Zions Bancorporation, N.A., Houston, Texas
- Series 2022** - Zions Bancorporation, N.A., Houston, Texas
- Series 2023** - Zions Bancorporation, N.A., Houston, Texas

Bond authority:

	Contract Revenue Bonds	Tax Revenue Bonds	Tax Revenue Road Bonds	Tax Revenue Park Bonds	Tax Refunding Bonds
Amount authorized by voters	\$ 225,000,000	\$ 239,704,262	\$ 122,029,430	\$ 24,600,000	\$ 386,333,692
Amount issued	\$ 41,745,000	\$ -	\$ -	\$ -	\$ -
Remaining to be issued	<u>\$ 183,255,000</u>	<u>\$ 239,704,262</u>	<u>\$ 122,029,430</u>	<u>\$ 24,600,000</u>	<u>\$ 386,333,692</u>

Debt service fund cash and temporary investment balances as of May 31, 2024:

\$ 1,561,297

Average annual debt service payment (principal and interest) for remaining term of all debt:

\$ 2,378,688

Issues

<u>Series 2021</u>	<u>Series 2022</u>	<u>Series 2023</u>	<u>Total</u>
2.00% to 3.00%	4.000% to 4.375%	5.00% to 7.50%	
December 1/ June 1	December 1/ June 1	December 1/ June 1	
December 1, 2024/2045	December 1, 2024/2046	December 1, 2025/2048	
\$ 4,035,000	\$ 4,855,000	\$ -	\$ 26,025,000
-	-	13,350,000	13,350,000
<u>155,000</u>	<u>125,000</u>	<u>-</u>	<u>865,000</u>
<u>\$ 3,880,000</u>	<u>\$ 4,730,000</u>	<u>\$ 13,350,000</u>	<u>\$ 38,510,000</u>
<u>\$ 103,850</u>	<u>\$ 199,706</u>	<u>\$ 391,896</u>	<u>\$ 1,275,899</u>

**East Montgomery County Municipal Utility District No. 5
Comparative Schedule of Revenues and Expenditures – General Fund
Two Years Ended May 31,**

	Amounts		Percent of Fund Total Revenues	
	2024	2023	2024	2023
General Fund				
Revenues				
Property taxes	\$ 8,113	\$ 8,249	0.8 %	99.0 %
Water service	12,828	-	1.2	-
Sewer service	38,062	-	3.5	-
Regional water fee	12,324	-	1.1	-
Security service	9,997	-	0.9	-
Penalty and interest	1,044	-	0.1	-
Tap connection and inspection fees	554,782	-	51.5	-
Capital recovery fee	438,061	-	40.6	-
Investment income	2,395	7	0.2	0.1
Other income	460	80	0.1	0.9
Total revenues	1,078,066	8,336	100.0	100.0
Expenditures				
Service operations:				
Professional fees	12,497	54,409	1.2	652.7
Contracted services	11,118	500	1.0	6.0
Repairs and maintenance	200,677	-	18.6	-
Tap connections	315,465	-	29.3	-
Other expenditures	43,181	2,101	4.0	25.2
Debt service:				
Contractual obligations	2,652	-	0.3	-
Debt issuance costs	27,500	-	2.5	-
Total expenditures	613,090	57,010	56.9	683.9
Excess (Deficiency) of Revenues Over Expenditures	464,976	(48,674)	43.1 %	(583.9) %
Other Financing Sources				
Developer advances received	15,000	45,250		
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	479,976	(3,424)		
Fund Balance (Deficit), Beginning of Year	(3,424)	-		
Fund Balance (Deficit), End of Year	\$ 476,552	\$ (3,424)		
Total Active Retail Water Connections	457	-		
Total Active Retail Wastewater Connections	451	-		

**East Montgomery County Municipal Utility District No. 5
Board Members, Key Personnel and Consultants
Year Ended May 31, 2024**

Complete District mailing address:	East Montgomery County Municipal Utility District No. 5 c/o Coats Rose, P.C. 9 Greenway Plaza, Suite 1000 Houston, Texas 77046-0307
District business telephone number:	713.651.0111
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	May 16, 2024
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

<u>Board Members</u>	<u>Term of Office Elected & Expires</u>	<u>Fees*</u>	<u>Expense Reimbursements</u>	<u>Title at Year-End</u>
John G. Patterson	Elected 05/21- 05/25	\$ 1,547	\$ 258	President
Jeffrey Campbell	Appointed 05/24- 05/25	221	-	Vice President
Brian Mashburn	Elected 05/23- 05/27	1,989	421	Secretary
Charles L. Prause	Elected 05/23- 05/27	1,989	166	Assistant Secretary
Nancy Walker	Appointed 10/23- 05/27	1,768	-	Assistant Secretary
Larry Kijewski	Elected 05/21- 05/24	663	123	Resigned

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

**East Montgomery County Municipal Utility District No. 5
Board Members, Key Personnel and Consultants
Year Ended May 31, 2024**

(Continued)

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Assessments of the Southwest, Inc.	10/28/15	\$ 1,216	Tax Assessor/ Collector
Coats Rose, P.C.	02/23/07	285,159 39,927	Bond Counsel General Counsel
FORVIS, LLP	09/28/15	39,000	Auditor
H2O Innovation	09/28/15	1,471,544	Operator
L & S District Services, LLC	05/18/07	15,909	Bookkeeper
LJA Engineering, Inc.	09/28/15	166,146	Engineer
Montgomery Central Appraisal District	Legislative Action	80	Appraiser
Robert W. Baird & Co. Incorporated	09/28/15	269,757	Financial Advisor
Investment Officer			
Debra R. Loggins	04/27/16	N/A	Bookkeeper

APPENDIX B

Specimen Municipal Bond Insurance Policy



BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN