

OFFICIAL STATEMENT DATED APRIL 28, 2025

IN THE OPINION OF BOND COUNSEL, HEREIN DEFINED, THE BONDS ARE VALID OBLIGATIONS OF THE DISTRICT AND UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS, AND COURT DECISIONS EXISTING ON THE DATE THEREOF, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES SUBJECT TO THE MATTERS DESCRIBED UNDER "TAX MATTERS" HEREIN, WHICH INCLUDES A DISCUSSION OF THE OPINION OF BOND COUNSEL.

The District has designated the Bonds as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions."

NEW ISSUE – Book-Entry-Only

NOT RATED

PINE FOREST MUNICIPAL UTILITY DISTRICT

(A political subdivision of the State of Texas, located within Harris County, Texas)

\$3,200,000
Unlimited Tax Bonds
Series 2025

Dated: June 1, 2025

Due: September 1, as shown on inside cover

Interest accrues from: Date of Delivery

The \$3,200,000 Pine Forest Municipal Utility District Unlimited Tax Bonds, Series 2025 (the "Bonds") are obligations of Pine Forest Municipal Utility District (the "District") and are not obligations of the State of Texas; Harris County, Texas; the City of Houston, Texas; or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas; Harris 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.

Principal of the Bonds is payable to the registered owner(s) of the Bonds (the "Registered Owner(s)") upon presentation at the principal payment office of the paying agent/registrar, initially, Zions Bancorporation, National Association, Houston, Texas (the "Paying Agent/Registrar") upon surrender of the Bonds for payment at maturity or upon prior redemption. Interest accrues from the date of delivery, which is expected to be on or about June 4, 2025 (the "Date of Delivery"), and is payable on September 1, 2025, and on each March 1 and September 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds will be payable to the person in whose name the Bonds are registered at the close of business on the 15th calendar day of the 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 fully registered bonds in principal denominations of \$5,000 or any integral multiple thereof.

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

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

The Bonds constitute the second series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing water, sewer, and drainage facilities to serve the District (the "System"). At an election held within the District on November 8, 2005, voters of the District authorized the District's issuance of \$84,600,000 principal amount of unlimited tax bonds for the System, and \$2,500,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District (the "Park System"). At another election held within the District on May 7, 2016, voters of the District authorized the District's issuance of \$25,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road facilities to serve the District (the "Road System"). Following the issuance of the Bonds, \$75,100,000 principal amount of authorized unlimited tax bonds for the System, \$25,000,000 principal amount of authorized unlimited tax bonds for the Road System, and \$2,500,000 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 subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject to, among other things, the approval of the Attorney General of Texas and Coats Rose, P.C., Bond Counsel. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, as Disclosure Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about June 4, 2025.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

\$3,200,000 Unlimited Tax Bonds, Series 2025

\$900,000 Serial Bonds

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 72255P (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 72255P (b)
2026	\$70,000	7.125%	4.000%	BB0	2031 (c)	\$90,000	7.125%	4.200%	BG9
2027	75,000	7.125%	4.000%	BC8	2032 (c)	95,000	7.125%	4.250%	BH7
2028	80,000	7.125%	4.050%	BD6	2033 (c)	100,000	6.875%	4.350%	BJ3
2029	85,000	7.000%	4.100%	BE4	2034 (c)	105,000	5.000%	4.450%	BK0
2030	90,000	7.125%	4.150%	BF1	2035 (c)	110,000	4.625%	4.625%	BL8

\$2,300,000 Term Bonds

\$1,125,000 Term Bond Due September 1, 2043 (c)(d), Interest Rate: 5.000% (Price: \$99.400) (a), CUSIP No. 72255P BU8 (b)

\$1,175,000 Term Bond Due September 1, 2049 (c)(d), Interest Rate: 4.750% (Price: \$91.262) (a), CUSIP No. 72255P CA1 (b)

- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser (herein defined). Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.
- (b) CUSIP numbers have been assigned to this issue by the CUSIP Global Services managed on behalf of the American Bankers Association by FactSet Research Systems Inc. None of the District, the Financial Advisor (herein defined) or the Initial Purchaser shall be responsible for the selection or the correctness of the CUSIP numbers shown herein.
- (c) Bonds maturing on September 1, 2031, and thereafter, are subject to redemption and payment 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. In addition, the Initial Purchaser may designate one or more maturities as term bonds. See "THE BONDS - Redemption of the Bonds - *Optional Redemption*."
- (d) Subject to mandatory sinking fund redemption by lot or other customary method of random selection on September 1 in the years and amounts as set forth under "THE BONDS - Redemption of the Bonds - *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 or the Initial Purchaser.

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, contracts, records, and engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Coats Rose, P.C., Bond Counsel, for further information.

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, other matters described in the Official Statement until delivery of the Bonds to the Initial Purchaser and thereafter only as specified in "OFFICIAL STATEMENT - 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 Official Statement for any purpose.

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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 of SAMCO Capital Markets, Inc. (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the inside cover of this Official Statement at a price of 97.001978% of par, resulting in a net effective interest rate of 5.203033%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended. No assurance can be given that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchaser. The District has no control over the price at which the Bonds are subsequently sold, and the initial yields at which the Bonds are priced and reoffered are established by, and are the sole responsibility of, the Initial Purchaser.

Prices and Marketability

Subject to certain restrictions regarding the "hold-the-offering-price" rule as described in the Official Notice of Sale, 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. Otherwise, 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 sole responsibility of the Initial Purchaser.

Subject to certain restrictions described in the Official Notice of Sale, the prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH 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

The District made applications for commitments to provide municipal bond guaranty insurance on the Bonds, however no such commitments were made available and no municipal bond insurance was purchased on the Bonds.

RATINGS

The District did not make an application for a rating on the Bonds. Furthermore, it is not expected that the District would have been successful in obtaining an investment grade rating on the Bonds had such application been made.

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OFFICIAL STATEMENT SUMMARY

The following information is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE BONDS

The District Pine Forest Municipal Utility District (the "District"), a political subdivision of the State of Texas, is located in Harris County, Texas. See "THE DISTRICT."

The Bonds..... The District's \$3,200,000 Unlimited Tax Bonds, Series 2025 (the "Bonds"), are dated June 1, 2025, and mature on September 1 in each of the years and in the principal amounts as shown on the inside cover page hereof.

Interest on the Bonds accrues from June 4, 2025, at the rates set forth on the inside cover page hereof and is payable September 1, 2025, and each March 1 and September 1 thereafter until the earlier of stated maturity or redemption. See "THE BONDS."

Redemption of the Bonds..... Bonds maturing on September 1, 2031, and thereafter, are subject to redemption and payment 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. In addition, the Initial Purchaser may designate one or more maturities as term bonds. See "THE BONDS - Redemption of the Bonds - *Optional Redemption.*"

The Bonds maturing on September 1 in the years 2043 and 2049 are term bonds that are also subject to mandatory sinking fund redemption provisions set out under "THE BONDS - Redemption of the Bonds - *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"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners (herein defined) thereof. Principal of and interest on the Bonds will be payable by Zions Bancorporation, National Association, Houston, Texas (the "Paying Agent/Registrar"), to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "THE BONDS - Book-Entry-Only System."

Authority for Issuance..... The Bonds constitute the second series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing water, sewer, and drainage facilities to serve the District (the "System"). At an election held within the District on November 8, 2005, voters of the District authorized the District's issuance of \$84,600,000 principal amount of unlimited tax bonds for the System, and \$2,500,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District (the "Park System"). At another election held within the District on May 7, 2016, voters of the District authorized the District's issuance of \$25,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road facilities to serve the District (the "Road System"). Following the issuance of the Bonds, \$75,100,000 principal amount of authorized unlimited tax bonds for the System, \$25,000,000 principal amount of authorized unlimited tax bonds for the Road System, and \$2,500,000 principal amount of authorized unlimited tax bonds for the Park System will remain authorized but unissued.

The Bonds are issued pursuant to (i) an order adopted by the Board of Directors of the District (the “Bond Order”), (ii) Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended, (iii) an election held within the District on November 8, 2005, and (iv) an order issued by the Texas Commission on Environmental Quality (the “TCEQ”).

Source of Payment	Principal 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 all taxable property located within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, Texas the City of Houston, Texas, or any entity other than the District. See “THE BONDS – Source of Payment.”
Outstanding Bonds	The District has previously issued one (1) series of unlimited tax bonds for the System: \$6,300,000 Unlimited Tax Bonds, Series 2022. As of the Date of Delivery, \$6,170,000 principal amount of such bonds remains outstanding (the “Outstanding Bonds”). See “THE BONDS – Outstanding Bonds.”
Payment Record.....	The Bonds constitute the second series of unlimited tax bonds issued by the District.
Use of Bond Proceeds	The proceeds of the sale of the Bonds will be used to reimburse the Developer (herein defined) for construction costs shown herein under “USE AND DISTRIBUTION OF BOND PROCEEDS.” In addition, the proceeds of the Bonds will be used to pay developer interest, twelve (12) months of capitalized interest, and costs associated with the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”
Qualified Tax-Exempt Obligations	The District has designated the Bonds as “qualified tax-exempt obligations” pursuant to section 265(b) of the Internal Revenue Code of 1986, as amended (the “Code”), and will represent that the total amount of tax-exempt bonds (including the Bonds) issued by the District during calendar year 2025 is not reasonably expected to exceed \$10,000,000. See “TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions.”
Municipal Bond Insurance and Ratings	See “MUNICIPAL BOND INSURANCE” AND RATINGS.”
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.....	Zions Bancorporation, National Association, Houston, Texas.
Engineer	Langford Engineering, Inc., Houston, Texas.

THE DISTRICT

Description.....	The District was created pursuant to Chapter 427, Acts of the 62 nd Legislature, Regular Session, effective May 26, 1971. The District comprises approximately 215.51 total acres. See “THE DISTRICT.”
Location.....	The District is located in Harris County, Texas, and the extraterritorial jurisdiction (the “ETJ”) of the City of Houston, Texas, approximately 20 miles north of downtown Houston, Texas, along Interstate Highway 45 (“IH45”) and approximately 0.75 miles north of F.M. 1960. See “THE DISTRICT.”
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.”

Development in the District..... The District is comprised of approximately 215.51 acres of which approximately 45.13 acres (7 lots) within the District have been developed as the commercial subdivision of Cypress Preserve Park, Sections 1 and 2. Current commercial development within the District consists of: Gillman Automotive on approximately 8.90 acres; a Valero convenience store on approximately 2.25 acres; DFR Houston Investments, LLC on approximately 3.53 acres; and EGP Cypress Slough Center 1031 LLC on approximately 30.45 acres. Of the remaining acreage in the District, there are approximately 98.47 undeveloped but developable acres and approximately 71.91 undevelopable acres. See "DEVELOPMENT IN THE DISTRICT."

Principal Landowners DFR Houston Investments, LLC and EGP Cypress Slough Center 1031 LLC own approximately 33.98 acres in the District which have been developed and consist of 4 office warehouses. Additionally, Eastgroup Properties LP ("EastGroup") owns 3 separate vacant tracts comprised of approximately 45.72 acres of undeveloped but developable land. See "PRINCIPAL LANDOWNERS."

RISK FACTORS

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

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**SELECTED FINANCIAL INFORMATION
(UNAUDITED)**

2024 Taxable Assessed Valuation	\$ 120,690,452 (a)
Direct Debt:	
The Outstanding Bonds	\$ 6,170,000
The Bonds	<u>\$ 3,200,000</u>
Total	\$ 9,370,000
Estimated Overlapping Debt	<u>\$ 5,555,351 (b)</u>
Total Direct and Estimated Overlapping Debt	<u>\$ 14,925,351</u>
Direct Debt Ratios:	
As a percentage of 2024 Taxable Assessed Valuation	7.76 %
Direct and Estimated Overlapping Debt Ratios:	
As a percentage of 2024 Taxable Assessed Valuation	12.37 %
Debt Service Fund Balance (as of March 24, 2025)	\$ 768,707 (c)
General Operating Fund Balance (as of March 24, 2025)	\$ 748,043
2024 Tax Rate per \$100 of Assessed Valuation	
Debt Service	\$0.530
Maintenance & Operations	<u>0.400</u>
Total	\$0.930
Combined Average Annual Debt Service Requirements (2025-2049)	\$ 629,182 (d)
Combined Maximum Annual Debt Service Requirement (2048)	\$ 675,081 (d)
Combined Tax Rate per \$100 of Assessed Valuation Required to Pay Average	
Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2025-2049) at 95% Tax Collections: Based Upon the 2024 Taxable Assessed Valuation (\$120,690,452) ...	\$0.55
Combined Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum	
Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2048) at 95% Tax Collections: Based Upon the 2024 Taxable Assessed Valuation (\$120,690,452) ...	\$0.59

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- (a) Represents the taxable assessed valuation of all taxable property in the District as of January 1, 2024, as certified by the Harris Appraisal District (the "HCAD"). See "TAXING PROCEDURES."
- (b) See "DISTRICT DEBT - Estimated Overlapping Debt."
- (c) Twelve (12) months of capitalized interest will be deposited into the Debt Service Fund (herein defined). Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Debt Service Fund.
- (d) Requirement of debt service on the Outstanding Bonds and the Bonds. See "DISTRICT DEBT - Debt Service Requirements."

OFFICIAL STATEMENT

relating to

PINE FOREST MUNICIPAL UTILITY DISTRICT
(A political subdivision of the State of Texas, located within Harris County)

\$3,200,000
Unlimited Tax Bonds
Series 2025

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Pine Forest Municipal Utility District (the "District") of its \$3,200,000 Unlimited Tax Bonds, Series 2025 (the "Bonds").

The Bonds are issued pursuant to (i) an order adopted by the Board of Directors of the District (the "Bond Order"), (ii) Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended, (iii) an election held within the District on November 8, 2005, and (iv) an order issued by the Texas Commission on Environmental Quality (the "TCEQ").

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 also includes information about the District and certain reports and other statistical data. The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive, or definitive and each summary and reference is qualified in its entirety by reference to each such document, statute, report, or instrument.

THE BONDS

General

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

The Bonds will mature on September 1 of the years and in principal amounts, and will bear interest from June 4, 2025, at the rates per annum, set forth on the inside cover page of this Official Statement. Interest on the Bonds will be payable September 1, 2025, and semiannually thereafter on each March 1 and September 1 until maturity or redemption.

The Bonds will be issued only in fully registered form in any integral multiples of \$5,000 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"), the Paying Agent/Registrar to Cede & Co., as registered owner. DTC 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."

In the event the Book-Entry-Only System is discontinued and physical bond certificates issued, interest on the Bonds shall be payable by check mailed by the Paying Agent/Registrar on or before each interest payment date, to the registered owners ("Registered Owners") as shown on the bond register (the "Register") kept by the Paying Agent/Registrar at the close of business on the 15th calendar day of the month immediately preceding each interest payment date to the address of such Registered Owner as shown on the Register, or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owner at the risk and expense of such Registered Owner.

If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day without additional interest and with the same force and effect as if made on the specified date for such payment.

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by 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 and the Initial Purchaser believe 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 Security 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 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of "AA+" from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchase of each Security ("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,

Agent or Issuer, 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, Security 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, Security certificates will be printed and delivered to DTC.

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

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the book-entry form, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry system, and (ii) except as described above, notices that are to be given to registered owners under the Bond 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 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, shall have a combined capital and surplus of at least \$50,000,000, shall be subject to supervision or examination by federal or state authority, shall be registered as a transfer agent with the Securities and Exchange Commission and shall have a corporate trust office in the State of Texas.

Registration and Transfer

So long as any Bonds remain outstanding, the Paying Agent/Registrar will keep the register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar will provide for the registration and transfer of Bonds in accordance with the Bond Order. While the Bonds are in the Book-Entry- Only system, Bonds will be registered in the name of Cede & Co. and will not be transferred. See "Book-Entry- Only System."

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

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

<u>Election Date</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued to Date</u>	<u>The Bonds</u>	<u>Remaining</u>
November 8, 2005	Water, Sewer, Drainage	\$ 84,600,000	\$ 6,300,000	\$ 3,200,000	\$ 75,100,000
November 8, 2005	Parks and Recreational Facilities	\$ 2,500,000	\$ -	\$ -	\$ 2,500,000
May 7, 2016	Road Facilities	\$ 25,000,000	\$ -	\$ -	\$ 25,000,000

The Bonds are issued pursuant to (i) the Bond Order, (ii) Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended, (iii) an election held within the District on November 8, 2005, and (iv) an order issued by the TCEQ.

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 all 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 Debt Service Fund and used to pay principal of and interest on the Bonds, the Outstanding Bonds, and any additional bonds payable from taxes which may hereafter be issued by the District.

Outstanding Bonds

The District has previously issued one (1) series of unlimited tax bonds for the System: \$6,300,000 Unlimited Tax Bonds, Series 2022. As of the Date of Delivery, \$6,170,000 principal amount of such bonds remains outstanding (the "Outstanding Bonds").

Redemption of the Bonds

Optional Redemption

Bonds maturing on September 1, 2031, and thereafter, are subject to redemption and payment 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 such random method as the Paying Agent/Registrar deems fair and appropriate in integral multiples of \$5,000 within any one maturity. The registered owner of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Mandatory Redemption

The Bonds maturing on September 1 in the years 2043 and 2049 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:

\$1,125,000 Term Bonds Maturing on September 1, 2043

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2036	\$ 120,000
September 1, 2037	\$ 125,000
September 1, 2038	\$ 130,000
September 1, 2039	\$ 135,000
September 1, 2040	\$ 145,000
September 1, 2041	\$ 150,000
September 1, 2042	\$ 155,000
September 1, 2043 (Maturity)	\$ 165,000

\$1,175,000 Term Bonds Maturing on September 1, 2049

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2044	\$ 175,000
September 1, 2045	\$ 180,000
September 1, 2046	\$ 190,000
September 1, 2047	\$ 200,000
September 1, 2048	\$ 210,000
September 1, 2049 (Maturity)	\$ 220,000

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

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

Consolidation

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 utility 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.

Strategic Partnership Agreement with City of Houston

The District is authorized to enter into a strategic partnership agreement with the City to provide the terms and conditions under which services would be provided and funded by the parties and under which the District would continue to exist for an extended period if the land within the District, or any portion thereof, were to be annexed for full or limited purposes by the City. The terms of any such agreement would be determined by the City and the District, and could provide for limitations on the timing of annexation of the District by the City, the continuation of the District as a limited district following general purpose annexation by the City, the conversion of a limited purpose annexation to a general purpose annexation, or the payment of a fee in lieu of annexation to be derived from residential property within the District based on the costs of providing municipal services to the District. The City has negotiated and entered into strategic partnership with several other districts in its extraterritorial jurisdiction. Nothing herein is intended to imply that the District and the City will ever enter into such an agreement, nor has the City approached the District concerning such an agreement.

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 now or hereafter 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.

Issuance of Additional Debt

The District may issue additional bonds to provide improvements and facilities consistent with the purposes for which the District was created. The District's voters have authorized the issuance of \$2,500,000 principal amount of unlimited tax bonds for parks and recreational facilities; \$84,600,000 principal amount of unlimited tax bonds for the District's water, sanitary sewer and drainage system (the "System"); and \$25,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road improvements (the "Road System") to serve the District. Following the issuance of the Bonds, \$2,500,000 principal amount of unlimited tax bonds for parks and recreational facilities, \$75,100,000 principal amount of unlimited tax bonds for the District's System, and \$25,000,000 principal amount of unlimited tax bonds for the Road System will remain authorized but unissued.

Additional tax bonds may be authorized by District's voters in the future. The Board is further empowered to borrow money for any lawful purpose and pledge the revenues of the System therefore and to issue bond anticipation notes and tax anticipation notes.

The Bond Order imposes no limitation on the amount of additional bonds, which may be issued by the District. Any additional bonds issued by the District may be on a parity with the Bonds. See "RISK FACTORS – Future Debt."

Financing Recreational Facilities

On September 13, 2003, an amendment to the Texas Constitution was adopted that authorized conservation and reclamation districts, such as the District, in certain counties to develop and finance with property taxes certain recreational facilities after a district election has been successfully held to approve a maintenance tax to support recreational facilities and/or the issuance of bonds payable from taxes.

The Texas Legislature enacted legislation, effective September 13, 2003, allowing the District to levy an operation and maintenance tax to support recreational facilities at a rate not to exceed \$0.10 per \$100 of assessed valuation of taxable property within the District, after such tax is approved at an election. On November 8, 2005, the District voters approved an ad valorem tax not to exceed \$0.10 for recreational facilities. The District has not levied such tax.

In addition, the District is authorized to issue bonds payable from ad valorem taxes to pay for the development and maintenance of recreational facilities if (i) the District duly adopts a plan for the facilities; (ii) the bonds payable from any source do not exceed 3% of the value of the taxable property in the District at the time of issuance of the bonds, or an amount greater than the estimated cost of the plan, whichever amount is smaller, (iii) the District obtains any necessary governmental consents allowing the issuance of such bonds; and (iv) the bonds are approved by the Attorney General of Texas. The issuance of such bonds is subject to rules and regulations to be adopted by the TCEQ.

At an election held on November 8, 2005, the District voters authorized the issuance of \$2,500,000 of bonds for parks and recreational purposes payable from ad valorem taxes. The District may issue bonds from such authorization subject to compliance with the TCEQ rules and obtaining the consent of the City. The District has not issued bonds to finance parks and recreational facilities.

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.

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 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 defaults 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 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 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 be further limited by 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 and creditors of political subdivisions, such as the District.

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, twelve (12) months of capitalized interest, and other certain costs associated with the issuance of the Bonds.

The actual amounts to be paid by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District’s auditor.

Construction Costs	District’s Share
A. Developer Items	
1. Detention/Mitigation Basin “B” to Serve Cypress Preserve Park, Phase II	\$ 994,177
2. Pine Forest MUD Lift Station No. 1 Improvements	573,890
3. Clearing and Grubbing to Serve Cypress Preserve Park, Section 2	389,150
4. Pine Forest MUD Nonpotable Water Pressure Maintenance Facilities (Waterline)	184,925
5. Engineering Fees (24.4% of Item Nos. 1-4)	97,788
6. Geotechnical fees	<u>45,420</u>
Total Developer Items	\$ 2,285,350
B. District Items	
1. None	\$ _____
Total District Items	\$ -
Total Construction Costs	\$ 2,285,350
<u>Non-Construction Costs</u>	
A. Legal Fees	\$ 79,000
B. Fiscal Agent Fees	64,000
C. Interest Costs	
Capitalized Interest	170,850
Developer Interest	332,102
D. Developer Advances, Operating & Creation Cost	83,383
E. Bond Discount	95,937
F. Bond Issuance Expenses	33,115
G. Bond Application Report Costs	45,000
H. Attorney General Fee (0.10%)	3,200
I. TCEQ Bond Issuance Fee (0.25%)	8,000
J. Contingency (a)	<u>63</u>
Total Non-Construction Costs	\$ 914,650
TOTAL BOND ISSUE REQUIREMENT	\$ 3,200,000

(a) Represents the difference between the estimated and actual amount of the Bond Discount.

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

DISTRICT DEBT

General

The following tables and calculations relate to the Bonds. The District and various other political subdivisions of government which overlap all or a portion of the District are empowered to incur debt to be raised by taxation against all or a portion of the property within the District.

2024 Taxable Assessed Valuation	\$	120,690,452	(a)
Direct Debt:			
The Outstanding Bonds	\$	6,170,000	
The Bonds	\$	<u>3,200,000</u>	
Total	\$	9,370,000	
Estimated Overlapping Debt	\$	<u>5,555,351</u>	(b)
Total Direct and Estimated Overlapping Debt	\$	<u>14,925,351</u>	
Direct Debt Ratios:			
As a percentage of 2024 Taxable Assessed Valuation		7.76 %	
Direct and Estimated Overlapping Debt Ratios:			
As a percentage of 2024 Taxable Assessed Valuation		12.37 %	
Debt Service Fund Balance (as of March 24, 2025)	\$	768,707	(c)
General Operating Fund Balance (as of March 24, 2025)	\$	748,043	
2024 Tax Rate per \$100 of Assessed Valuation			
Debt Service		\$0.530	
Maintenance & Operations		<u>0.400</u>	
Total		\$0.930	
Combined Average Annual Debt Service Requirements (2025-2049)	\$	629,182	(d)
Combined Maximum Annual Debt Service Requirements (2048)	\$	675,081	(d)
Combined Tax Rate per \$100 of Assessed Valuation Required to Pay Average			
Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2025-2049)			
at 95% Tax Collections: Based Upon the 2024 Taxable Assessed Valuation (\$120,690,452) ..		\$0.55	
Combined Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum			
Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2048)			
at 95% Tax Collections: Based Upon the 2024 Taxable Assessed Valuation (\$120,690,452) ..		\$0.59	

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- (a) Represents the assessed valuation of all taxable property in the District as of January 1, 2024, as certified by the Harris Appraisal District. See "TAXING PROCEDURES."
 - (b) See "DISTRICT DEBT – Estimated Overlapping Debt."
 - (c) Twelve (12) months of capitalized interest will be deposited into the Debt Service Fund. Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Debt Service Fund.
 - (d) Requirement of debt service on the Outstanding Bonds and the Bonds. See "DISTRICT DEBT – Debt Service Requirements."

Estimated Overlapping Debt

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 the 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 as of February 28, 2025	Percent	Overlapping Amount
Aldine ISD	\$ 1,218,970,000	0.35 %	\$ 4,213,077
Spring ISD (a)	822,205,000	0.06	454,358
Harris County	2,424,019,039	0.02	442,411
Harris County Department of Education	28,960,000	0.02	5,251
Harris County Flood Control District	968,445,000	0.02	180,457
Harris County Hospital District	59,315,000	0.02	10,980
Port of Houston Authority	406,509,397	0.02	75,269
Lone Star College System	471,270,000	0.04	173,549
Harris County ESD No. 11	-	0.00	-
Harris County ESD No. 28	-	0.00	-
Total Estimated Overlapping Debt			\$ 5,555,351
The District			\$ <u>9,370,000</u> (b)
Total Direct & Estimated Overlapping			\$ <u>14,925,351</u>

(a) A portion of the District is located within Spring ISD.

(b) Includes the Outstanding Bonds and the Bonds.

Debt Ratios

Direct Debt Ratios (a):

As a Percentage of 2024 Taxable Assessed Valuation..... 7.76 %

Direct and Estimated Overlapping Debt Ratios (a):

As a Percentage of 2024 Taxable Assessed Valuation..... 12.37 %

(a) Includes the Outstanding Bonds and the Bonds.

Debt Service Requirements

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

Calendar Year	Outstanding Debt Service	The Bonds			Total Outstanding Debt Service
		Principal	Interest	Debt Service	
2025	\$ 273,528	\$ -	\$ 41,289	\$ 41,289	\$ 314,817
2026	407,156	70,000	170,850	240,850	648,006
2027	412,081	75,000	165,863	240,863	652,944
2028	411,656	80,000	160,519	240,519	652,175
2029	415,856	85,000	154,819	239,819	655,675
2030	414,481	90,000	148,869	238,869	653,350
2031	417,700	90,000	142,456	232,456	650,156
2032	420,300	95,000	136,044	231,044	651,344
2033	422,500	100,000	129,275	229,275	651,775
2034	424,044	105,000	122,400	227,400	651,444
2035	425,175	110,000	117,150	227,150	652,325
2036	425,613	120,000	112,063	232,063	657,675
2037	430,625	125,000	106,063	231,063	661,688
2038	429,688	130,000	99,813	229,813	659,500
2039	433,313	135,000	93,313	228,313	661,625
2040	435,938	145,000	86,563	231,563	667,500
2041	432,888	150,000	79,313	229,313	662,200
2042	439,388	155,000	71,813	226,813	666,200
2043	439,988	165,000	64,063	229,063	669,050
2044	439,494	175,000	55,813	230,813	670,306
2045	443,306	180,000	47,500	227,500	670,806
2046	441,194	190,000	38,950	228,950	670,144
2047	443,388	200,000	29,925	229,925	673,313
2048	444,656	210,000	20,425	230,425	675,081
2049	-	220,000	10,450	230,450	230,450
Total	<u>\$ 10,123,953</u>	<u>\$ 3,200,000</u>	<u>\$ 2,405,595</u>	<u>\$5,605,595</u>	<u>\$15,729,548</u>

Combined Average Annual Debt Service Requirements
on the Outstanding Bonds and the Bonds (2025-2049) \$629,182

Combined Maximum Annual Debt Service Requirement
on the Outstanding Bonds and the Bonds (2048) \$675,081

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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 the System and for the payment of certain contractual obligations. The District levied a maintenance and operation tax of \$0.40 per \$100 assessed value in 2024. 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

General: 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 sixty-five (65) years or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District. For the 2024 tax year, the District did not grant an exemption for residential homesteads of persons 65 years or older or under a disability. 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

the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. Further, a veteran who receives a disability rating of 100% is entitled to an exemption of full value of the veteran's residential homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse, and surviving spouses of a deceased veteran who had received a disability rating of 100% are entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

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

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty (20%) percent of the appraised 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 District has never adopted a general homestead exemption.

Freeport Goods 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

Harris County may designate all or part of the area within the District as a reinvestment zone. Thereafter, Harris County and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. To date, Harris County has not designated any part of the area within the District as a reinvestment zone.

Valuation of Property for Taxation

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

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by one political subdivision while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use, open space land and timberland. As of January 1, 2024, no acres within the District were valued on the basis of agricultural use.

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

Disaster Exemption

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.

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 Districts to compel compliance with the Property Tax Code.

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty of twenty percent (20%), in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

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

Certain qualified taxpayers, including owners of residential homesteads, located within a natural disaster area and whose property has been damaged as a direct result of the disaster, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District if the 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.

Rollback of Operation and Maintenance Tax Rate

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

Special Taxing Units:

Special Taxing Units that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are required to hold 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 Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus 1.035 times the previous year's operation and maintenance tax rate plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

Developing Districts:

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

The District:

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

District's Rights in the Event of Tax Delinquencies

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceeding which restrict the collection of taxpayer debts. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead if the person (1) has been granted an exemption under Section 11.13; Tax Code; (2) requests an installment agreement; and (3) has not entered into an agreement with the collector in the preceding 24 months. The installment payment agreement must provide for payment to be made in monthly installments and must extend for a period of at least 12 months and not more than 36 months. See "RISK FACTORS – General" and "– Tax Collection and Foreclosure Remedies."

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 October 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 \$1.35 per \$100 of assessed valuation for water, sewer and drainage operation and maintenance purposes, \$1.50 per \$100 of assessed valuation for road operation and maintenance purposes, and \$0.10 for operation and maintenance of park and recreational facilities. In 2024, the District levied a total tax rate of \$0.930 per \$100 of assessed valuation. Such tax rate is expected to be composed of a debt service tax rate of \$0.530 per \$100 of assessed valuation and a maintenance and operations tax rate of \$0.400 per \$100 of assessed valuation.

Tax Rate Limitation

Debt Service:	Unlimited (no legal limit as to rate or amount).
WS&D Maintenance and Operations:	\$1.35 per \$100 of Assessed Valuation.
Road Maintenance and Operations:	\$1.50 per \$100 of Assessed Valuation.
Park and Recreation Facilities:	\$0.10 per \$100 of Assessed Valuation.

Historical Tax Collections

The following table illustrates the collection history of the District for the 2021-2024 tax year:

Tax Year	Taxable Assessed Valuation	Tax Rate/ \$100	Adjusted Levy	Current Year	Tax Year Ending 9/30	Collections 03/31/2025 (b)
2021	\$ 60,710,446	\$0.930	\$ 564,607	100.00%	2022	100.00%
2022	70,318,376	\$0.930	653,961	100.00	2023	100.00
2023	100,968,131	\$0.930	939,004	96.90	2024	97.10
2024	120,690,452	\$0.930	1,122,421	91.10	2025	91.20

(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	2021
Debt Service	\$ 0.530	\$ 0.405	\$ 0.515	\$0.000
Maintenance and Operations	<u>0.400</u>	<u>0.525</u>	<u>0.415</u>	<u>0.930</u>
Total Tax Rate	\$ 0.930	\$ 0.930	\$0.930	\$ 0.930

Analysis of Tax Base

The following table illustrates the District's total taxable assessed value for the 2021-2024 tax year by type of property.

Type of Property	2024 Taxable Assessed Valuation	2023 Taxable Assessed Valuation	2022 Taxable Assessed Valuation	2021 Taxable Assessed Valuation
Land	\$ 64,978,484	\$ 40,512,261	\$ 27,508,571	\$ 25,810,204
Improvements	44,226,241	62,797,090	48,711,090	40,705,424
Personal Property	31,554,824	19,478,308	6,061,154	3,916,345
Exemptions	<u>(20,069,097)</u>	<u>(21,819,528)</u>	<u>(11,962,439)</u>	<u>(9,721,527)</u>
Total	\$ 120,690,452	\$ 100,968,131	\$ 70,318,376	\$ 60,710,446

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 Valuation 2024 Tax Roll	% of 2024 Tax Roll
EGP Cypress Slough Center 1031 LLC	Land & Improvements	\$ 54,462,000	45.13%
CGillman Properties LLC	Land & Improvements	15,223,663	12.61%
Eastgroup Properties LP	Land & Improvements	11,842,973	9.81%
DFR Houston Investments LLC	Land & Improvements	5,190,000	4.30%
Elite Material Handling LLC	Land & Improvements	4,914,718	4.07%
Hendricks Interests LLC (a)	Land & Improvements	4,765,744	3.95%
Cab Enterprises Inc	Land & Improvements	3,479,066	2.88%
Southwest Cheese LLC	Land & Improvements	3,421,569	2.83%
CST Stations Texas LLC	Land & Improvements	2,743,567	2.27%
Miner Ltd	Land & Improvements	2,514,902	2.08%
Total		\$ 108,558,202	89.95%

(a) The Developer.

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 Assessed Valuation (\$120,690,452). The foregoing further assumes collection of 95% of taxes levied and the sale of no additional bonds:

Combined Average Annual Debt Service Requirements (2025-2049)	\$629,182
Tax Rate of \$0.55 on the 2024 Taxable Assessed Valuation at 95% collection produces	\$630,608
 Combined Maximum Annual Debt Service Requirement (2048)	 \$675,081
Tax Rate of \$0.59 on the 2024 Taxable Assessed Valuation at 95% collection produces	\$676,470

Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, when ad valorem taxes are levied by a taxing authority, 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"), certain taxing jurisdictions, including the District, 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 on property within the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other charges by entities other than political subdivisions.

Taxing Jurisdiction	2024 Tax Rate/ Per \$100 of A.V.	2024 Tax Rate/ Per \$100 of A.V.
The District	\$ 0.930000	\$ 0.930000
Harris County	0.385290	0.385290
Harris County Flood Control District	0.048970	0.048970
Port of Houston Authority	0.006150	0.006150
Harris County Hosp District	0.163480	0.163480
HC Dept of Ed	0.004799	0.004799
Aldine ISD	1.034000	-
Spring ISD	-	1.156900
Lone Star College System	0.107600	0.107600
Harris County ESD No. 28	0.098097	0.098097
Harris County ESD No. 11	<u>0.038294</u>	<u>0.038294</u>
Estimated Total Tax Rate	<u>\$ 2.816680</u>	<u>\$ 2.939580</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 of the Texas Constitution. The District was created pursuant to Chapter 427, the Acts of the 62nd Legislature, Regular Session, effective May 26, 1971. 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. 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 (the "ETJ") of the City of Houston.

Description

The District is located in Harris County, Texas, and the ETJ of the City, approximately 20 miles north of downtown Houston Texas along Interstate Highway 45 ("IH45") and approximately 0.75 miles north of F.M. 1960.

Management of the District

The District is governed by the Board which has control and management supervision over all affairs of the District. All of the present members of the Board reside within the District. Directors are elected in odd-numbered years for four-staggered terms. The present members and officers of the Board and their principal occupations are listed below:

<u>Name</u>	<u>Position</u>	<u>Term Expires May</u>
Selma Kylo	President	2027
Chuck Wustman	Vice President	2027
Sara M. Albright	Secretary	2025
Doug Eibsen	Assistant Secretary	2025
Ronald Costello	Assistant Secretary	2025

Consultants

The District has contracted for utility system operating, bookkeeping, tax assessing and collecting, auditing, engineering, and legal services as follows:

Tax Assessor/Collector – The District's Tax Assessor/Collector is Equi-Tax Inc.

Bookkeeper – The District contracts with L&S District Services, LLC, for bookkeeping services.

Operator – The District's operator is H2O Innovation, Inc.

Auditor – As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which audit reports are filed with the TCEQ. The District's financial statements for the fiscal year ended April 30, 2024, were audited by McGrath & Co., PLLC, Houston, Texas and are included as "APPENDIX A."

Engineer – The consulting engineer retained by the District in connection with the design and construction of the District's facilities is Langford Engineering, Inc. (the "Engineer").

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

Financial Advisor – The District has employed the firm of Robert W. Baird & Co. Incorporated as financial advisor to the District. Payment to the Financial Advisor by the District is contingent upon the issuance, sale 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 in connection with the issuance of the District's Bonds. The fees of Disclosure Counsel are contingent upon the sale and delivery of the Bonds.

DEVELOPMENT IN THE DISTRICT

Primary Developer

The primary developer within the District is Hendricks Interests, LLC (the "Developer"), which owns approximately 31.30 developable acres.

Status of Development

The District is comprised of approximately 215.51 acres of which approximately 45.13 acres (7 lots) within the District have been developed as the commercial subdivision of Cypress Preserve Park, Sections 1 and 2. Current commercial development within the District consists of: Gillman Automotive, on approximately 8.90 acres; a Valero convenience store on approximately 2.25 acres; DFR Houston Investments, LLC on approximately 3.53 acres; and EGP Cypress Slough Center 1031 LLC on approximately 30.45 acres. Of the remaining acreage in the District, there are approximately 98.47 undeveloped but developable acres and approximately 71.91 undevelopable acres.

Principal Landowners

DFR Houston Investments, LLC and EGP Cypress Slough Center 1031 LLC owns approximately 33.98 acres in the District which have been developed and consist of 4 office warehouses. Additionally, Eastgroup Properties LP ("EastGroup") owns 3 separate vacant tracts comprising of approximately 45.72 acres of undeveloped but developable land.

THE SYSTEM

Regulation

According to the Engineer, the System has 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, and Harris 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 System 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.

Description of the System

- Wastewater Treatment and Conveyance System -

On October 18, 2005, the District entered into an agreement with Inverness Forest Improvement District ("Inverness Forest") to share a 500,000-gallon per day ("gpd") wastewater treatment facility (the "WWTP"). Pursuant to the agreement, the District has a 100,000 gpd share in the plant. Inverness Forest has a 400,000 gpd share. The WWTP is operated by Inverness Forest. The WWTP is sufficient to serve a total of 1,667 equivalent single-family connections ("ESFCs"). The District's pro-rata share of the WWTP is sufficient to serve 285 ESFCs.

- Water Supply and Distribution -

The District obtains its water from Inverness Forest. The District has a water supply agreement with Inverness Forest whereby Inverness Forest agrees to provide the District with 119,700 gpd which will serve approximately 285 ESFCs.

- Drainage -

The developed portions of the District are served by concrete paved streets with curb and gutters and storm sewers designed to meet City design criteria for developed runoff. According to the Engineer, the Federal Emergency Management Agency Flood Hazard Boundary Map currently in effect which covers the land in the District reflects that none of the developed area for the projects needed to support the financial feasibility of this bond issuance lie within the 100-year flood plain.

General Fund Operating Statement

The following is a summary of the District's Operating Fund. The figures for the fiscal years ending April 30 in the years 2020 through 2024, were obtained from the District's annual financial report, and also an unaudited summary for the period ending April 30, 2025, reference to which is hereby made. See "APPENDIX A." The District is required by statute to have a certified public accountant audit the District's financial statements annually, such audited financial statements are filed with the TCEQ.

	Fiscal Year Ended					
	<u>04/30/25 (a)</u>	<u>04/30/24</u>	<u>04/30/23</u>	<u>04/30/22</u>	<u>04/30/21</u>	<u>04/30/20</u>
REVENUES						
Water Service	\$ 9,162	\$ 11,273	\$ 12,623	\$ 11,163	\$ 15,910	\$ 13,640
Sewer Service	3,319	3,602	3,596	3,153	3,307	3,646
Property Taxes	357,945	538,128	316,118	587,104	-	-
Penalties & Interest	284	434	329	2,204	-	-
Surface Water Fees	15,776	24,578	27,109	32,905	35,855	22,997
Tap Connection & Inspection Fees	550	600	300	600	560	274,511
Miscellaneous Revenues	86	154	182	338	122	13,762
Investment Earnings	<u>26,819</u>	<u>7,688</u>	<u>1,391</u>	<u>84</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	\$ 413,941	\$ 586,457	\$ 361,648	\$ 637,551	\$ 55,754	\$ 328,556
EXPENDITURES						
Purchased Services	\$ 121,485	\$ 129,561	\$ 150,931	\$ 104,059	\$ 101,794	\$ 83,760
Professional Fees	40,271	54,617	43,567	119,876	38,382	32,647
Contracted Services	51,534	35,456	35,712	38,201	28,418	194,644
Repairs and Maintenance	68,545	141,919	62,355	35,252	34,838	91,797
Utilities	3,908	5,742	4,689	3,972	4,287	8,222
Administrative	6,899	18,171	15,442	13,644	12,436	9,620
Other	<u>2,822</u>	<u>41,944</u>	<u>2,392</u>	<u>4,266</u>	<u>530</u>	<u>390</u>
TOTAL EXPENDITURES	\$ 295,464	\$ 427,410	\$ 315,088	\$ 319,270	\$ 220,685	\$ 421,080
Excess Revenues (Expenditures)	\$ <u>118,476</u>	\$ <u>159,047</u>	\$ <u>46,560</u>	\$ <u>318,281</u>	\$ <u>(164,931)</u>	\$ <u>(92,524)</u>

(a) Unaudited. Provided by the Bookkeeper.

RISK FACTORS

General

The Bonds are obligations of the District and are not obligations of the State of Texas, Harris County, 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 Payment

Principal Landowners’ Obligations to the District: The District’s tax base is concentrated in a small number of taxpayers. As reflected in this Official Statement under the caption “TAX DATA – Principal Taxpayers,” the District’s ten principal taxpayers in 2024 owned a majority (approximately 89.95%) of the property, including personal property, located in the District. The District cannot represent that its tax base will in the future be (i) distributed among a significantly larger number of taxpayers, or (ii) less concentrated in property owned by a relatively small number of property owners, than it is currently. Failure by one or more of the District’s principal property owners to make full and timely payments of taxes due may have an adverse effect on the investment quality or security of the Bonds. If any one or more of the principal District taxpayers did not pay taxes due, the District might need to levy additional taxes or use other debt service funds available to meet its debt service requirements.

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners.

Dependence on Personal Property Tax Collections: Approximately 26.15% (\$31,554,824) of the District’s certified portion (\$120,690,452) of the 2024 Taxable Assessed Valuation is personal property. Most other management districts in Texas are not dependent to such an extent on taxes levied on personal property, and personal property taxation and collection create special risks for Registered Owners. See “TAX DATA – Principal Taxpayers,” “–Analysis of Tax Base,” and “TAXING PROCEDURES.”

Unlike real property, there is no certainty that personal property will remain in the District from year to year. Automobiles and other personal property are portable and could be removed from the District at any time. Personal property removed from the District as of January 1 of any year is not subject to taxation by the District for that year.

If personal property is subject to a lien for unpaid District taxes for any year, the District’s lien is lost if the property is sold in the ordinary course of business. A lien in the amount of the personal property taxes owed by a taxpayer attaches not only to personal property owned by the taxpayer as of January 1 with a tax status in the District, but to any personal property then or thereafter owned by the taxpayer. However, the District may not be able to foreclose on personal property located outside the State of Texas and locating and foreclosing on property held outside the District may be costly, inefficient and difficult. The statute of limitations for collection of personal property taxes is four years from the date of delinquency, as contrasted with the 20-year statute of limitations for real property. Personal property may not be seized, and a suit may not be filed to collect delinquent personal property taxes if the tax has been delinquent for more than four years. A tax and any penalty and interest on the tax that is delinquent longer than the limitation period is presumed paid unless a suit to collect such personal property tax is pending. As with real property taxes, ad valorem taxes levied on personal property are the personal obligation of the taxpayer. See “TAXING PROCEDURES.”

Maximum Impact on District Tax Rate: Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2024 Certified Assessed Valuation of property within the District (see “DISTRICT DEBT”) is \$120,690,452. After issuance of the Bonds, the maximum annual debt service requirement will be \$675,081 (2048) and the average annual debt service requirement will be \$629,182 (2025 through 2049 inclusive). Assuming no increase or decrease from the 2024 Certified Assessed Valuation, a tax rate of \$0.59 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of \$675,081 and a tax rate of \$0.55 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirements of \$629,182. See “DISTRICT DEBT – Debt Service Requirements.”

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.

Tax Collection and Foreclosures Remedies

The District's ability to make debt service payments 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 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

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

Bankruptcy Limitations 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.

A district, such as the District, may not be forced into bankruptcy involuntary.

Future Debt

Following the issuance of the Bonds, \$2,500,000 principal amount of unlimited tax bonds for parks and recreational facilities, \$75,100,000 principal amount of unlimited tax bonds for the District's System, and \$25,000,000 principal amount of unlimited tax bonds for the Road System will remain authorized but unissued. 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. 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. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for and the investment quality and value of the Bonds.

Additional tax bonds may be authorized by District's voters in the future. The Board is further empowered to borrow money for any lawful purpose and pledge the revenues of the waterworks and sewer system therefore and to issue bond anticipation notes and tax anticipation notes.

The Bond Order imposes no limitation on the amount of additional bonds which may be issued by the District. Any additional bonds issued by the district may be on a parity with the Bonds.

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.

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.

Collection of Taxes

The District’s ability to pay debt service on the 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.”

Marketability of the Bonds

The District has no understanding with 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.

Environmental and Air Quality 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.

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.

LEGAL MATTERS

Legal Opinion

The District will furnish to the Initial Purchaser a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, within the limits prescribed by law, upon all taxable property in the District, and the approving legal opinion of Coats Rose, P.C., Bond Counsel to the District.

Bond Counsel was engaged by, and only represents the District. Except as noted below, Bond Counsel did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein. In its capacity as Bond Counsel, such firm has reviewed the information under the captions and subcaptions “THE BONDS” (except for the information under the subcaptions “Book-Entry-Only System,” and “Issuance of Additional Debt,” as to which no opinion need be expressed) “TAXING PROCEDURES,” “THE DISTRICT - General,” “LEGAL MATTERS - Legal Opinions,” and “CONTINUING DISCLOSURE OF INFORMATION.” (except for the information under the subcaption “Compliance With Prior Undertakings,” as to which no opinion need be expressed), and such firm is of the opinion that the statements and information contained therein fairly and accurately reflect the provisions of the Bond Order and are correct as to matters of law. The legal fee to be paid to Bond

Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System. The legal fee of such firms is contingent upon the sale and delivery of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

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.

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

On the date of initial delivery of the Bonds, Coats Rose, P.C., Houston, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate and (b) covenants of the District contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to comply with the aforementioned representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the Issuer with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. The Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the Project. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Bonds is less than the principal amount thereof, or one or more periods for the payment of interest on the bonds may not be equal to the accrual period or be in excess of one year. In such event, the difference between (i) the “stated redemption price at maturity” of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The “stated redemption price at maturity” means the sum of all payments to be made on the bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering 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 accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for accrual period and ratably within each such accrual period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and 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 Original Issue Discount Bond.

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

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 statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences. The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with 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.

Information Reporting and Backup Withholding

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

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a "bank," as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The District has designated the Bonds as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the District will covenant to take such action that would assure, or to refrain from such action that would adversely affect the treatment of the Bonds as "qualified tax-exempt obligations." Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the \$10,000,000 limitation and the Bonds would not be "qualified tax-exempt obligations."

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) of the United States Securities and Exchange Commission ("SEC") regarding the District's continuing disclosure obligations because the District has not issued more than \$10,000,000 in aggregate amount of outstanding bonds and no person is committed by contract or other arrangement with respect to payment of the Bonds. As required by the exemption, in the Bond Order, the District has made the following agreement for the benefit of the Bondholders. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access ("EMMA") system.

Annual Reports

The District will provide certain updated financial information and operating data via EMMA annually.

The financial information and operating data which will be provided with respect to the District is found in the "APPENDIX A." The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2025.

Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time 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 month period, and audited financial statements when the audit report becomes available.

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

Event Notices

The District will provide timely notices of certain 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 SEC Rule 15c2-12; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of SEC Rule 15c2-12 or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of SEC Rule 15c2-12, 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 to a decision to purchase or sell Bonds; (15) incurrence of a financial obligation of the District (as defined by SEC Rule 15c2-12, which includes certain debt, debt-like, and debt-related obligations), if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the District, any of which affect security holders, if material, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the District, 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 SEC Rule 15c2-12. 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

The District has agreed to provide the foregoing notices to the MSRB. The District is required to file its continuing disclosure information using EMMA, which is the format currently prescribed by the MSRB and has been established by the MSRB to make such continuing disclosure information available to investors free of charge. Investors may access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with Rule 15c2-12 ("SEC Rule 15c2-12", 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

Since the District voluntarily entered into its continuing disclosure agreement in 2022, the District has complied in all material respects with such previous continuing disclosure agreement except as stated below. The District filed its fiscal year ending April 30, 2023 financial information after the October 31, 2023 deadline on April 22, 2025 along with, a notice of late filing. The District has since implemented procedures to ensure timely filing of all future financial information.

OFFICIAL STATEMENT

General

The information contained in this Official Statement has been obtained primarily from the District's records, the District Engineer, the Tax Assessor/Collector, the Harris 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, orders and engineering and other related reports set forth herein are included subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

The District's financial statements for the year ended April 30, 2024, were audited by McGrath & Co., PLLC, and have been included herein as "APPENDIX A - Independent Auditor's Report and Financial Statements of the District." McGrath & Co., PLLC, has consented to the publication of such financial statements in this Official Statement.

Experts

The information contained in this Official Statement relating to engineering and to the description of the 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 Harris County 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.

Updating the Official Statement

If, subsequent to the date of the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchaser, of any adverse event which causes the Official Statement to be materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Initial Purchaser; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser, unless the Initial Purchaser notifies the District on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

Certification as to Official Statement

At the time of payment for and delivery of the Bonds, the District will furnish the Initial Purchaser a certificate, executed by the President and Secretary of the Board of Directors of the District, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the District contained in this Official Statement, on the date thereof and on the date of delivery, were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, this Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated herein or necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading; and (c) insofar as the descriptions and statements, including financial data, contained in this Official Statement, of or pertaining to entities other than the District, such statements and data have been obtained from sources which the District believes to be reliable, and the District has no reason to believe that they are untrue in any material respect.

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 Pine Forest Municipal Utility District as of the date specified on the first page hereof.

/s/ Selma Kylo
President, Board of Directors
Pine Forest Municipal Utility District

ATTEST:

/s/ Sara M. Albright
Secretary, Board of Directors
Pine Forest Municipal Utility District

APPENDIX A
FINANCIAL STATEMENTS OF THE DISTRICT

**PINE FOREST MUNICIPAL
UTILITY DISTRICT**

HARRIS COUNTY, TEXAS

FINANCIAL REPORT

April 30, 2024

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McGRATH & CO., PLLC

Certified Public Accountants

2900 North Loop West, Suite 880

Houston, Texas 77092

Independent Auditor's Report

Board of Directors
Pine Forest Municipal Utility District
Harris County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Pine Forest Municipal Utility District (the "District"), as of and for the year ended April 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Pine Forest Municipal Utility District, as of April 30, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

***Board of Directors
Pine Forest Municipal Utility District
Harris County, Texas***

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

***Board of Directors
Pine Forest Municipal Utility District
Harris County, Texas***

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

Supplementary Information

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

W. G. G. & Co., P.C.

Houston, Texas
September 23, 2024

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Management's Discussion and Analysis

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***Pine Forest Municipal Utility District
Management's Discussion and Analysis
April 30, 2024***

Using this Annual Report

Within this section of the financial report of Pine Forest Municipal Utility District (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended April 30, 2024. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

***Pine Forest Municipal Utility District
Management's Discussion and Analysis
April 30, 2024***

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District's net position at April 30, 2024, was negative \$5,708,089. This amount is negative because the District incurs debt to construct road facilities which it conveys to Harris County. A comparative summary of the District's overall financial position, as of April 30, 2024 and 2023, is as follows:

	<u>2024</u>	<u>2023</u>
Current and other assets	\$ 1,483,195	\$ 1,189,069
Capital assets	8,734,310	8,908,648
Total assets	<u>10,217,505</u>	<u>10,097,717</u>
Current liabilities	221,773	117,183
Long-term liabilities	15,703,821	15,833,821
Total liabilities	<u>15,925,594</u>	<u>15,951,004</u>
Net position		
Net investment in capital assets	(4,822,613)	(4,648,739)
Restricted	591,471	467,703
Unrestricted	<u>(1,476,947)</u>	<u>(1,672,251)</u>
Total net position	<u>\$ (5,708,089)</u>	<u>\$ (5,853,287)</u>

***Pine Forest Municipal Utility District
Management's Discussion and Analysis
April 30, 2024***

The total net position of the District increased during the current fiscal year by \$145,198. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2024</u>	<u>2023</u>
Revenues		
Property taxes, penalties and interest	\$ 980,421	\$ 719,596
Water and sewer service	14,875	16,219
Other	41,869	30,437
Total revenues	<u>1,037,165</u>	<u>766,252</u>
Expenses		
Current service operations	445,523	415,721
Debt interest and fees	272,106	227,094
Developer interest		542,467
Debt issuance costs		496,335
Depreciation/amortization	174,338	174,338
Total expenses	<u>891,967</u>	<u>1,855,955</u>
Change in net position	145,198	(1,089,703)
Net position, beginning of year	(5,853,287)	(4,763,584)
Net position, end of year	<u>\$ (5,708,089)</u>	<u>\$ (5,853,287)</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of April 30, 2024, were \$1,398,233, which consists of \$722,188 in the General Fund, \$636,739 in the Debt Service Fund and \$39,306 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of April 30, 2024 and 2023, is as follows:

	<u>2024</u>	<u>2023</u>
Total assets	<u>\$ 788,209</u>	<u>\$ 636,038</u>
Total liabilities	\$ 46,463	\$ 71,915
Total deferred inflows	19,558	982
Total fund balance	<u>722,188</u>	<u>563,141</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 788,209</u>	<u>\$ 636,038</u>

***Pine Forest Municipal Utility District
Management's Discussion and Analysis
April 30, 2024***

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

	<u>2024</u>	<u>2023</u>
Total revenues	\$ 586,457	\$ 361,648
Total expenditures	<u>(427,410)</u>	<u>(315,088)</u>
Revenues over expenditures	159,047	46,560
Other changes in fund balance		46,558
Net change in fund balance	<u>\$ 159,047</u>	<u>\$ 93,118</u>

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

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues increased from prior year because the District increased the maintenance and operations component of the levy and because assessed values increased from prior year.
- Water, sewer and surface water revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of April 30, 2024 and 2023, is as follows:

	<u>2024</u>	<u>2023</u>
Total assets	<u>\$ 655,680</u>	<u>\$ 514,189</u>
Total liabilities	\$ 42	\$ -
Total deferred inflows	18,899	1,218
Total fund balance	<u>636,739</u>	<u>512,971</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 655,680</u>	<u>\$ 514,189</u>

***Pine Forest Municipal Utility District
Management's Discussion and Analysis
April 30, 2024***

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

	2024	2023
Total revenues	\$ 413,882	\$ 429,044
Total expenditures	(290,114)	(199,573)
Revenues over expenditures	123,768	229,471
Other changes in fund balance		283,500
Net change in fund balance	<u>\$ 123,768</u>	<u>\$ 512,971</u>

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

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of April 30, 2024 and 2023, is as follows:

	2024	2023
Total assets	<u>\$ 39,306</u>	<u>\$ 38,842</u>
Total fund balance	<u>\$ 39,306</u>	<u>\$ 38,842</u>

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

	2024	2023
Total revenues	\$ 569	\$ 174
Total expenditures	(105)	(5,787,774)
Revenues over/(under) expenditures	464	(5,787,600)
Other changes in fund balance		5,826,442
Net change in fund balance	<u>\$ 464</u>	<u>\$ 38,842</u>

The District did not have any significant capital asset activity in the current year. Capital asset activity in the prior year was financed with proceeds from the issuance of its Series 2022 Unlimited Tax Bonds.

General Fund Budgetary Highlights

The Board of Directors adopted an annual unappropriated budget for the General Fund on July 24, 2023. The Board did not amend the budget during the fiscal year. Since the District's budget is

***Pine Forest Municipal Utility District
Management's Discussion and Analysis
April 30, 2024***

primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$36,282 greater than budgeted. The *Budgetary Comparison Schedule* on page 34 of this report provides variance information per financial statement line item.

Capital Assets

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

Capital assets held by the District at April 30, 2024 and 2023, are summarized as follows:

	<u>2024</u>	<u>2023</u>
Capital assets not being depreciated		
Land and improvements	<u>\$ 2,961,702</u>	<u>\$ 2,961,702</u>
Capital assets being depreciated/amortized		
Infrastructure	6,008,874	6,008,874
Interest in joint facilities	<u>1,432,529</u>	<u>1,432,529</u>
	<u>7,441,403</u>	<u>7,441,403</u>
Less accumulated depreciation/amortization		
Infrastructure	(1,093,209)	(959,678)
Interest in joint facilities	<u>(575,586)</u>	<u>(534,779)</u>
	<u>(1,668,795)</u>	<u>(1,494,457)</u>
Depreciable capital assets, net	<u>5,772,608</u>	<u>5,946,946</u>
Capital assets, net	<u><u>\$ 8,734,310</u></u>	<u><u>\$ 8,908,648</u></u>

Harris County assumes responsibility (after a one-year maintenance period) for road facilities constructed within boundaries of the County. Accordingly, these facilities are not considered assets of the District. The estimated value of these assets is recorded as transfer to other governments upon completion of construction.

Long-Term Debt and Related Liabilities

As of April 30, 2024, the District owes approximately \$9,533,821 to its developer for completed projects and operating advances. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

***Pine Forest Municipal Utility District
Management's Discussion and Analysis
April 30, 2024***

At April 30, 2024 and 2023, the District had total bonded debt outstanding as shown below:

<u>Series</u>	<u>2024</u>	<u>2023</u>
2022	\$ 6,300,000	\$ 6,300,000

At April 30, 2024, the District had \$78,300,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and the refunding of said bonds; \$2,500,000 for parks and recreational facilities and \$25,000,000 for road improvements and the refunding of said bonds.

Next Year's Budget

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

	<u>2024 Actual</u>	<u>2025 Budget</u>
Total revenues	\$ 586,457	\$ 586,600
Total expenditures	<u>(427,410)</u>	<u>(356,789)</u>
Revenues over expenditures	159,047	229,811
Beginning fund balance	563,141	722,188
Ending fund balance	<u>\$ 722,188</u>	<u>\$ 951,999</u>

Property Taxes

The District's property tax base increased approximately \$1,312,000 for the 2024 tax year from \$101,127,150 to \$101,127,150. This increase was primarily due to increased property values.

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Basic Financial Statements

Pine Forest Municipal Utility District
Statement of Net Position and Governmental Funds Balance Sheet
April 30, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 49,295	\$ 96,654	\$ 39,306	\$ 185,255	\$ -	\$ 185,255
Investments	693,124	554,423		1,247,547		1,247,547
Taxes receivable	19,558	18,899		38,457		38,457
Customer service receivables	838			838		838
Internal balances	14,296	(14,296)				
Other receivables	1,498			1,498		1,498
Operating reserve	9,600			9,600		9,600
Capital assets not being depreciated					2,961,702	2,961,702
Capital assets, net					5,772,608	5,772,608
Total Assets	\$ 788,209	\$ 655,680	\$ 39,306	\$ 1,483,195	8,734,310	10,217,505
Liabilities						
Accounts payable	\$ 27,795	\$ -	\$ -	\$ 27,795		27,795
Other payables		42		42		42
Customer deposits	15,468			15,468		15,468
Builder deposits	3,200			3,200		3,200
Accrued interest payable					45,268	45,268
Due to developer					9,533,821	9,533,821
Long-term debt						
Due within one year					130,000	130,000
Due after one year					6,170,000	6,170,000
Total Liabilities	46,463	42		46,505	15,879,089	15,925,594
Deferred Inflows of Resources						
Deferred property taxes	19,558	18,899		38,457	(38,457)	
Fund Balances/Net Position						
Fund Balances						
Nonspendable	9,600			9,600	(9,600)	
Restricted		636,739	39,306	676,045	(676,045)	
Unassigned	712,588			712,588	(712,588)	
Total Fund Balances	722,188	636,739	39,306	1,398,233	(1,398,233)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 788,209	\$ 655,680	\$ 39,306	\$ 1,483,195		
Net Position						
Net investment in capital assets					(4,822,613)	(4,822,613)
Restricted for debt service					591,471	591,471
Unrestricted					(1,476,947)	(1,476,947)
Total Net Position					\$ (5,708,089)	\$ (5,708,089)

See notes to basic financial statements.

Pine Forest Municipal Utility District

Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances

For the Year Ended April 30, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Water service	\$ 11,273	\$ -	\$ -	\$ 11,273	\$ -	\$ 11,273
Sewer service	3,602			3,602		3,602
Property taxes	538,128	405,196		943,324	32,446	975,770
Penalties and interest	434	406		840	3,811	4,651
Surface water fees	24,578			24,578		24,578
Tap connection and inspection	600			600		600
Miscellaneous	154			154		154
Investment earnings	7,688	8,280	569	16,537		16,537
Total Revenues	586,457	413,882	569	1,000,908	36,257	1,037,165
Expenditures/Expenses						
Current service operations						
Purchased services	129,561			129,561		129,561
Professional fees	54,617			54,617		54,617
Contracted services	35,456	14,116		49,572		49,572
Repairs and maintenance	141,919			141,919		141,919
Utilities	5,742			5,742		5,742
Administrative	18,171	846		19,017		19,017
Other	41,944	3,046	105	45,095		45,095
Debt service						
Interest and fees		272,106		272,106		272,106
Depreciation/amortization					174,338	174,338
Total Expenditures/Expenses	427,410	290,114	105	717,629	174,338	891,967
Revenues Over Expenditures	159,047	123,768	464	283,279	(283,279)	
Change in Net Position					145,198	145,198
Fund Balances/Net Position						
Beginning of the year	563,141	512,971	38,842	1,114,954	(6,968,241)	(5,853,287)
End of the year	\$ 722,188	\$ 636,739	\$ 39,306	\$ 1,398,233	\$ (7,106,322)	\$ (5,708,089)

See notes to basic financial statements.

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of Pine Forest Municipal Utility District (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to House Bill No. 923, 62nd Legislature of the State of Texas, effective May 26, 1971, and operates in accordance with Section 59, Article XVI, of the Texas Constitution, and the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on June 16, 2003 and first bonds were sold on June 30, 2022.

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

Use of Restricted Resources

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

Note 1 – Summary of Significant Accounting Policies (continued)

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At April 30, 2024, an allowance for uncollectible accounts was not considered necessary.

Interfund Activity

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

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$50,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

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

<u>Assets</u>	<u>Useful Life</u>
Infrastructure	45 years
Interest in joint facilities	40 years (max)

The District’s detention facilities are considered improvements to land and are non-depreciable.

Deferred Inflows and Outflows of Financial Resources

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

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Inflows and Outflows of Financial Resources (continued)

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

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District’s nonspendable fund balance consists of operating reserves paid to Inverness Forest Improvement District for the joint wastewater treatment plant and joint water plant facilities. See Note 9 for additional information.

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

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the useful lives and impairment of capital assets; the value of amounts due to developer; the value of capital assets transferred to the Harris County and the value of capital assets for which the developer has not been fully reimbursed. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Pine Forest Municipal Utility District
Notes to Financial Statements
April 30, 2024

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds		\$ 1,398,233
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost		\$ 10,403,105
Less accumulated depreciation		<u>(1,668,795)</u>
Change due to capital assets		8,734,310

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:

Bonds payable, net		(6,300,000)
Interest payable on bonds		<u>(45,268)</u>
Change due to long-term debt		(6,345,268)

Amounts due to the District's developer for prefunded construction and operating advances are recorded as a liability in the <i>Statement of Net Position</i> .		(9,533,821)
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Property taxes receivable and related penalties and interest have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.		38,457
------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	--------

Total net position - governmental activities		<u><u>\$ (5,708,089)</u></u>
----------------------------------------------	--	------------------------------

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

Net change in fund balance - total governmental funds		\$ 283,279
-------------------------------------------------------	--	------------

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the <i>Statement of Activities</i> when earned. The difference is for property taxes and related penalties and interest.		36,257
------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	--------

In the <i>Statement of Activities</i> , the cost of capital assets is charged to depreciation/amortization expense over the estimated useful life of the asset.		(174,338)
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Change in net position of governmental activities		<u><u>\$ 145,198</u></u>
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Pine Forest Municipal Utility District
Notes to Financial Statements
April 30, 2024

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Investments

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

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

As of April 30, 2024, the District’s investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
Texas CLASS	General	\$ 693,124		
	Debt Service	554,423		
		<u>\$ 1,247,547</u>	AAAm	26 days

Note 3 – Deposits and Investments (continued)

Texas CLASS

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

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

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

Investment Credit and Interest Rate Risk

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

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at April 30, 2024, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 14,296	Maintenance tax collections not remitted as of year end

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

Pine Forest Municipal Utility District
Notes to Financial Statements
April 30, 2024

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended April 30, 2024, is as follows:

	Beginning Balances	Additions	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 2,961,702	-	\$ 2,961,702
Capital assets being depreciated/amortized			
Infrastructure	6,008,874		6,008,874
Interest in joint facilities	1,432,529		1,432,529
	<u>7,441,403</u>		<u>7,441,403</u>
Less accumulated depreciation/amortization			
Infrastructure	(959,678)	(133,531)	(1,093,209)
Interest in joint facilities	(534,779)	(40,807)	(575,586)
	<u>(1,494,457)</u>	<u>(174,338)</u>	<u>(1,668,795)</u>
Subtotal depreciable capital assets, net	<u>5,946,946</u>	<u>(174,338)</u>	<u>5,772,608</u>
Capital assets, net	<u>\$ 8,908,648</u>	<u>\$ (174,338)</u>	<u>\$ 8,734,310</u>

Depreciation/amortization expense for the current fiscal year was \$174,338.

Note 6 – Due to Developer

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

The District’s developer has also advanced funds to the District for operating expenses.

The amount due to developer at April 30, 2024 is approximately \$9,533,821. There was no change in this liability from the prior year.

Pine Forest Municipal Utility District
Notes to Financial Statements
April 30, 2024

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	<u>\$ 6,300,000</u>
Due within one year	<u>\$ 130,000</u>

The District’s bonds payable at April 30, 2024, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2022	\$ 6,300,000	\$ 6,300,000	3.50% - 4.625%	September 1, 2024/2048	September 1, March 1,	June 1, 2028

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

At April 30, 2024, the District had authorized but unissued bonds in the amount of \$78,300,000 for water, sewer and drainage facilities and the refunding of said bonds: \$2,500,000 for park and recreational facilities; and \$25,000,000 for road facilities and the refunding of said bonds.

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

Bonds payable, beginning of year	\$ 6,300,000
Bonds issued	-
Bonds payable, end of year	<u>\$ 6,300,000</u>

Pine Forest Municipal Utility District
Notes to Financial Statements
April 30, 2024

Note 7 – Long-Term Debt (continued)

As of April 30, 2024, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2025	\$ 130,000	\$ 269,331	\$ 399,331
2026	140,000	264,606	404,606
2027	145,000	259,619	404,619
2028	155,000	254,369	409,369
2029	160,000	248,756	408,756
2030	170,000	242,669	412,669
2031	175,000	236,091	411,091
2032	185,000	229,000	414,000
2033	195,000	221,400	416,400
2034	205,000	213,272	418,272
2035	215,000	204,609	419,609
2036	225,000	195,394	420,394
2037	235,000	185,619	420,619
2038	250,000	175,156	425,156
2039	260,000	164,000	424,000
2040	275,000	152,125	427,125
2041	290,000	139,413	429,413
2042	300,000	126,138	426,138
2043	320,000	112,188	432,188
2044	335,000	97,241	432,241
2045	350,000	81,400	431,400
2046	370,000	64,750	434,750
2047	385,000	47,291	432,291
2048	405,000	29,022	434,022
2049	425,000	9,828	434,828
	<u>\$ 6,300,000</u>	<u>\$ 4,223,287</u>	<u>\$ 10,523,287</u>

Note 8 – Property Taxes

On November 8, 2005, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.35 per \$100 of assessed value and \$0.10 for the maintenance of park facilities. On May 7, 2016, the voters of the District authorized the District’s Board of Directors to levy a road maintenance tax limited to \$1.50 per \$100 of assessed value.

All property values and exempt status, if any, are determined by the Harris Central Appraisal District. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

Pine Forest Municipal Utility District
Notes to Financial Statements
April 30, 2024

Note 8 – Property Taxes (continued)

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2024 fiscal year was financed through the 2023 tax levy, pursuant to which the District levied property taxes of \$0.93 per \$100 of assessed value, of which \$0.525 was allocated to maintenance and operations and \$0.405 was allocated to debt service. The resulting tax levy was \$940,482 on the adjusted taxable value of \$101,127,150.

Property taxes receivable, at April 30, 2024, consisted of the following:

Current year taxes receivable	\$	34,646
Penalty and interest receivable		3,811
Property taxes receivable	\$	<u>38,457</u>

Note 9 – Joint Facilities Agreement

On October 18, 2005, the District and Inverness Forest Improvement District (“Inverness Forest”) entered into a Joint Facilities Agreement (the “Agreement”), whereby each district agrees to share the costs for the financing and operation of the joint facilities that serve the areas within both districts. Each district will finance, own and operate their respective internal water and sanitary sewer systems. The term of the Agreement is 40 years.

Inverness Forest will hold title to the joint facilities with each district owning equitable interest based on the pro-rata share of facilities. Inverness Forest will be responsible for the maintenance and operation of the facilities and created a Joint Wastewater Treatment Plant Fund and a Joint Water Plant Fund to account for associated costs and for billing participants those costs.

Fixed operating costs are shared based on the pro-rata share of capacity owned and variable costs are shared based on the pro-rata share of total water delivered and metered to customers. During the current year, the District incurred expenditures of \$129,561 for operation and maintenance costs. In addition, the District is responsible for its pro rata share of operating and maintenance reserves. As of April 30, 2024, the District’s share of the operating reserves is \$9,600.

Note 10 – Risk Management

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

Pine Forest Municipal Utility District
Notes to Financial Statements
April 30, 2024

Note 11 – Concentration of Risk

Approximately 91% of the taxable property within the District is owned by the top 10 taxpayers. Since property taxes are the primary source of revenue for both the General Fund and the Debt Service Fund, the continued ability of these taxpayers to continue to pay their property taxes is an important factor in the District's ability to meet its future obligations.

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Required Supplementary Information

*Pine Forest Municipal Utility District
 Required Supplementary Information - Budgetary Comparison Schedule - General Fund
 For the Year Ended April 30, 2024*

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water service	\$ 15,000	\$ 11,273	\$ (3,727)
Sewer service	4,800	3,602	(1,198)
Property taxes	385,000	538,128	153,128
Penalties and interest	800	434	(366)
Surface water fees	36,000	24,578	(11,422)
Tap connection and inspection	800	600	(200)
Miscellaneous	400	154	(246)
Investment earnings	1,800	7,688	5,888
Total Revenues	<u>444,600</u>	<u>586,457</u>	<u>141,857</u>
Expenditures			
Current service operations			
Purchased services	77,990	129,561	(51,571)
Professional fees	73,000	54,617	18,383
Contracted services	40,120	35,456	4,664
Repairs and maintenance	59,200	141,919	(82,719)
Utilities	5,500	5,742	(242)
Surface water	300		300
Administrative	21,325	18,171	3,154
Other	44,400	41,944	2,456
Total Expenditures	<u>321,835</u>	<u>427,410</u>	<u>(105,575)</u>
Revenues Over Expenditures	122,765	159,047	36,282
Fund Balance			
Beginning of the year	563,141	563,141	
End of the year	<u>\$ 685,906</u>	<u>\$ 722,188</u>	<u>\$ 36,282</u>

*Pine Forest Municipal Utility District
Notes to Required Supplementary Information
April 30, 2024*

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. There were no amendments to the budget during the year.

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Texas Supplementary Information

Pine Forest Municipal Utility District

TSI-1. Services and Rates

April 30, 2024

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

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

2. Retail Service Providers

a. Retail Rates for a 2" meter (or equivalent):

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels	
Water:	\$ 17.00	5,000	N	\$ 1.50	5,001	25,000
				\$ 1.75	20,001	25,000
				\$ 2.00	25,001	no limit
Wastewater:	\$ 13.50	- 0 -	Y	\$ 1.50	10,001	no limit
Surcharge:	\$ 3.96	1,000	N	\$ 4.30	1,001	no limit

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water \$ 64.10 Wastewater \$ 13.50

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	1		x 1.0	
1"	1	1	x 2.5	3
1.5"			x 5.0	
2"	13	13	x 8.0	104
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"	1	1	x 80.0	80
10"	2	2	x 115.0	230
Total Water	18	17		417
Total Wastewater	18	17	x 1.0	17

See accompanying auditor's report.

Pine Forest Municipal Utility District
TSI-1. Services and Rates
April 30, 2024

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

*Gallons purchased into system:	<u>6,491,000</u>	Water Accountability Ratio:
Gallons billed to customers:	<u>5,699,000</u>	(Gallons billed / Gallons pumped)
		<u>87.80%</u>

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

Does the District have Debt Service standby fees? Yes No

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

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

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

5. Location of District:

Is the District located entirely within one county? Yes No

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

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

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

Is the District located within a city's extra territorial jurisdiction (ETJ)?
 Entirely Partly Not at all

ETJs in which the District is located: City of Houston

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

If Yes, by whom? _____

*Gallons purchased from Inverness Forest Improvement District

See accompanying auditor's report.

*Pine Forest Municipal Utility District
 TSI-2 General Fund Expenditures
 For the Year Ended April 30, 2024*

Purchased services	<u>\$ 129,561</u>
Professional fees	
Legal	11,562
Audit	13,000
Engineering	30,055
	<u>54,617</u>
Contracted services	
Bookkeeping	13,568
Operator	20,500
Appraisal district fees	1,388
	<u>35,456</u>
Repairs and maintenance	<u>141,919</u>
Utilities	<u>5,742</u>
Administrative	
Directors fees	7,893
Insurance	8,127
Other	2,151
	<u>18,171</u>
Other	<u>41,944</u>
Total expenditures	<u><u>\$ 427,410</u></u>

See accompanying auditor's report.

Pine Forest Municipal Utility District
TSI-3. Investments
April 30, 2024

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>
General			
Texas CLASS	Variable	N/A	\$ 693,124
Debt Service			
Texas CLASS	Variable	N/A	<u>554,423</u>
Total - All Funds			<u><u>\$ 1,247,547</u></u>

See accompanying auditor's report.

Pine Forest Municipal Utility District
TSI-4. Taxes Levied and Receivable
April 30, 2024

	Maintenance Taxes	Debt Service Taxes	Total
Taxes Receivable, Beginning of Year	\$ 982	\$ 1,218	\$ 2,200
Adjustments to Prior Year Tax Levy	25,788	9,500	35,288
Adjusted Receivable	<u>26,770</u>	<u>10,718</u>	<u>37,488</u>
2023 Original Tax Levy	417,699	322,225	739,924
Adjustments	113,218	87,340	200,558
Adjusted Tax Levy	<u>530,917</u>	<u>409,565</u>	<u>940,482</u>
Total to be accounted for	<u>557,687</u>	<u>420,283</u>	<u>977,970</u>
Tax collections:			
Current year	511,359	394,477	905,836
Prior years	26,770	10,718	37,488
Total Collections	<u>538,129</u>	<u>405,195</u>	<u>943,324</u>
Taxes Receivable, End of Year	<u>\$ 19,558</u>	<u>\$ 15,088</u>	<u>\$ 34,646</u>
Taxes Receivable, By Years			
2023	<u>\$ 19,558</u>	<u>\$ 15,088</u>	<u>\$ 34,646</u>
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Property Valuations:			
Land	\$ 35,656,136	\$ 22,210,408	\$ 20,089,912
Improvements	62,913,389	59,342,386	40,773,061
Personal Property	24,377,464	11,983,324	9,636,637
Exemptions	(21,819,839)	(11,962,439)	(9,721,527)
Total Property Valuations	<u>\$ 101,127,150</u>	<u>\$ 81,573,679</u>	<u>\$ 60,778,083</u>
Tax Rates per \$100 Valuation:			
Maintenance tax rates	\$ 0.525	\$ 0.415	\$ 0.93
Debt Service tax rates	0.405	0.515	
Total Tax Rates per \$100 Valuation	<u>\$ 0.930</u>	<u>\$ 0.930</u>	<u>\$ 0.93</u>
Adjusted Tax Levy:	<u>\$ 940,482</u>	<u>\$ 758,635</u>	<u>\$ 565,236</u>
Percentage of Taxes Collected to Taxes Levied **	<u>96.32%</u>	<u>100%</u>	<u>100%</u>

* Maximum Maintenance Tax Rate Approved by Voters: \$1.35 on November 8, 2005

* Maximum Park Tax Rate Approved by Voters: \$0.10 on November 8, 2005

* Maximum Road Maintenance Tax Rate Approved by Voters: \$1.50 on May 7, 2016

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

See accompanying auditor's report.

*Pine Forest Municipal Utility District
 TSI-5. Long-Term Debt Service Requirements
 Series 2022--by Years
 April 30, 2024*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2025	\$ 130,000	\$ 269,331	\$ 399,331
2026	140,000	264,606	404,606
2027	145,000	259,619	404,619
2028	155,000	254,369	409,369
2029	160,000	248,756	408,756
2030	170,000	242,669	412,669
2031	175,000	236,091	411,091
2032	185,000	229,000	414,000
2033	195,000	221,400	416,400
2034	205,000	213,272	418,272
2035	215,000	204,609	419,609
2036	225,000	195,394	420,394
2037	235,000	185,619	420,619
2038	250,000	175,156	425,156
2039	260,000	164,000	424,000
2040	275,000	152,125	427,125
2041	290,000	139,413	429,413
2042	300,000	126,138	426,138
2043	320,000	112,188	432,188
2044	335,000	97,241	432,241
2045	350,000	81,400	431,400
2046	370,000	64,750	434,750
2047	385,000	47,291	432,291
2048	405,000	29,022	434,022
2049	425,000	9,828	434,828
	<u>\$ 6,300,000</u>	<u>\$ 4,223,287</u>	<u>\$ 10,523,287</u>

See accompanying auditor's report.

Pine Forest Municipal Utility District
TSI-6. Change in Long-Term Bonded Debt
April 30, 2024

	<u>Bond Issue</u>
	<u>Series 2022</u>
Interest rate	3.50% - 4.625%
Dates interest payable	9/1 ; 3/1
Maturity dates	9/1/24 - 9/1/48
Beginning bonds outstanding	\$ 6,300,000
Bonds retired	<u>-</u>
Ending bonds outstanding	<u>\$ 6,300,000</u>
Interest paid during fiscal year	<u>\$ 271,606</u>
Paying agent's name and city	
All series	<u>Zions Bancorporation, N.A. (Amegy Bank Division), Houston, TX</u>

Bond Authority:	<u>Water, Sewer and Drainage Bonds</u>	<u>Recreational Bonds</u>	<u>Road Bonds</u>
Amount Authorized by Voters	\$ 84,600,000	\$ 2,500,000	\$ 25,000,000
Amount Issued	(6,300,000)		
Remaining To Be Issued	<u>\$ 78,300,000</u>	<u>\$ 2,500,000</u>	<u>\$ 25,000,000</u>

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

Debt Service Fund cash and investment balances as of April 30, 2024:	<u>\$ 651,077</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:	<u>\$ 420,931</u>

See accompanying auditor's report.

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Pine Forest Municipal Utility District

TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund

For the Last Five Fiscal Years

	Amounts				
	2024	2023	2022	2021	2020
Revenues					
Water service	\$ 11,273	\$ 12,623	\$ 11,163	\$ 15,910	\$ 13,640
Sewer service	3,602	3,596	3,153	3,307	3,646
Property taxes	538,128	316,118	587,104		
Penalties and interest	434	329	2,204		
Surface water fees	24,578	27,109	32,905	35,855	22,997
Tap connection and inspection	600	300	600	560	274,511
Miscellaneous	154	182	338	122	13,762
Investment earnings	7,688	1,391	84		
Total Revenues	<u>586,457</u>	<u>361,648</u>	<u>637,551</u>	<u>55,754</u>	<u>328,556</u>
Expenditures					
Current service operations					
Purchased services	129,561	150,931	104,059	101,794	83,760
Professional fees	54,617	43,567	119,876	38,382	32,647
Contracted services	35,456	35,712	38,201	28,418	194,644
Repairs and maintenance	141,919	62,355	35,252	34,838	91,797
Utilities	5,742	4,689	3,972	4,287	8,222
Administrative	18,171	15,442	13,644	12,436	9,620
Other	41,944	2,392	4,266	530	390
Total Expenditures	<u>427,410</u>	<u>315,088</u>	<u>319,270</u>	<u>220,685</u>	<u>421,080</u>
Revenues Over/(Under) Expenditures	<u>\$ 159,047</u>	<u>\$ 46,560</u>	<u>\$ 318,281</u>	<u>\$ (164,931)</u>	<u>\$ (92,524)</u>
Total Active Retail Water Connections	<u>17</u>	<u>17</u>	<u>17</u>	<u>17</u>	<u>17</u>
Total Active Retail Wastewater Connections	<u>17</u>	<u>17</u>	<u>17</u>	<u>17</u>	<u>17</u>

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues

2024	2023	2022	2021	2020
2%	3%	2%	29%	4%
1%	1%	*	6%	1%
92%	87%	92%		
*	*	*		
4%	9%	6%	64%	7%
*	*	*	1%	84%
*	*	*	*	4%
1%	*	*		
100%	100%	100%	100%	100%

22%	42%	16%	183%	25%
9%	12%	19%	69%	10%
6%	10%	6%	51%	59%
24%	17%	6%	62%	28%
1%	1%	1%	8%	3%
3%	4%	2%	22%	3%
7%	1%	1%	1%	*
72%	87%	51%	396%	128%
28%	13%	49%	(296%)	(28%)

Pine Forest Municipal Utility District

TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund

For the Last Two Fiscal Years

	Amounts		Percent of Fund Total Revenues	
	2024	2023	2024	2023
Revenues				
Property taxes	\$ 405,196	\$ 419,402	98%	98%
Penalties and interest	406	8,361	*	2%
Investment earnings	8,280	1,281	2%	*
Total Revenues	413,882	429,044	100%	100%
Expenditures				
Tax collection services	14,962	13,632	4%	3%
Other	3,046	4,116	1%	1%
Debt service				
Interest and fees	272,106	181,825	66%	42%
Total Expenditures	290,114	199,573	71%	46%
Revenues Over Expenditures	\$ 123,768	\$ 229,471	29%	54%

*Percentage is negligible

See accompanying auditor's report.

***Pine Forest Municipal Utility District
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended April 30, 2024***

Complete District Mailing Address: 9 Greenway Plaza, Suite 1000, Houston, TX 77046
 District Business Telephone Number: 713-651-0111
 Submission Date of the most recent District Registration Form
 (TWC Sections 36.054 and 49.054): July 27, 2023
 Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
 (Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Selma Kylo	5/23 - 5/27	\$ 1,697	\$ 241	President
Chuck Wustman	5/23 - 5/27	1,476	23	Vice President
Sara M. Albright	5/23 - 5/25	1,697	814	Secretary
Doug Eibsen	5/23 - 5/25	1,105		Assistant Secretary
Ronald Ray Costello, Jr.	5/23 - 5/25	1,547		Assistant Secretary
Mark Adam	5/21 - 7/23	371		Former Director
Consultants				
		Amounts Paid		
Coats Rose, P.C.	2003	\$ 11,354		Attorney
H2O Innovation Inc.	2015	161,289		Operator
L&S District Services, LLC	2016	13,489		Bookkeeper
Equi-Tax Inc.	2020	7,376		Tax Collector
Harris Central Appraisal District	2020	6,740		Property Valuation
Langford Engineering Inc.	2016	33,453		Engineer
McGrath & Co., PLLC	2021	13,000		Auditor
Robert W. Baird & Co.	2015			Financial Advisor

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

See accompanying auditor's report.