

OFFICIAL STATEMENT DATED MAY 15, 2025

IN THE OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW AND IS NOT INCLUDED IN THE ALTERNATIVE MINIMUM TAXABLE INCOME OF INDIVIDUALS; HOWEVER, SUCH INTEREST IS TAKEN INTO ACCOUNT IN DETERMINING THE ANNUAL ADJUSTED FINANCIAL STATEMENT INCOME OF APPLICABLE CORPORATIONS FOR THE PURPOSE OF DETERMINING THE ALTERNATIVE MINIMUM TAX IMPOSED ON CORPORATIONS. SEE “TAX MATTERS” HEREIN FOR 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” herein.

NEW ISSUE—BOOK-ENTRY ONLY

CUSIP No. 86709F

RATING: AG Insured “AA” (stable outlook) S&P

See “MUNICIPAL BOND RATING” and “BOND INSURANCE” herein

\$5,200,000

SUNBELT FRESH WATER SUPPLY DISTRICT

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

DEFINED AREA NO. 1

UNLIMITED TAX ROAD BONDS

SERIES 2025

Dated: June 1, 2025

Due: April 1 (as shown below)

The \$5,200,000 Defined Area No. 1 Unlimited Tax Road Bonds, Series 2025 (the “Bonds” or the “Series 2025 Road Bonds”) are special obligations of the Sunbelt Fresh Water Supply District (the “District”), secured solely by ad valorem taxes levied on the property located within the Sunbelt Fresh Water Supply District Defined Area No. 1 (the “Defined Area”) which is located within the District. Interest on the Bonds will accrue from June 1, 2025, and will be payable on October 1 and April 1 of each year, commencing October 1, 2025. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by 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 “BOOK-ENTRY-ONLY SYSTEM” herein. The initial Paying Agent/Registrar is BOKF, N.A., Dallas, Texas. See “THE BONDS – Paying Agent/Registrar.”

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY INC.



MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield (a)</u>	<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield (a)</u>
\$100,000	2028	7.125%	3.500%	\$175,000	2040 (b)	4.625%	4.700%
\$100,000	2029	7.125%	3.550%	\$175,000	2041 (b)	4.625%	4.720%
\$100,000	2030	7.125%	3.600%	\$175,000	2042 (b)	4.625%	4.740%
\$100,000	2031 (b)	7.125%	3.650%	\$200,000	2043 (b)	4.625%	4.760%
\$125,000	2032 (b)	7.125%	3.700%	\$200,000	2044 (b)	4.625%	4.780%
\$125,000	2033 (b)	7.125%	3.750%	***	***	***	***
\$125,000	2034 (b)	7.125%	3.900%	\$250,000	2047 (b)	4.750%	4.840%
\$150,000	2035 (b)	4.875%	4.200%	\$250,000	2048 (b)	4.750%	4.860%
\$150,000	2036 (b)	4.625%	4.300%	\$275,000	2049 (b)	4.750%	4.880%
\$150,000	2037 (b)	4.625%	4.400%	\$275,000	2050 (b)	4.750%	4.890%
\$150,000	2038 (b)	4.625%	4.500%	\$275,000	2051 (b)	4.750%	4.900%
\$175,000	2039 (b)	4.625%	4.625%				

\$450,000 4.750% Term Bonds Due April 1, 2046 to Yield 4.830% (a) (b) (c)

\$950,000 5.000% Term Bonds Due April 1, 2054 to Yield 5.000% (a) (b) (c)

- (a) The initial reoffering yields are established by and are the sole responsibility of the Underwriter (hereinafter defined) and may be subsequently changed.
- (b) The Bonds maturing on or after April 1, 2031, are subject to redemption in whole or from time to time in part, at the option of the District (hereinafter defined), on April 1, 2030, or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. If fewer than all of the Bonds of a maturity are redeemed, the Bonds to be redeemed shall be selected, on behalf of the District, by the Paying Agent/Registrar, in its capacity as Registrar, by lot or other customary method, in integral multiples of \$5,000 in any one maturity. See “THE BONDS—Optional Redemption.”
- (c) Subject to mandatory sinking fund redemption. See “THE BONDS – Mandatory Redemption.”

The proceeds of the Bonds will be used by the District to reimburse the Developer (as defined herein) for: (1) certain road land and construction costs; (2) engineering costs for item 1; (3) \$247,000 of capitalized interest; and (4) costs associated with the issuance of the Bonds. See “USE OF BOND PROCEEDS.” The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all the taxable property located within the Sunbelt Fresh Water Supply District Defined Area No. 1 (the “Defined Area”) which is located within the District. See “THE BONDS – Sources of and Security for Payment.” The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston, or any of the entity, political subdivision, or agency. The Bonds are not secured by taxes levied on any land located within the District outside of the boundaries of the Defined Area. Neither the faith and credit nor the taxing power of the State of Texas, Harris County, the City of Houston, or the area within the District not included in the Defined Area, is pledged to the payment of the principal of or interest on the Bonds. **The Bonds are subject to certain investment considerations described under the caption “RISK FACTORS.”**

The Bonds are offered when, as and if issued by the District, subject to approval by the Attorney General of Texas and the approval of certain legal matters by Radcliffe Adams Barner PLLC., Houston, Texas, Bond Counsel. Certain other matters will be passed on for the District by Sanford Kuhl Hagan Kugle Parker Kahn LLP, as Disclosure Counsel, Houston, Texas. Delivery of the Bonds is expected through the facilities of DTC on or about June 18, 2025.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

This Official Statement is not to be used in connection with an offer to sell or the solicitation of an 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 registered or 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, resolutions, contracts, audited financial statements, 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 Radcliffe Adams Barner PLLC, 2929 Allen Parkway, Suite 3450, Houston, Texas 77019, upon payment of duplication costs.

This Official Statement contains, in part, estimates, assumptions, and matters of opinion that 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 as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. However, the District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in this Official Statement until delivery of the Bonds to the Underwriter (hereinafter defined).

References to website 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 websites and the information or links contained therein are not incorporated into, and are not part of this Official Statement for any purpose.

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid producing the lowest net interest cost to the District, which was tendered by SAMCO Capital Markets, Inc. (the "Underwriter"), to purchase the Bonds bearing the rates shown on the cover page of this Official Statement at a price of 97.004144% of par plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 5.065559%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into unit investment trusts) and others at prices lower than the public offering price stated on the cover page hereof. The initial offering price may be changed from time to time by the Underwriter.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriter on or before the date of delivery of the Bonds stating the prices at which a substantial number of the Bonds of each maturity have 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 Underwriter regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds after their initial sale by the District. Information concerning reoffering yields or prices is the responsibility of the Underwriter.

THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER 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 UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

Securities Laws

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

MUNICIPAL BOND RATING

S&P Global Ratings ("S&P") is expected to assign its municipal bond insured rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon issuance and delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Inc. The District can make no assurance that the S&P rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. See "BOND INSURANCE."

BOND INSURANCE

Bond Insurance Policy

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

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

Assured Guaranty Inc.

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

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

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

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

Current Financial Strength Ratings

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

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

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

AG can give no assurance as to any further ratings action that S&P, Moody's and/or KBRA may take. For more information regarding AG's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2024.

Capitalization of AG

At March 31, 2025:

- The policyholders' surplus of AG was approximately \$3,522 million.
- The contingency reserve of AG was approximately \$1,421 million.
- The net unearned premium reserves and net deferred ceding commission income of AG and its subsidiaries (as described below) were approximately \$2,416 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AG, and (ii) the net unearned premium reserves and net deferred ceding commissions of AG's wholly owned subsidiary Assured Guaranty UK Limited ("AGUK"), and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA ("AGE").

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

Incorporation of Certain Documents by Reference

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

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2024 (filed by AGL with the SEC on February 28, 2025); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2025 (filed by AGL with the SEC on May 9, 2025).

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

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

Miscellaneous Matters

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

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

Description:	The \$5,200,000 Defined Area No. 1 Unlimited Tax Road Bonds, Series 2025 (herein the "Bonds" or the "Series 2025 Road Bonds") represent the first series of bonds to be issued by Sunbelt Fresh Water Supply District (the "District") as Defined Area Bonds pursuant to an order (the "Road Bond Order") of the Board of Directors of the District. The Bonds are dated June 1, 2025, and mature on April 1 in the years and in the principal amounts set forth on the cover page of this Official Statement. Interest on the Bonds is payable on October 1, 2025, and each April 1 and October 1 thereafter until maturity or prior redemption.
Book-Entry-Only System:	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by 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 "BOOK-ENTRY-ONLY SYSTEM."
Redemption Provisions:	The Bonds maturing on or after April 1, 2031, are subject to early redemption, in whole or from time to time in part, on April 1, 2030, or on any date thereafter at the option of the District at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS – Optional Redemption." The Bonds maturing on April 1 in the years 2046 and 2054 are Term Bonds and are subject to annual mandatory sinking fund redemption beginning on April 1 in the years 2045 and 2052, respectively. See "THE BONDS – Mandatory Redemption."
Authority for Issuance:	The Bonds are issued pursuant to Article III, Section 52 and Article XVI, Section 59 of the Texas Constitution, general laws of the State of Texas, specifically, Chapters 49 and 54 of the Texas Water Code, as amended, an order adopted by the TCEQ on February 10, 2021, an election held within the Defined Area, and an order authorizing the issuance of the Bonds (the "Road Bond Order") adopted by the Board of Directors of the District. The voters within the Defined Area have authorized the issuance of a total of \$15,000,000 of bonds payable from taxes for water, sewer, and drainage facilities and the refunding of such previously issued bonds, all of which remain authorized but unissued after the sale of the Bonds. Additionally, voters within the Defined Area have authorized the issuance of a total of \$7,785,000 of bonds payable from taxes for road facilities and the refunding of such previously issued road facility bonds, \$2,585,000 of which will remain authorized but unissued after the issuance of the Bonds. The voters of the Defined Area may in the future authorize the issuance of additional bonds. See "THE BONDS – Issuance of Additional Defined Area Debt."
Outstanding Bonds:	The District has no unlimited tax bonds outstanding. Additionally, the District has no unlimited tax bonds outstanding secured by proceeds of ad valorem taxes levied solely against the taxable property within the Defined Area. The Bonds are the District's first series of unlimited tax bonds and the first series of Defined Area Bonds. The District has not issued unlimited tax bonds secured by proceeds of ad valorem taxes levied against all taxable property within the District or solely within the Defined Area of the District. The District has no authorized but unissued unlimited tax bonds outstanding. It is not presently anticipated that the District will issue unlimited tax bonds in the future and it is not anticipated that the District will levy taxes in the future.
Sources of Payment:	The Bonds are payable from a continuing direct annual ad valorem tax levied solely upon all taxable property within the Defined Area which, under Texas law, is not limited as to rate or amount. See "THE BONDS." With respect to payment from taxes, the Bonds are further payable equally and ratably with bonds to be issued in the future by the Defined Area. See "THE BONDS - Sources of and Security for Payment." The Bonds are special obligations of the District's Defined Area, and are not obligations of the City of Houston, the State of Texas, Harris County, Texas, or any other political subdivision or agency. The Bonds are not secured by taxes levied on any land located within the District outside of the boundaries of the Defined Area.
Municipal Bond Rating & Bond Insurance:	S&P is expected to assign its municipal bond insured rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon issuance and delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Inc. See "MUNICIPAL BOND RATING," "BOND INSURANCE" and "APPENDIX B – Specimen Municipal Bond Insurance Policy."

Use of Bond Proceeds:	Proceeds from the sale of the Bonds will be used for the purpose of reimbursing the developer for: certain road land and construction costs; (2) engineering costs associated with item 1; (3) \$247,000 of capitalized interest; and (4) costs associated with the issuance of the Bonds. See "USE OF BOND PROCEEDS."
Qualified Tax Exempt Obligations:	The District has designated the Bonds as "qualified tax-exempt obligations." See "TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions."
Payment Record:	The District has never defaulted in the payment of principal or interest on its bonds. The Bonds represent the first series of bonds issued by the District for the Defined Area. Therefore, the District has never defaulted in the payment of principal or interest on any bonds issued for the benefit of the Defined Area.
Paying Agent/Registrar:	BOKF, N.A., Dallas, Texas.
Legal Opinion:	Radcliffe Adams Barner PLLC, Bond Counsel, Houston, Texas. See "LEGAL MATTERS" and "TAX MATTERS."
Risk Factors:	The Bonds are subject to certain risk factors as set forth in this Official Statement. Prospective purchasers should carefully examine this Official Statement with respect to the investment security of the Bonds particularly the section captioned "RISK FACTORS."

THE DISTRICT AND THE DEFINED AREA

Description:	<p>The District was created by acts of Commissioners Court of Harris County, Texas effective November 14, 1995. 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 and fresh water supply districts, including without limitation those conferred by Chapters 49 and 54, Texas Water Code, as amended. The TCEQ granted the District road powers in an order dated February 10, 2021. The District is empowered to purchase, construct, operate acquire, own and maintain all water and wastewater facilities, improvements and control and diversion of storm water.</p> <p>The Board of Directors of the District is comprised of five members who are all registered voters and/or property owners within the District and are elected by qualified voters in the District. The Directors have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability of fiscal matters. The Directors establish rates for water and sewer service. The Board of Directors held its first meeting on November 14, 1995. The activities and the operations of the District are subject to the supervision and review of the Texas Commission on Environmental Quality ("TCEQ").</p>
Defined Area:	<p>The Defined Area is located in Harris County approximately 15 miles north of the downtown area of the City of Houston. The Defined Area is bound on the north by Breen Drive, bound on the east by a BNSF railway corridor, bound on the south by the Woodland Trails North subdivision, and bound on the west by the unimproved Hollister Drive right-of-way ("ROW"). The entire District and the Defined Area are located within the City of Houston's Extraterritorial Jurisdiction.</p> <p>At an election within the Defined Area on November 3, 2020, the voters within the Defined Area authorized the creation of the Defined Area and the issuance of unlimited tax bonds to finance water, wastewater and drainage improvements. On May 1, 2021, the voters of the Defined Area authorized the issuance of unlimited tax bonds to finance certain road facilities. All the bonds were authorized solely for the purpose of serving land located within the Defined Area. The voter's authorization also included the levy of an unlimited tax solely on the property within the Defined Area for the payment debt service on such bonds issued for the Defined Area. See "THE BONDS – Authority for Issuance and Additional Defined Area Debt" and "– Sources of and Security for Payment".</p>
Defined Area Developer:	Breen Road I TRS, LLC is the land developer ("Developer") of the District. The Developer is a special purpose entity established by Hillwood Investment Properties (herein "Hillwood") solely for the purpose of developing the land in the District for the project known as the Pinnacle Logistics Park. To date, the Developer has developed a total of 36 acres in the Defined Area and sold 4 tracts totaling approximately 36 acres to 4 different entities (also special purpose entities established by Hillwood). Those four building developers have constructed 4 office/warehouse/distribution type buildings totaling approximately 614,079 square feet. One of those buildings have been sold to an independent third party and the other three buildings have been leased by the Hillwood entities to third party tenants.

**Status of Defined
Area Land Development:**

A summary of the approximate land use in the Defined Area appears in the following table as of January 1, 2025:

<u>Type of Land Use</u>	<u>Approximate Acres</u>	
Developed Acres	36	(a)
Under Development	0	
Remaining Developable Acreage	65	(b)
Undevelopable Acreage	<u>33</u>	(c)
Total Approximate Acres	134	

(a) Represents land served with utilities and roads and includes improved tracts.

(b) Represents land that according to the Developer may be developed in the future.

(c) Includes: major thoroughfares & collectors; drainage easements and detention reserves; utility plant sites and easements; pipeline easement.

**Status of Building
Development:**

As noted above, as of January 1, 2025 the building development in the Defined Area includes 4 office/warehouse/distribution type buildings totaling approximately 614,079 square feet. See "THE DEFINED AREA – Building Development in Defined Area." The building development in the Defined Area is summarized in the table below:

<u>Building Developer (a)</u>	<u>Tract Size</u>	<u>Building Size</u>
Breen Building 1, LLC (b)	5.5 acres	84,740 sq. ft.
Breen Building 2, LLC	10.8 acres	166,655 sq. ft.
Breen Building 3, LLC	14.8 acres	227,229 sq. ft.
Breen Building 4, LLC	8.8 acres	135,455 sq. ft.

(a) As noted elsewhere in the Official Statement, all of the building developers were established by Hillwood solely for the purpose of constructing and marketing each of their respective buildings.

(b) This building is currently owned by HERONKOI LP.

The System:

The water and wastewater facilities have been designed in accordance with accepted engineering practices and the rules and regulations of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ and its predecessors. According to the Engineer, the design of all such facilities has been approved by all required governmental agencies.

Operation of the District's waterworks and wastewater facilities is subject to regulation by, among others, the United States Environmental Protection Agency, Harris County, the TCEQ and the Texas Department of Health. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision. See "THE SYSTEM."

100-Year Flood Plain:

Approximately 28 acres (out of 134 acres) of land presently developed or planned to be developed in the Defined Area is located within the 100-Year Flood Plain.

SELECTED FINANCIAL INFORMATION OF THE DEFINED AREA

(Unaudited)

2024 Certified Taxable Value	\$84,049,282	(a)
Direct Debt		
Outstanding Bonds (as of March 1, 2025)	\$0	
The Bonds	<u>\$5,200,000</u>	
Total Direct Debt	\$5,200,000	
See "DEFINED AREA'S DEBT"		
Estimated Overlapping Debt	<u>\$4,514,267</u>	
Direct and Estimated Overlapping Debt	\$9,714,267	
Percentage of Direct Debt to:		
2024 Certified Taxable Value	6.19%	
See "DEFINED AREA'S DEBT"		
Percentage of Direct and Estimated Overlapping Debt to:		
2024 Certified Taxable Value	11.56%	
See "DEFINED AREA'S DEBT"		
2024 Tax Rate Per \$100 of Assessed Value		
Debt Service	\$0.00	(b)
Maintenance Tax	<u>\$0.00</u>	(b)
Total 2024 Tax Rate	\$0.00	(b)
Cash and Temporary Investment Balances		
Road Debt Service Fund	\$247,000	(c)

-
- (a) Reflects the January 1, 2024 Certified Taxable Values within the Defined Area as provided to the District by HCAD and the District's Tax Assessor/Collector. See "DEFINED AREA'S TAX DATA" and "TAX PROCEDURES."
- (b) The Board of Directors did not levy a debt service tax in 2024 for the Defined Area. The District's Board of Directors anticipates levying a Debt Service tax rate for the Defined Area in 2025 that along with a 2025 maintenance tax will total approximately \$0.45. As noted elsewhere in this Official Statement, the land within the Defined Area is not subject to ad valorem taxes levied by the District (other than for land in the Defined Area, the District is not authorized to levy taxes). It is not currently anticipated that the District will ever levy any taxes other than taxes for the Defined Area.
- (c) The cash and investment balance in the Road Debt Service Fund represents \$247,000 of capitalized interest to be funded with proceeds of the Bonds and deposited into such fund on the date of delivery of the Bonds. Neither Texas law nor the District's Road Bond Order requires that the District maintain any particular balance in the Defined Area's Road Debt Service Fund. See "DEFINED AREA'S TAX DATA – Tax Adequacy for the Defined Area's Debt Service."

DEBT SERVICE SCHEDULE

The following sets forth the debt service requirements for the Defined Area's Series 2025 Road Bonds.

<u>Year</u>	Debt Service Requirements on the Series 2025 Road Bonds		Total Debt Service
	<u>Principal</u>	<u>Interest</u>	<u>Requirements</u>
2025	-	\$88,677	\$88,677
2026	-	\$266,031	\$266,031
2027	-	\$266,031	\$266,031
2028	\$100,000	\$262,469	\$362,469
2029	\$100,000	\$255,344	\$355,344
2030	\$100,000	\$248,219	\$348,219
2031	\$100,000	\$241,094	\$341,094
2032	\$125,000	\$233,078	\$358,078
2033	\$125,000	\$224,172	\$349,172
2034	\$125,000	\$215,266	\$340,266
2035	\$150,000	\$207,156	\$357,156
2036	\$150,000	\$200,031	\$350,031
2037	\$150,000	\$193,094	\$343,094
2038	\$150,000	\$186,156	\$336,156
2039	\$175,000	\$178,641	\$353,641
2040	\$175,000	\$170,547	\$345,547
2041	\$175,000	\$162,453	\$337,453
2042	\$175,000	\$154,359	\$329,359
2043	\$200,000	\$145,688	\$345,688
2044	\$200,000	\$136,438	\$336,438
2045	\$225,000	\$126,469	\$351,469
2046	\$225,000	\$115,781	\$340,781
2047	\$250,000	\$104,500	\$354,500
2048	\$250,000	\$92,625	\$342,625
2049	\$275,000	\$80,156	\$355,156
2050	\$275,000	\$67,094	\$342,094
2051	\$275,000	\$54,031	\$329,031
2052	\$300,000	\$40,000	\$340,000
2053	\$325,000	\$24,375	\$349,375
2054	<u>\$325,000</u>	<u>\$8,125</u>	<u>\$333,125</u>
TOTAL	\$5,200,000	\$4,748,099	\$9,948,099

Maximum Annual Debt Service Requirements (2028)\$362,469

\$0.46 Tax Rate on the 2024 Certified Taxable Valuation of \$84,049,282 (a)
@95% collections.....\$367,295

- (a) Proceeds of the Bonds will include an amount to cover interest on the Bonds for the first 18 months after the date of issuance for the Bonds. It is currently anticipated that the District will levy its initial debt service tax rate in the fall of 2025 against the District's January 1, 2025 Certified Value. The District will not levy an operations and maintenance tax rate in the future; operating costs associated with the facilities within the Defined Area will be paid for by the District and funded with District operating revenues. The District's plan of financing calls for bonds to be issued only to the extent that debt service requirements can be paid for with a debt service tax rate levied against the property in the Defined Area of \$0.45 or less.

See "DEFINED AREA'S TAX DATA – Tax Adequacy for the Defined Area's Debt Service."

OFFICIAL STATEMENT

relating to

SUNBELT FRESH WATER SUPPLY DISTRICT DEFINED AREA NO. 1 (A political subdivision of the State of Texas, located within Harris County, Texas)

\$5,200,000 UNLIMITED TAX ROAD BONDS SERIES 2025

INTRODUCTION

This Official Statement provides certain information in connection with the issuance of the \$5,200,000 Sunbelt Fresh Water Supply District Defined Area No. 1 Unlimited Tax Road Bonds, Series 2025 (the "Bonds"), which are secured solely by ad valorem taxes levied on property located within the Defined Area No. 1 (the "Defined Area"), located within the District.

The Bonds are issued pursuant to Article III, Section 52 and Article XVI, Section 59 for Road bonds, of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, an order adopted by the TCEQ on February 10, 2021, an election held within the Defined Area of the District, and pursuant to an order (the "Road Bond Order") adopted by the Board of Directors of Sunbelt Fresh Water Supply District (the "District"), a conservation and reclamation district and political subdivision of the State of Texas located within Harris County, Texas, and are special obligations of the District and are secured solely by a tax to be levied against the property within the Defined Area of the District.

This Official Statement includes descriptions of the Bonds, Use of Proceeds, the Road Bond Order, and certain information about the District and the Defined Area. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Bond Counsel upon payment of duplication costs thereof.

RISK FACTORS

General

The security for payment of the Bonds depends on the District's ability to collect taxes levied against property within the Defined Area in an amount sufficient to pay debt service on the Bonds when due. The District makes no representation that over the term of the Bonds taxable property within the Defined Area will maintain values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property if the District forecloses on property to enforce its tax lien. Further, the collection of delinquent taxes owed the District and the enforcement by a bondholder of the District's obligation to collect sufficient taxes may be costly and lengthy processes. See "DEFINED AREA'S TAX DATA - Tax Collections", "Registered Owners' Remedies" herein, and "THE BONDS – Sources of and Security for Payment."

Tax Collections

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes on property located in the Defined Area. 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 foreclosure. The District's ability to collect ad valorem taxes through foreclosure may be impaired by (a) repetitive, annual expensive collections procedures, (b) a federal bankruptcy court's stay of tax collection procedures, or (c) market conditions affecting the marketability of taxable property within the Defined Area and limiting the proceeds from a foreclosure sale of such property. While the District has a lien on taxable property within the District/Defined Area for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. See "DEFINED AREA'S TAX DATA – Principal Taxpayers in the Defined Area," and "TAX PROCEDURES."

Dependence on Principal Taxpayers

Though the District did not levy a tax for the Defined Area in 2024, based upon the 2024 certified tax rolls, the top ten taxpayers would have been responsible for approximately 100% of the District's 2024 taxes, if such tax had been levied. The ability of the principal taxpayers to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. If, for any reason, the principal taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to use other funds available for debt service purposes to the extent available. The District has no understanding with any of the principal taxpayers regarding their future level of operations in the District. The District has not covenanted in the Road Bond Order, nor is it required by Texas law, to maintain any particular balance in its Debt Service Fund or any other funds. Therefore, failure by the principal taxpayers to pay their taxes on a timely basis in amounts in excess of the District's available funds could have a material adverse effect upon the District's ability to pay debt service on the Bonds on a current basis. "DEFINED AREA'S TAX DATA – Principal Taxpayers."

Dependence on Future Development and Potential Impact on District Tax Rates

The District's 2024 total tax rate is \$0.00 per \$100 of assessed valuation (the District does not have any unlimited tax bonds that are authorized and does not have an authorized operations and maintenance tax; the District uses sewer water revenues to pay for the debt service on its outstanding revenue bonds and to pay for its annual operating expenditures.) The Defined Area's 2024 total tax rate was \$0.00. Any increase in the Defined Area's tax rate substantially above the \$1.50 level could adversely impact future building development in the Defined Area and the District's ability to collect such tax. It is currently anticipated that the District will adopt plans of financing that will call for a maximum operations & maintenance and debt service tax rate of \$0.45 in the Defined Area.

The growth of the Defined Area's tax base is directly related to the industrial warehouse and distribution center industry. The warehouse and distribution center industry has historically been a cyclical industry, affected by both short-term and long-term interest rates, demand for developed property, availability of mortgage and development funds, labor conditions, the rate of foreclosure and general economic conditions. In the mid 1980's the downturn in the Houston economy and concurrent increases in unemployment substantially reduced the demand for new housing. In many instances, homeowners turned homes back to mortgage companies because of a negative equity position and, consequently, many repossessed homes were resold at substantially reduced prices. The demand for and construction of single-family homes in the District, which is 24 miles west, northwest of downtown Houston, also could be affected by competition from nearby residential developments. In addition to competition for new home sales from other developments, there are numerous previously owned homes in more established neighborhoods and/or in more favorable locations closer to downtown Houston that have been or are on the market at prices comparable to prices of new and previously owned homes within the District. Such previously owned homes represent additional competition for new homes proposed to be sold within the District.

The development industry in the Houston area is competitive, and the District can give no assurance that any additional building and development of land within the Defined Area will be successfully implemented. Both the local demand for, and the relative performance of developers in the sale of industrial tracts and performance of commercial/industrial builders are affected by most of the factors discussed herein and will directly affect the growth and maintenance of taxable values in the District and the ability of the District to raise tax revenues sufficient to pay its debt service requirements on the Defined Area Bonds.

Assuming no further residential construction within the Defined Area other than that which has already been built, the value of such land and improvements currently located within the Defined Area could be a major determinant of the ability of the District to collect, and the willingness of property owners to pay, ad valorem taxes levied by the District on property within the Defined Area. After issuance of the Bonds, the Maximum Annual Debt Service Requirement on the Bonds will be \$362,469 (2028). If no growth in value were to occur beyond the 2024 Certified Taxable Value of \$84,049,282 as provided by HCAD, a debt service tax rate of \$0.46 per \$100 of Assessed Valuation at a 95% collection rate would be required to pay such Maximum Annual Debt Service Requirement. See "DEFINED AREA'S TAX DATA - Tax Adequacy for Defined Area's Debt Service."

Proceeds of the Bonds will include an amount to cover interest on the Bonds for the first 18 months after the date of issuance for the Bonds. It is currently anticipated that the District will levy its initial debt service tax rate in the fall of 2025 against the District's January 1, 2025 Certified Value. The District will not levy an operations and maintenance tax rate in the future; operating costs associated with the facilities within the Defined Area will be paid for by the District and funded with District operating revenues. The District's plan of financing calls for bonds to be issued only to the extent that debt service requirements can be paid for with a debt service tax rate levied against the property in the Defined Area of \$0.45 or less.

Landowners/Developer Under No Obligation to the District

The Developer does not have any commitments or obligations to proceed at any particular rate or according to any specified plan with the development of land or the construction of industrial buildings within the Defined Area. Currently, there is no restriction on any landowner's right (including the Developer) to sell its land. Failure to construct taxable improvements (anticipated to be created by the Developer) and failure of the Developer to develop its land would restrict the rate of growth of taxable value in the Defined Area. The District is also dependent upon certain principal taxpayers including the Developer for the timely payment of ad valorem taxes; the District cannot predict what the future financial condition of either will be or what effect, if any, such conditions may have on their ability to pay taxes. See "DEFINED AREA'S TAX DATA – Principal Taxpayers."

Overlapping Tax Rates

Consideration should be given to the total tax burden of all overlapping jurisdictions imposed upon property located within the Defined Area as contrasted with property located in comparable real estate developments to gauge the relative tax burden on property within the Defined Area, and particularly to the tax rates of the District as a whole which includes the land within the Defined Area. The combination of the Defined Area's and the overlapping taxing entities' tax rates may be slightly higher than the combined tax rates generally levied upon comparable developments in the market area. Consequently, an increase in the Defined Area's tax rate above those anticipated above may have an adverse impact on future development or the construction of additional taxable improvements in the Defined Area. See "DEFINED AREA DEBT – Estimated Overlapping Debt" and "DEFINED AREA'S TAX DATA – Estimated Overlapping Taxes."

Registered Owners' Remedies

If the District defaults in the payment of principal of, interest on, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Road Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Road Bond Order, the Registered Owners have the right 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 Road Bond Order. Except for mandamus, the Road Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages. Even if such sovereign immunity was waived and a judgment against the District for money damages was obtained, the judgment could not be enforced by direct levy and execution against the District's property within the Defined Area. Further, the Registered Owners cannot themselves foreclose on property within the Defined Area or sell property within the Defined Area to enforce the tax lien on taxable property to pay the principal of, and interest on, the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Specifically, the District may voluntarily file a petition for protection from creditors under the federal bankruptcy laws. During the pendency of the bankruptcy proceedings, the remedy of mandamus would not be available to the Registered Owners unless authorized by a federal bankruptcy judge.

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District: (a) is generally authorized to file for federal bankruptcy protection by the State law; (b) is insolvent or unable to meet its debts as they mature; (c) desires to effect a plan to adjust such debts; and (d) has either obtained the agreement of, or negotiated in good faith with, its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, the District must obtain the approval of the Texas Commission on Environmental Quality (the "TCEQ") prior to filing bankruptcy. Such law requires that the TCEQ investigate the financial condition of the District and authorize the District to proceed only if the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding noncompliance by a district with Texas law requirements, a 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 Owners could potentially and adversely impair the value of the Registered Owners' claim.

If a 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 the district.

A district cannot be placed into bankruptcy involuntarily.

Approval of the Bonds

As required by law, the Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas 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.

Economic Factors

The continued growth and maintenance of taxable values in the District is directly related to the commercial/industrial industry. Historically, the housing and home building industry has been a cyclical industry, affected by both short-term and long-term interest rates, availability of mortgage and development funds, labor conditions, and general economic conditions including the relative price of oil and natural gas. Any future commercial building in the District (if any) could also be adversely affected by such economic developments.

Interest rates and the availability of mortgage and development funds have a direct impact on construction activity, particularly the short-term interest rates at which developers and builders are able to obtain financing for land development or home building costs. Interest rate levels may affect the developer's or builders' ability to complete development or building plans. The continuation of long-term interest rates at higher levels may negatively affect the rate of growth of taxable values in the District.

The Houston metropolitan area has, in the past, experienced increased unemployment, business failures, and slow absorption of office space. These factors, if they occur, could affect the demand for new commercial development and hence the growth of property values in the District.

Alternative sites are available for the construction of commercial/industrial improvements and commercial development within the market area in which the District is located. Such sites could pose competition to the continued building development and commercial development on comparable sites within the District.

Potential Effects of Oil Price Fluctuation on the Houston Area

The recent fluctuation 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 area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values 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.

Dependence on the Energy Industry

The economy of the Houston metropolitan area, which has sometimes been referred to as the energy capital of the world, is, in part, dependent upon the oil and gas and petrochemical industries. During the height of the COVID-19 pandemic in 2020, worldwide consumption of energy decreased dramatically and led to the lowest oil prices in three decades. This led to layoffs of workers, business failures and reduced capital and operating expenditures by energy companies. While there has been some rebound, Houston area jobs in the energy industry have not fully recovered. In 2021, the United States rejoined the 2015 Paris Climate Accords, under which many countries have agreed to move away from fossil fuels to alleviate climate change. Although major energy companies expect that fossil fuels will be vital to the global economy for many years to come, they have recognized the need to direct more investment toward various clean energy projects. The pace and success of these efforts could significantly affect the Houston economy in the future.

Future Debt of the Defined Area

The Defined Area's voters have authorized the issuance of unlimited tax bonds for various purposes as reflected in the table below:

<u>Amount</u>	<u>Purpose</u>
\$15,000,000	For certain water, sanitary sewer, and storm water facilities and for refunding
\$7,785,000	For certain road facilities and for refunding

After the issuance of the Bonds, the District will have \$15,000,000 of unlimited tax water, sanitary sewer, and storm water facilities bonds (and for refunding such bonds previously issued) that remain authorized but unissued and \$2,585,000 of unlimited tax road facilities bonds (and for refunding such bonds previously issued to be secured by ad valorem taxes to be levied against property within the Defined Area) that will remain authorized but unissued.

The District has also reserved the right to issue certain other additional bonds, special project bonds, and other obligations for the Defined Area described in the Road Bond Order. All of the remaining bonds described above which have heretofore been authorized by the voters of the District may be issued by the District from time to time as needed. If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. See "THE BONDS – Authority for Issuance and Issuance of Additional Defined Area Debt."

The District has the right to issue unlimited tax bonds secured by ad valorem taxes levied on property in the entire District upon approval by both the Board and voters of the entire District. It is not presently anticipated that the District will issue bonds secured by ad valorem taxes levied on property in the entire District. A bond election in the entire District has not been scheduled.

Defined Area within the District

On November 3, 2020, the Board of Directors of the District approved the designation of the defined area encompassing approximately 134 acres, and such creation was confirmed by the voters of said area at an election within the Defined Area boundaries on November 3, 2021. In addition to the confirmation of the creation of the Defined Area, the voters authorized certain unlimited tax bonds for road facilities/the refunding of such road facility bonds, certain unlimited tax bonds for water, sewer and drainage facilities/the refunding of such water, sewer and drainage bonds, and a maintenance tax not to exceed \$0.50 on all taxable property within the Defined Area for water, sanitary, drainage and road structures. Any unlimited tax bonds issued by the District for the Defined Area shall be payable solely from taxes levied within the boundaries of the Defined Area and not on any other part of the District. See "THE BONDS – Authority for Issuance and Issuance of Additional Defined Area Debt." Additionally, any maintenance tax levied by the District for the Defined Area shall be payable solely on property located within the Defined Area. See "DEFINED AREA'S TAX DATA – Maintenance Tax."

Financing Parks and Recreational Facilities

The District may levy an operation and maintenance tax to support parks and recreational facilities at a rate not to exceed \$0.10 per \$100 of assessed valuation of taxable property in the District, after such tax is approved at an election. In addition, the District is authorized to issue bonds payable from an ad valorem tax to pay for the development and maintenance of parks and recreational facilities if (i) the District duly adopts a park plan; (ii) the bonds are authorized at an election; (iii) the bonds payable from any source do not exceed the lesser of 1% of the value of the taxable property in the District at the time of issuance of the bonds, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent (1%) but not three percent (3%) of the value of the taxable property in the District; (iv) the District obtains any necessary governmental consents allowing the issuance of such bonds; and (v) the bonds are approved by the Attorney General of Texas. The District may issue bonds for such purposes payable solely from net operating revenues without an election. The issuance of such bonds is subject to rules and regulations to be adopted by the TCEQ.

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

The District has no plans to call a park bond election at this time.

2025 Legislative Session

The 89th Regular Legislative Session convened on January 14, 2025, and will conclude on June 2, 2025. The Texas Legislature could enact laws that materially change current laws affecting ad valorem tax matters, including rollback elections for maintenance tax increases, and other matters which could adversely affect the marketability or market value of the Bonds. The Governor of Texas has declared property tax reform a priority item for the legislative session. In addition, the Governor may call one or more additional special sessions that may include legislation affecting property taxes. The District can make no representation regarding any actions the Texas Legislature may take or the effect of any such actions.

Changes in Tax Legislation

Certain tax legislation, if enacted 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.

Environmental Regulations

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

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

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

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the Texas Commission on Environmental Quality (the "TCEQ") may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act ("CAA") Amendments of 1990, the eight-county Houston-Galveston-Brazoria area ("HGB Area")—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty Counties—has been designated a nonattainment area under 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 District’s stormwater discharges currently maintain permit coverage through the Phase I Municipal Separate Storm Sewer System Permit (the “Current Permit”) issued to the Storm Water Management Joint Task Force consisting of Harris County, Harris County Flood Control District, the City of Houston, and the Texas Department of Transportation. In the event that at any time in the future the District is not included in the Current Permit, it may be required to seek independent coverage under the TCEQ’s General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”), which authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. If the District’s inclusion in the MS4 Permit were required at a future date, the District could incur substantial costs to develop and implement 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.

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

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

Inclement Weather

The District is located approximately 75 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. If a hurricane (or any other natural disaster) significantly damaged all or part of the improvements within the Defined Area, the assessed value of property within the Defined Area could be substantially reduced, with a corresponding decrease in tax revenues or necessity to increase the Defined Area's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the Defined Area will be covered by insurance (or that property owners will even carry flood 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 Defined Area. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the Defined Area would be adversely affected.

The District may be subject to the following flood risks:

Ponding (or Pluvial) Flooding - 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) Flooding - 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

Failure of the District to comply with certain covenants contained in the Road Bond Order on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "TAX MATTERS."

Marketability

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 municipal entities, as such bonds are generally bought, sold or traded in the secondary market.

Tax Payment Installments after Disaster

Certain qualified taxpayers, including owners of residential homesteads, located within a natural disaster area and whose property has been damaged as a direct result of the disaster, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District if the taxpayer pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency date. Additionally, under the Texas Tax Code, solely at the District's discretion, quarterly payments of ad valorem taxes on all taxable personal property of a business that lost money during a declared disaster or emergency regardless of whether the property was directly damaged as a result of the disaster or emergency are allowed.

Temporary Tax Exemption for Property Damaged by Disaster

The Property Tax Code (hereinafter defined) provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically 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.

Atlas 14

The new and amended Harris County and City regulations may have a negative impact on new development in those subdivisions in the District that are within Harris County or in the City's corporate limits and extraterritorial jurisdiction. 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 the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the District. The application of such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

Cybersecurity

The District's consultants use digital technologies to collect taxes, hold funds and process disbursements. These systems necessarily hold sensitive protected information that is valued on the black market. As a result, the electronic systems and networks of organizations like the District's consultants are considered targets for cyber-attacks and other potential breaches of their systems. To the extent the District is determined to be the party responsible for various electronic systems or suffers a loss of funds due to a security breach, there could be a material adverse effect on the District's finances. Insurance to protect against such breaches is limited.

USE OF BOND PROCEEDS

Proceeds from the sale of the Bonds will be used for the purpose of reimbursing the developer for: certain road land and construction costs; (2) engineering costs associated with item 1; (3) \$247,000 of capitalized interest; and (4) costs associated with the issuance of the Bonds.

The Engineer has advised the proceeds listed below should be sufficient for the acquisition of such facilities. The District's present estimate of the use of proceeds of the Bonds is as follows:

	<u>Total Amount</u>
CONSTRUCTION COSTS:	
<i>Developer Contribution Items</i>	
Paving and Roadway Items for Urban Logistics Park	<u>\$3,243,918</u>
TOTAL CONSTRUCTION COSTS	<u>\$3,243,918</u>
 NON-CONSTRUCTION COSTS:	
Legal Fees	\$130,000
Financial Advisor Fees	\$104,000
Land Costs	\$609,875
Capitalized Interest	\$247,000
Developer Interest	\$458,418
Developer Interest for Land Cost	\$162,327
Bond Discount	\$155,785
Administrative Expense and Issuance Costs	\$53,262
Attorney General Fee	\$5,200
Engineering Fees	\$30,000
Contingency	<u>\$216</u> (a)
TOTAL NON-CONSTRUCTION COSTS	<u>\$1,956,082</u>
 TOTAL BOND ISSUE REQUIREMENT	<u>\$5,200,000</u>

-
- (a) Represents the difference between the estimated and actual amounts of capitalized interest and Bond Discount. Such funds will be used by the District to fund road related costs in accordance with Texas law.

THE DISTRICT

General Description

Sunbelt Fresh Water Supply District (the "District") is a political subdivision and municipal corporation of the State of Texas located in Northern Harris County, Texas approximately 15 miles from the central business district of the City of Houston. The District encompasses approximately 2,361 acres comprised of seven noncontiguous subdivisions.

Sunbelt Fresh Water Supply District was created by acts of Commissioners Court of Harris County, Texas effective November 14, 1995. 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 and fresh water supply districts, including without limitation those conferred by chapters 49 and 54, Texas Water Code, as amended. The District is empowered to purchase, construct, operate acquire, own and maintain all water and wastewater facilities, improvements and control and diversion of storm water.

The Board of Directors of Sunbelt Fresh Water Supply District is comprised of five members who are all registered voters and/or property owners within the District and are elected by qualified voters in the District. The Directors have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability of fiscal matters. The Directors establish rates for water and sewer service. The Board of Directors held its first meeting on November 14, 1995. The activities and the operations of the District are subject to the supervision and review of the TCEQ.

The District uses both operating funds and capital funds. Capital funds are typically generated through bonds. In certain cases, the District has received grants for capital improvements or funded capital improvements from District cash on hand. The Board has authority to obtain loans and grants and occasionally receives funding from local and federal government sources and must comply with the concomitant requirements of these funding source entities. The District does not have taxing authority. All improvements that are financed with loans or bonds are backed by the District's net revenues from water and wastewater operations.

The District generates operating revenues through the sale of water and wastewater treatment to the residents. The income is derived based upon an approval Rate Order that establishes the rates for water and sewer service as well as some selected activities associated with providing such services to customers. The operating budget is structured to balance the yearly operating revenues and the operating expenses of the District's and to provide for the necessary deposits to the District's debt service Fund to allow for the timely payment of interest and principal of the District's outstanding debt from time to time.

As of September 1, 2024, the building development in the District (located outside of the Defined Area) included 7,894 completed homes, approximately 489 commercial connections (including retail strip centers, stand-alone retail establishments, restaurants, nursing homes, office buildings) 22 multifamily complex projects (including approximately 838 apartment units) and 10 public schools/school administration buildings.

THE DEFINED AREA

Pursuant to the provisions of Subchapter J of Chapter 54 of the Texas Water code, as amended, the District is authorized to define areas or designate certain property to pay for improvements, facilities, or services that primarily benefit that area. The land in the Defined Area was annexed into the District on June 12, 2020 and on November 3, 2020 the District voters approved the creation of a defined area encompassing approximately 134 acres within the District known as Defined Area No. 1 (herein the "Defined Area").

At elections within the Defined Area on November 3, 2020 and May 1, 2021, the voters within the Defined Area authorized the issuance of unlimited tax bonds to finance water, wastewater and drainage improvements and road facilities and for the further purpose of issuing refunding bonds for those bonds mentioned above. All the bonds were authorized solely for the purpose of serving land located within the Defined Area. The voter's authorization also included the levy of an unlimited tax solely on the property within the Defined Area for the payment debt service on such bonds issued for the Defined Area. The voters also authorized a maintenance and operations tax of up to \$0.50 at the election that was conducted on November 3, 2020. See "THE BONDS - Authority for Issuance and Additional Defined Area Debt" and "DEFINED AREA'S TAX DATA – Defined Area Maintenance Tax."

Description of the Defined Area

The Defined Area includes approximately 134 acres and is located in Harris County approximately 15 miles north of the downtown area of the City of Houston. The Defined Area is bound on the north by Breen Drive, bound on the east by a BNSF railway corridor, bound on the south by the Woodland Trails North subdivision, and bound on the west by the unimproved Hollister Drive right of way ("ROW"). The entire District and the Defined Area are located within the City of Houston's Extraterritorial Jurisdiction. The Defined Area, to date, has been developed as primarily a commercial/industrial development consisting of offices, warehouse and distribution type buildings.

The Developer of the Defined Area

Breen Road I TRS, LLC is the land developer ("Developer") of the District. The Developer is a special purpose entity established by Hillwood Investment Properties (herein "Hillwood") solely for the purpose of developing the land in the District for the project known as the Pinnacle Logistics Park. To date, the Developer has developed a total of 36 acres in the Defined Area and sold 4 tracts totaling approximately 36 acres to 4 different entities (also special purpose entities established by Hillwood). Those four building developers have constructed 4 office/warehouse/distribution type buildings totaling approximately 614,079 square feet. One of those

buildings have been sold to an independent third party and the other three buildings have been leased by the Hillwood entities to third party tenants.

Status of Land Development in the Defined Area

A summary of the approximate land use in the Defined Area as of January 1, 2025 appears in the following table:

<u>Type of Land Use</u>	<u>Approximate Acres</u>	
Developed Acres	36	(a)
Acres Under Development	0	
Remaining Developable Acreage	65	(b)
Undevelopable Acreage	<u>33</u>	(c)
Total Approximate Acres	134	

- (a) Represents land served with utilities and roads and includes improved tracts.
- (b) Represents land that according to the Developer may be developed in the future.
- (c) Includes: major thoroughfares & collectors; drainage easements and detention reserves; utility plant sites; and pipeline easement.

Building Development in the Defined Area

As noted above, as of January 1, 2025 the building development in the Defined Area includes 4 office/warehouse/distribution type buildings totaling approximately 614,079 square feet. See “– The Developer of the Defined Area.” The building development in the Defined Area is summarized in the table below:

<u>Building Developer/Owner (a)</u>	<u>Tract Size</u>	<u>Building Size</u>
Breen Building 1, LLC (b)	5.5 acres	84,740 sq. ft.
Breen Building 2, LLC	10.8 acres	166,655 sq. ft.
Breen Building 3, LLC	14.8 acres	227,229 sq. ft.
Breen Building 4, LLC	8.8 acres	135,455 sq. ft.

- (a) As noted elsewhere in the Official Statement, all of the building developers were established by Hillwood solely for the purpose of constructing and marketing each of their respective buildings.
- (b) This building is currently owned by HERONKOI LP.

Management of the District

The District is governed by a board of directors (the "Board"), which has control over and management supervision of all affairs of the District. All of the directors reside within the District. Director elections are held only in even-numbered years and the directors serve staggered four-year terms. The current members and officers of the Board, along with their titles are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Nathan Wade	President	2026
Sandra Jaramillo	Vice President	2028
Elizabeth Santiago	Secretary	2026
Lynda Powell	Assistant Secretary	2028
Ruben Salazar	Director	2028

The District employs 2 persons to assist with the daily operations and administration of the District, none of which are dedicated solely to the workings of the Defined Area. The District has contracted for utility system operations, bookkeeping, tax assessing and collecting, engineering, legal services, and annual auditing of its financial statements as follows:

Tax Assessor/Collector – The District’s Tax Assessor/Collector for the Defined Area is Assessments of the Southwest, Inc., who is engaged under annual contract and represents approximately 300 special districts.

Bookkeeper – The District's Bookkeeper is Governmental Financial Reporting, LLC.

Auditor – The financial statements of the District as of June 30, 2024, and for the year then ended, included in this offering document, have been audited by McCall Gibson Swedlund Barfoot Ellis PLLC, certified public accounts, as stated in their report appearing herein. See “APPENDIX A.” Additionally, the District contracts with McCall Gibson Swedlund Barfoot Ellis PLLC to review the District’s audited financial statements.

Utility System Operator – The Defined Area’s utility service provider is Municipal Operations Consulting, which currently acts as utility system operator for approximately 115 utility districts.

Engineer – The consulting engineer for the District is A&S Engineering, Inc. (the “Engineer”).

Financial Advisor – The District has engaged The GMS Group, L.L.C. as financial advisor for a fee to be computed on each separate issuance of bonds, contingent upon such bonds being delivered.

Bond Counsel – Radcliffe Adams Barner PLLC serves as Bond Counsel to the District on matters other than the issuance of bonds. Fees paid for the Bond Counsel services will be paid from proceeds of the Bonds; such fees are contingent upon the sale and delivery of such Bonds.

Disclosure Counsel – Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, has been engaged by the District to serve as Disclosure Counsel on certain matters related to the sale and delivery of the Bonds, but such advice should not be relied upon by the purchasers as a due diligence undertaking on their behalf. Fees of the Disclosure Counsel will be paid from proceeds of the Bonds; such fees are contingent upon the sale and delivery of such Bonds.

Investments of the District

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended. The District’s goal is to preserve principal and maintain liquidity while securing a competitive yield in its portfolio. Funds of the District will be invested in short-term U.S. Treasuries, certificates of deposit insured by the Federal Deposit Insurance Corporation or secured by collateral evidenced by perfected safekeeping receipts held by a third-party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate, the inclusion of long-term securities or derivative products in the District portfolio.



PHOTOGRAPHS OF BUILDINGS THE DEFINED AREA



THE DISTRICT'S SYSTEM

Regulation

The water and wastewater facilities have been designed in accordance with accepted engineering practices and the rules and regulations of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ and its predecessors. According to the Engineer, the design of all such facilities has been approved by all required governmental agencies.

Operation of the District's waterworks and wastewater facilities is subject to regulation by, among others, the United States Environmental Protection Agency, Harris County, the TCEQ and the Texas Department of Health. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision.

Waterworks System

Sunbelt Fresh Water Supply District currently serves 6 non-contiguous subdivisions with a total of approximately 10,500 equivalent single-family connections ("ESFC's"). The system consists of 11 water wells with a total supply capacity of 3,838 GPM. Additionally, Sunbelt is currently a party to multiple water supply agreements with the City of Houston that allocated the District with 1,726 GPM supply capacity. The District has a total storage capacity of 2,687,000 gallons. The District's water supply system also includes approximately 455,000 linear feet of water lines ranging in size from 2" to 12" and approximately 364 fire hydrants. While the number of wells, total water supply and total storage reflect capacity of the District, not all of the subdivisions are connected and the District's total water supply capacity is not available to all residents.

The District's water supply system has adequate capacity to serve the buildout of the Defined Area.

Subsidence District Requirements

The District is within the boundaries of Area 3 of the Harris-Galveston Subsidence District (the "Subsidence District"), a political subdivision of the State of Texas which regulates groundwater withdrawal. The District's authority to pump groundwater from its well is subject to annual permits issued by the Subsidence District. On April 14, 1999, the Subsidence District adopted a District Regulatory Plan (the "1999 Plan") to reduce groundwater withdrawal through conversion to surface water in areas within the Subsidence District's jurisdiction. Under the 1999 Plan, the District could join with other entities which receives approval from the Subsidence District of a groundwater reduction plan ("GRP"). On September 15, 2005, the District entered into a Groundwater Reduction Plan Agreement (the "GRP Agreement") with the City of Houston (the "City") to become part of the City's GRP. The GRP Agreement provides for a GRP fee assessment based on the District receiving 30% of its water requirements from the City through the years 2024, then 60% beginning in 2025 through 2034, and then 80% thereafter. The GRP fee amount is determined by any shortfall in meeting these minimum usage requirements. In addition, to meeting the future GRP usage requirements, the District will most likely need to construct improvements to the District's water supply system which could require issuance of additional bonds and/or notes.

Sewer System

The District has 6 sewer treatment facility sites that have an aggregate process capacity to process approximately 3,965,000 gallons per day. Additionally, the District's sewer system includes 7 lift stations, approximately 350,000 linear feet of gravity sewer lines ranging in size from 6" to 24", and approximately 24,000 linear feet of force main ranging in size from 2" to 16".

The District's sewer system has adequate capacity to serve the buildout of the Defined Area.

100-Year Flood Plain

Approximately 28 acres (out of 134 acres) of land presently developed or planned to be developed in the Defined Area is located within the 100-Year Flood Plain.

DEFINED AREA'S DEBT
(Unaudited)

2024 Certified Taxable Value	\$84,049,282	(a)
Direct Debt		
Outstanding Bonds	\$0	
The Bonds	<u>\$5,200,000</u>	
Total Direct Debt	\$5,200,000	
Estimated Overlapping Debt	<u>\$4,514,267</u>	
Direct and Estimated Overlapping Debt	\$9,714,267	
Percentage of Direct Debt to:		
2024 Certified Taxable Value	6.19%	
Percentage of Direct and Estimated Overlapping Debt to:		
2024 Certified Taxable Value	11.56%	
2024 Tax Rate Per \$100 of Assessed Value		
Debt Service	\$0.00	(b)
Maintenance Tax	<u>\$0.00</u>	(b)
Total 2024 Tax Rate	\$0.00	(b)

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- (a) Reflects the January 1, 2024 Certified Taxable Values as provided to the District by HCAD and the District's Tax Assessor/Collector. See "DEFINED AREA'S TAX DATA" and "TAX PROCEDURES."
- (b) The Board of Directors did not levy a debt service tax in 2024 for the Defined Area. The District's Board of Directors anticipates levying a Debt Service tax rate for the Defined Area in 2025 that along with a 2025 maintenance tax will total approximately \$0.45. As noted elsewhere in this Official Statement, the land within the Defined Area is not subject to ad valorem taxes levied by the District (other than for land in the Defined Area, the District is not authorized to levy taxes). It is not currently anticipated that the District will ever levy any taxes other than taxes for the Defined Area.

Estimated Overlapping Debt

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

<u>Taxing Jurisdiction</u>	<u>Outstanding Debt</u>	<u>Overlapping Debt</u>	
		<u>Percent</u>	<u>Amount</u>
Sunbelt FWSD	\$0	100%	\$0
Cypress-Fairbanks Independent School District	\$3,484,020,000	0.11%	\$3,912,199
Harris County	\$2,171,789,039	0.01%	\$274,304
Harris County Flood Control District	\$968,445,000	0.01%	\$124,860
Port of Houston Authority	\$406,509,397	0.01%	\$52,418
Harris County Hospital District	\$65,285,000	0.01%	\$8,416
Harris County Department of Education	\$28,960,000	0.01%	\$3,657
Lone Star College System	\$507,100,000	0.03%	\$138,413
Total Estimated Overlapping Debt			\$4,514,267
The Defined Area's Direct Debt (a)			<u>\$5,200,000</u>
Total Direct and Estimated Overlapping Debt			\$9,714,267

(a) Includes the Bonds.

DEFINED AREA'S TAX DATA

Defined Area's Tax Collections

The following table sets forth the historical tax information collection experience of the District for 2024. Such table has also been prepared based upon information from District records. Reference is made to such records for further and complete information.

<u>Year</u>	<u>Taxable Valuation</u>	<u>Tax Rate (a)</u>	<u>Tax Levy (b)</u>	<u>Cumulative Tax Collections</u>	<u>Year Ended September 30</u>
2024	\$84,049,282	\$0.00	Did not Levy	Did not Levy	2025

(a) See "Tax Rate Distribution" herein.

(b) Proceeds of the Bonds will include an amount to cover interest on the Bonds for the first 18 months after the date of issuance for the Bonds. It is currently anticipated that the District will levy the Defined Area's initial debt service tax rate in the fall of 2025 against the Defined Area's January 1, 2025 Certified Value. The District will not levy an operations and maintenance tax rate in the future; operating costs associated with the facilities within the Defined Area will be paid for by the District and funded with District operating revenues. The District's plan of financing calls for bonds to be issued only to the extent that debt service requirements can be paid for with a debt service tax rate levied against the property in the Defined Area of \$0.45 or less.

Defined Area Maintenance Tax

The Defined Area has the statutory authority to levy and collect an annual ad valorem tax for operation and maintenance of the District's improvements. Such maintenance tax was authorized by the Defined Area's voters at an election held in the Defined Area. The District is authorized to levy a \$1.50 maintenance tax in the Defined Area. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Defined Area's Bonds and any tax bonds which may be issued in the future by the Defined Area. It is currently anticipated that the Defined Area's maintenance tax and debt service tax rates will total \$0.45 for the foreseeable future. See "Tax Rate Distribution" herein.

Tax Rate Distribution

The Board of Directors did not levy a debt service tax in 2024 for the Defined Area. The District's Board of Directors anticipates levying a Debt Service tax rate for the Defined Area in 2025 that along with a 2025 maintenance tax will total approximately \$0.45. As noted elsewhere in this Official Statement, the land within the Defined Area is not subject to ad valorem taxes levied by the District (other than for land in the Defined Area, the District is not authorized to levy taxes). It is not currently anticipated that the District will ever levy any taxes other than taxes for the Defined Area.

Principal Taxpayers

The following table, which sets forth the Defined Area's principal taxpayers, was provided by the District's Tax Assessor/Collector based upon the 2024 certified tax roll (which reflects ownership as of January 1, 2024) of the Harris Central Appraisal District. The table below reflects information obtained by the District's Tax Assessor/Collector from HCAD's records. The District makes no representation as to the accuracy of such information.

<u>Principal Taxpayers</u>	<u>Type of Property</u>	<u>2024 A.V.</u>	<u>% of Total</u>
Breen Building 3 LLC (a)	Land & Improvements	\$24,423,370	29.06%
Breen Building 2 LLC (b)	Land & Improvements	\$17,435,991	20.74%
Breen Road Holding II LLC (d)	Land & Improvements	\$15,368,000	18.28%
HERONKOI LP (e)	Land & Improvements	\$9,405,694	11.19%
Breen Building 4 LLC (c)	Land & Improvements	\$9,353,723	11.13%
Cyclone Bolt Inc (f)	Personal Property	\$3,862,270	4.60%
All-Tex Inc (g)	Personal Property	\$2,932,243	3.49%
Breen Road I Trs LLC (h)	Land & Improvements	\$807,602	0.96%
On Trac Logistics Inc (i)	Personal Property	\$456,227	0.54%
Breen Road I Usicv LLC (j)	Land & Improvements	\$4,162	0.00%
TOTAL		\$84,049,282	100%

- (a) A special purpose entity created by Hillwood Development Company that is the owner of building 3.
- (b) A special purpose entity created by Hillwood Development Company that is the owner of building 2.
- (c) A special purpose entity created by Hillwood Development Company that is the owner of building 4.
- (d) A special purpose entity created by Hillwood Development Company that is the owner of the undeveloped land in the Defined Area.
- (e) Represents the purchaser and current owner of Building 1.
- (f) Represents a tenant in Building 4.
- (g) Represents a tenant in Building 1.
- (h) A special purpose entity created by Hillwood Development Company that is the land developer in the District that will receive reimbursement from bond proceeds issued by the District for the Defined Area.
- (i) Represents a tenant in Building 2 in the District.
- (j) A special purpose development funding entity established by Hillwood Development Company.

Analysis of Tax Base

Based on information provided to the District by HCAD and its Tax Assessor/Collector, the following represents the composition of property comprising the gross tax roll valuations and the deferments for 2024.

<u>Year</u>	<u>Type of Property</u>			<u>Gross Valuation</u>	<u>Exemptions</u>	<u>Taxable Valuation</u>	
	<u>Land</u>	<u>Improvements</u>	<u>Personal Property</u>				
2024	\$28,424,986	\$49,274,554	\$7,250,740	\$84,950,280	\$900,998	\$84,049,282	(a)

- (a) Reflects the January 1, 2024 Certified Taxable Value according to data supplied to the District by HCAD. See "TAX PROCEDURES."

Estimated Overlapping Taxes

The following table sets forth all 2024 taxes levied by overlapping taxing jurisdictions on property within the District. No recognition is given to local assessments for civic association dues, fire department contributions, or any other levy by entities other than political subdivisions.

<u>Taxing Entities</u>	<u>2024 Tax Rates</u>
The District	\$0.000000
Cypress-Fairbanks Independent School District	\$1.086900
Harris County	\$0.608689
Lone Star College System	\$0.107600
Harris County Emergency Service District No. 9	<u>\$0.084477</u>
Overlapping Taxes	<u>\$1.887666</u>
 The Defined Area (a)	 <u>\$0.000000</u>
Total Direct & Overlapping Taxes	<u>\$1.887666</u>

(a) See "Tax Rate Distribution" herein.

Tax Adequacy for the Defined Area's Debt Service

The calculations shown below assume, solely for the purpose of illustration, no net revenues, and no increase in the Taxable Value as provided by HCAD. In each case a tax rate is used which is adequate to service the Defined Area's maximum annual debt service requirements following issuance of the Bonds. The available balances in the Defined Area's debt service fund are not reflected in these computations.

Maximum Annual Debt Service Requirements (2028)\$362,469

\$0.46 Tax Rate on 2024 Certified Taxable Valuation of \$84,049,282
@95% collections\$367,295

TAX PROCEDURES

As noted elsewhere in the Official Statement, the District is not currently authorized to levy any taxes and it is not anticipated that the District will ever levy any taxes other than taxes that will be levied for the benefit of the Defined Area.

Therefore the procedures described below reflect the tax procedures to be implemented in the Defined Area going forward.

Tax Code and County-Wide Appraisal District

Title 1 of the Texas Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units in a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. HCAD has the responsibility for appraising property for all taxing units within Harris County, including the District. Such appraisal values are subject to review and change by the Harris 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 Property Tax Code requires the 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 Property 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 Property Tax Code requires each appraisal district to implement a plan for periodic reappraisal of property to update appraised values. Such plan must provide for reappraisal of all real property in the appraisal district at least once every three years. It is not known what frequency of future reappraisals will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the Defined Area are subject to taxation by the District. The District assesses and collects taxes on personal property rendered for taxation, business inventories, and the property of privately-owned utilities. 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; farm products owned by the producer; all oil, gas, and mineral interests owned by an institution of higher education; certain property owned by charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually-owned automobiles.

The District, either by action of its Board or through a process of petition and referendum initiated by its residents, may grant exemptions for residential homesteads of persons 65 years of age or older and of certain disabled persons, to the extent deemed advisable by the Board. Qualifying surviving spouses of persons 65 years of age and older will be entitled to receive a residential homestead exemption equal to that received by deceased spouses. The District is authorized 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 exemption to disabled veterans or certain surviving dependents of disabled veterans, up to \$12,000 of value. The District has not granted an exemption for persons 65 and over and disabled persons for the 2024 tax year. It is not currently anticipated that the District will grant such exemption in the future.

A "freepoint" 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. The items qualify if they leave the State of Texas within 175 days after the person who sent them out of state acquires them. The chief appraiser determines the amount of exemption by: (1) determining the percentage of the owner's inventory that left the state within six months of acquisition in the preceding year, and (2) reducing the current year's inventory by that percentage.

Agricultural, Open Space, or Timber Land Use

The Tax Code permits land designated for agricultural or timber land use to be appraised at its value based upon the land's capacity to produce agricultural products or, with respect to timber land, the value based upon accepted income capitalization methods. The Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of an agricultural, timber land or residential real property appraisal must apply for such appraisal, and the Appraisal District is required to act on each claimant's application individually. If a claimant receives an agricultural or timber land appraisal on land and later changes the land use or sells the land to an unqualified owner, an additional tax is imposed on the land equal to the difference between the taxes imposed on the land for each of the five years preceding the year in which the change of use occurs that the land was appraised as agricultural or timber land and the tax that would have been imposed had the land been taxed on the basis of market value in each of those years, plus interest at an annual rate of 7% calculated from the dates on which the differences would have become due. Provisions of the Tax Code are complex and are not fully summarized here. During 2024, approximately 0 acres within the District were classified as agricultural ranch land and were subject to an agricultural appraisal based upon the productivity of the land. No acres in the Defined Area were classified as agricultural ranch land.

Residential Homestead Exemption

Pursuant to the Texas Constitution the governing body of each political subdivision in the State may exempt up to 20% of the market value of residential homesteads from ad valorem taxes. However, 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 obligation of the contract by which the debt was created. The District has never granted a 20% residential homestead exemption. It is not anticipated that such exemption will be granted in the future.

Notice of Hearing Procedures

The Tax Code establishes procedures for providing notice and the opportunity for a hearing for taxpayers if the District proposes to increase taxes, and provides for taxpayer referenda which could result in the repeal of certain tax increases. The Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals which 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 Defined Area, based upon a) the valuation of property within the Defined Area 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 6% of the amount of the tax for the first calendar month it is delinquent, plus 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 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 Defined Area and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the Defined Area and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of 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) 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.

Collection of Delinquent Taxes

Taxes levied by the District are a personal obligation of the owner of the taxed property as of January 1 of the year in which the taxes are imposed. On January 1 of each year, a tax lien attaches to property to secure payment of all state and local 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 tax liens of all other such taxing units. A tax lien on real property has priority over the claim of most creditors and other holders of liens on the property encumbered by the tax, whether or not the debt or lien existed before the attachment of the tax lien. Further, as a general rule, the District's tax lien and a federal tax lien are on par with ultimate priority being determined by applicable federal law. Under certain circumstances, personal property 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. The ability of the District to collect delinquent taxes by judicial foreclosure may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions affecting the market value of the property at the time of any tax foreclosure sale, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt.

Further, the District's ability to foreclose its tax lien or collect penalties and interest may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 United States Code Section 1825, as amended.

Tax Payment Installments after Disaster

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

Additionally, the Texas Tax Code authorizes a taxing jurisdiction such as the District, solely at the jurisdictions discretion, to adopt a similar installment payment option for taxes imposed on property that is located within a designated disaster area or emergency area, and is owned or leased by certain qualified business entities, regardless of whether the property has been damaged as a direct result of the disaster or emergency.

Tax Exemption for Property Damaged by Disaster

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% physically 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.

Rollback of Maintenance Tax Rate

During the 86th Regular Legislative Session, Senate Bill 2 ("SB 2") was passed and signed by the Governor, with an effective date of January 1, 2020, which effectively restricts increases in the District's operation and maintenance tax rates by requiring rollback elections to reduce the operation and maintenance tax component of the District's total tax rate (collectively, the debt service tax rate, maintenance and operations tax rate and contract tax rate are the "total tax rate"). See "SELECTED FINANCIAL INFORMATION" for a description of the District's current total tax rate. SB 2 requires a reduction in the operation and maintenance tax component of the District's total tax rate if the District's total tax rate surpasses the thresholds for specific classes of districts in SB 2. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

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 (collectively, the "Appraisal Cap"). After the 2024 tax year, through December 31, 2026, the Appraisal Cap may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the Maximum Property Value. SB 2 was signed into law by the Governor on July 22, 2023; however, the provisions described hereinabove took effect January 1, 2024.

SB 2 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 "Low Tax Rate Districts." 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 "Other Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate pursuant to SB 2 is described for each classification below.

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

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

The District. A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation. For the 2024 tax year, no tax was levied and therefore no determination was required.

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 for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units. See "DEFINED

AREA'S TAX DATA – Estimated Overlapping Taxes." A tax lien on real property takes priority over the claim 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 applicable 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, subject to the restrictions on residential homesteads described above under "Levy and Collection of Taxes." 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 cost of suit and sale, 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 (a taxpayer may redeem property within six months for commercial property, within two years for residence homesteads and land designated for agricultural use, and six months for all other property after the purchaser's deed issued at the foreclosure sale is filed in the county records), or by bankruptcy proceedings that restrict the collection of taxpayer debts. See "RISK FACTORS – Tax Collections."

The Effect of FIRREA on Tax Collections of the District

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution. Under FIRREA, real property held by the FDIC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary liens shall attach to such property, (ii) the FDIC shall not be liable for any penalties, interest, or fines, including those arising from the failure to pay any real or personal property tax when due, and (iii) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed. To the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District and may prevent the collection of penalties and interest on such taxes or may affect the valuation of such property.

ANNEXATION, STRATEGIC PARTNERSHIP AGREEMENT, AND CONSOLIDATION

Under existing Texas law, since the District (including the land within the Defined Area) lies wholly within the extraterritorial jurisdiction of the City of Houston, the District may be annexed by the City of Houston without the District's consent, subject to compliance by the City of Houston with various requirements of Chapter 43 of the Texas Local Government Code, as amended. If the District is annexed, the City of Houston must assume the District's assets and obligations (including the Bonds) and abolish the District (including the property within the Defined Area) within 90 days of the date of annexation. Annexation of territory by the City of Houston is a policy-making matter within the discretion of the Mayor and City Council of the City of Houston, and therefore, the District makes no representation that the City of Houston will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City of Houston to make debt service payments should annexation occur.

The District has the right to consolidate with one or more other municipal utility districts and in connection therewith to consolidate its System with the water and sewer systems of the district or districts with which it is consolidating. No representations are made that the District will ever consolidate its System with other systems.

THE BONDS

General

The Road Bond Order authorizes the issuance and sale of the Bonds and prescribes terms, conditions, and provisions for the payment of the principal of, and interest, on the Bonds by the District. Set forth below is a summary of certain provisions of the Road Bond Order. Capitalized terms in such summary are used as defined in the Road Bond Order. Such summary is not a complete description of the entire Road Bond Order and is qualified in its entirety by reference to the Road Bond Order, a copy of which is available from the District's Bond Counsel upon request.

The Bonds are dated June 1, 2025, and will mature on April 1 in the years and in the amounts set forth on the cover page of this Official Statement. Interest on the Bonds will be calculated on the basis of a 360-day year of (12 months and 30 days per month) and will be payable on October 1, 2025, and each April 1 and October 1 thereafter until maturity or prior redemption. The record date for payment of the interest on any regularly scheduled interest payment date is defined as the 15th day of the month (whether or not a business day) preceding such interest payment date. The Bonds will be issued in denominations of \$5,000 each or integral multiples thereof. The Road Bond Order authorizes the issuance and sale of the Bonds and prescribes terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the Defined Area.

The Bonds will be issued only in fully registered form in any integral multiple of \$5,000 of the principal amount for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of the Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

In the event that the Book-Entry-Only System is discontinued, interest on the Bonds shall be payable by check on or before each interest payment date, mailed by the Paying Agent/Registrar 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 a Registered Owner at the risk and expense of such Registered Owner.

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.

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.

Paying Agent/Registrar

Pursuant to the Road Bond Order, the initial paying agent and initial registrar with respect to the Bonds is BOKF, N.A., Dallas, Texas. The District will maintain at least one Registrar, where the Bonds may be surrendered for transfer and/or for exchange or replacement for other Bonds, and for the purpose of maintaining the Bond Register on behalf of the District and the Defined Area. The Registrar is required at all times to be a duly qualified banking corporation or association organized and doing business under the laws of the United States of America, or of any state thereof, and subject to supervision or examination by federal or state banking authorities.

The District reserves the right and authority to change any paying agent/registrar and, upon any such change, the District covenants and agrees in the Road Bond Order to promptly cause written notice thereof, specifying the name and address of such successor paying agent/registrar, to be sent to each Registered Owner of the Bonds by United States mail, first class, postage prepaid.

Optional Redemption

The Bonds maturing on or after April 1, 2031, are subject to redemption at the option of the District, prior to maturity, in whole or from time to time in part on April 1, 2030, or on any date thereafter, at a price of the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular Bonds to be redeemed will be selected on behalf of the District. If fewer than all of the Bonds of a maturity are redeemed, the Bonds to be redeemed shall be selected, on behalf of the District, by the Paying Agent/Registrar, in its capacity as Registrar, by lot or other customary method, in integral multiples of \$5,000 in any one maturity.

Mandatory Redemption

The Bonds maturing April 1 in the years 2046 and 2054 (the "Term Bonds") shall be subject to annual mandatory sinking fund redemption as shown on the table(s) below.

\$450,000 Term Bonds, due April 1, 2046

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
April 1, 2045	\$225,000
April 1, 2046 (maturity)	\$225,000

\$950,000 Term Bonds, due April 1, 2054

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
April 1, 2052	\$300,000
April 1, 2053	\$325,000
April 1, 2054 (maturity)	\$325,000

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 Bond 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 Bond or portions of the Term Bond of such maturity to be mandatorily redeemed on such Mandatory Redemption Date, and (iii) give notice of such redemption as provided in the Road Bond Order. The principal amount of any Term Bond to be mandatorily redeemed on such Mandatory Redemption Date shall be reduced by the principal amount of such Term Bond, which, by the 45th day prior to 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 Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

Notice of Redemption; Partial Redemption:

While the Bonds are in book-entry-only form, pursuant to the Road Bond Order, the Term Bonds will be scheduled for annual mandatory sinking fund redemption by DTC in accordance with its procedures. If the book-entry-only system is discontinued, the Paying Agent/Registrar shall select by lot the Term Bonds, if any, to be redeemed and issue a notice of redemption in the manner provided below. The principal amount of the Term Bonds of a maturity required to be redeemed pursuant to the operation of such mandatory redemption requirements shall be reduced, at the option of and as determined by the District, by the principal amount of any Term Bonds of such maturity which, prior to the date of the mailing of notice of such mandatory redemption, (1) shall have been acquired by the District and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the District, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

Notice of each exercise of the right of redemption will be given at least 30 calendar days prior to the date fixed for redemption by the mailing of a notice by the Paying Agent/Registrar to each of the registered owners of the Bonds to be redeemed at the address shown on the records of the Paying Agent/Registrar on the date which is 45 calendar days prior to the redemption date. When Bonds have been called for redemption, the right of the registered owners of such Bonds to collect interest which would otherwise accrue after the date for redemption will be terminated.

The Bonds of a denomination larger than \$5,000 in principal amount may be redeemed in part (\$5,000 in principal or any integral multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same maturity for the unredeemed portion of the principal.

Sources of and Security for Payment

The Bonds are payable from the proceeds of a continuing, direct annual ad valorem tax levied, without legal limitation as to rate or amount, against taxable property located within the Defined Area. In the Road Bond Order the District covenants to levy a tax sufficient in rate and amount to pay principal of and interest on the Bonds when due, full allowance being made for delinquencies and costs of collection, and the District undertakes to collect such tax. The net proceeds from taxes levied for debt service purposes will be deposited in the Defined Area's Debt Service Fund and will be used to pay principal of and interest on the Bonds and on any additional bonds payable from taxes which the District may hereafter issue.

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 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 and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, (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 or 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, and which 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.

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

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

Funds

The Road Bond Order establishes of the Defined Area's Road Debt Service Fund created and established pursuant to the orders authorizing the issuance of the Outstanding Bonds. The Road Debt Service Fund is to be kept separate from all other funds of the District and used for payment of debt service on the Road Bonds and any of the Defined Area's duly authorized additional bonds. Amounts on deposit in the Defined Area's Road Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar and to pay the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any additional bonds.

Authority for Issuance and Issuance of Additional Defined Area Debt

The Defined Area's voters have authorized the issuance of Unlimited Tax Road Bonds for various purposes as reflected in the table below:

<u>Amount</u>	<u>Purpose</u>
\$15,000,000	For certain water, sanitary sewer, and storm water facilities and for refunding
\$7,785,000	For certain road facilities and for refunding

After the issuance of the Bonds, the Defined Area will have \$15,000,000 of unlimited tax water, sanitary sewer, and storm water facilities bonds (and for refunding such bonds previously issued) that remain authorized and unissued and \$2,585,000 of unlimited tax road facilities bonds (and for refunding such bonds previously issued) that will remain authorized but unissued.

The District has also reserved the right to issue certain other additional bonds, special project bonds, and other obligations described in the Road Bond Order. All of the remaining bonds described above which have heretofore been authorized by the voters of the District may be issued by the District from time to time as needed. If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

Registration, Transfer, and Exchange

In the event the Book-Entry-Only System is discontinued, the Bonds are transferable only at the designated principal corporate trust office of the Paying Agent/Registrar upon presentation and surrender of the Bonds accompanied by a duly executed assignment. The Bonds will be exchangeable for an equal principal amount of Bonds of the same type, maturity, and interest rate, in any authorized denomination. No service charge will be made for any transfer or exchange, but the District or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith. Neither the District nor the Paying Agent/Registrar is required to (i) issue, transfer or exchange any Bond during the period beginning at the opening of business 15 calendar days before the date of the first mailing of any notice of redemption of Bonds and ending at the close of business on the date of such mailing or (ii) thereafter to transfer or exchange any Bonds selected for redemption when such redemption is scheduled within 30 calendar days.

Replacement of Mutilated, Lost or Stolen Bonds

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

No Arbitrage

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

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, Maturity Value, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Financial Advisor, and the Underwriter believe the source of such information to be reliable but take no responsibility for the accuracy or completeness thereof.

The District and the Underwriter cannot and do 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 United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities. 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 an S&P rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, who will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Certificate ("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 securities representing their ownership interests in Bonds except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

All 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 Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are 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, securities 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, securities will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the District believes to be reliable, but none of the District, the Financial Advisor or the Underwriter takes any responsibility for the accuracy thereof. Termination by the District of the DTC Book-Entry-Only System may require consent of DTC Participants under DTC Operational Arrangements.

LEGAL INVESTMENT AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

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

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

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

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

LEGAL MATTERS

Legal Opinion

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

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

No-Litigation Certificate

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

TAX MATTERS

Tax Exemption

On the date of initial delivery of the Bonds, Bond Counsel to the District, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law") (i) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (ii) the Bonds will not be treated as "specified private activity bonds" the interest of 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 to the District 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 to the District 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 Refunded Bonds and the property financed or refinanced therewith.

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 to the District is conditioned on compliance by the District with such requirements, and Bond Counsel to the District 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. 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 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 property financed or refinanced with proceeds of the Bonds or the Refunded Bonds. 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.

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.

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 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 RECENTLY ENACTED LEGISLATION OR 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.

Qualified Tax-Exempt Obligations

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

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

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

Tax Accounting Treatment of Original Issue Discount Bonds

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

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

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

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each 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 amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Bond.

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

OFFICIAL STATEMENT

Sources of Information

The information contained in this Official Statement has been obtained primarily from the District's records, the Engineer, the Tax Assessor/Collector, HCAD, and other sources which are believed reliable, but the District makes no representation as to the accuracy or completeness of the information derived from such other sources. The summaries of the statutes, resolutions, and engineering and other related reports set forth in this Official Statement are included herein 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.

All estimates, statements, and assumptions in this Official Statement and the Appendices hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact, and no representation is made that any such statements will be realized.

Consultants

Financial Advisor: The Official Statement was compiled and edited under the supervision of The GMS Group, L.L.C., (the "Financial Advisor"). The fees to be paid to the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on a percentage of the Bonds actually issued, sold, and delivered. Therefore, such fees are contingent upon the sale and delivery of the Bonds.

In approving this Official Statement, the District has relied upon the following consultants:

Engineer: The information contained in this Official Statement relating to engineering matters generally, are the description of the System, and, in particular, that information included in the sections entitled "USE OF BOND PROCEEDS," "THE DISTRICT," "THE DEFINED AREA," and "THE DISTRICT'S SYSTEM" has been provided by the District's Engineer.

Tax Assessor/Collector: The information contained in this Official Statement relating to the assessed valuation of property and, in particular, such information contained in the section captioned "DEFINED AREA'S TAX DATA," has been provided by the Harris Central Appraisal District and by Assessments of the Southwest, Inc., Tax Assessor/Collector, in reliance upon their authority as experts in the field of tax appraisal and tax assessing and collecting, respectively.

Auditors: The financial statements of the District as of June 30, 2024, and for the year then ended, included in this offering document, have been audited by McCall Gibson Swedlund Barfoot Ellis PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX A."

Updating of Official Statement

For the period beginning on the date of the award of the sale of the Bonds to the Underwriter and ending on the 91st day after the "end of the underwriting period" {as defined in SEC Rule 15c(2)-12(e)(2)}, if any event shall occur of which the District has knowledge and as a result of which it is necessary to amend or supplement the Official Statement in order to make the statements therein, in light of the circumstances when the Official Statement is delivered to a prospective purchaser, not misleading, the District will promptly notify the Underwriter of the occurrence of such event and will cooperate in the preparation of a revised Official Statement, or amendments or supplements thereto, so that the statements in the Official Statement, as revised, amended or supplemented, will not, in light of the circumstances when such Official Statement is delivered to a prospective purchaser, be misleading.

Forward-Looking Statements

The statements contained in this Official Statement and in any other information provided by the District that are not purely historical are forward-looking statements, including statements regarding the District's expectations, hopes, intentions, or strategies for the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates, possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions, and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and therefore, there can be no assurance that any forward-looking statements included in this Official Statement would prove to be accurate.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data annually. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings in "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. The District will provide certain updated information to the MSRB or any successor to its functions as a repository through its EMMA system.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements if it commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB via EMMA within such six-month period, and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Road Bond Order or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is currently June 30. Accordingly, it must provide updated information by December 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB via EMMA 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 status of the Bonds or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District or other obligated person within the meaning of Rule 15c2-12; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the 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 the 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; (15) incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the obligated person, any of which reflect financial difficulties. The term "financial obligation," when used in this paragraph, shall mean 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) guarantee of (i) or (ii). The term "financial obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Road Bond Order makes any provision for debt service reserves, liquidity enhancement, the pledge of property (other than ad valorem tax revenues) to secure payment of the Bonds, or appointment of a trustee. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information

The District has agreed to provide the foregoing updated information only to the MSRB. Investors will be able to access, without charge from the MSRB, 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 material events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement although holders and beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District 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 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 SEC 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 Underwriter 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

During the last five (5) years, the District has complied in all material respects with its continuing disclosure agreements previously made in accordance with SEC Rule 15c2-12.

Continuing Availability of Financial Information

Pursuant to Texas law, the District prepares its financial statements in accordance with generally accepted accounting principles and has its financial statements audited by a certified public accountant in accordance with generally accepted auditing standards within 120 days after the close of its fiscal year. The District's audited financial statements are required to be filed with the TCEQ within 135 days after the close of its fiscal year.

The District's financial records and audited financial statements are available for public inspection during regular business hours at the office of the District and copies will be provided on written request, to the extent permitted by law, upon payment of copying charges. Requests for copies should be addressed to the District in care of Radcliffe Adams Barner PLLC, 2929 Allen Parkway, Suite 3450, Houston, Texas 77019.

Updating of Official Statement

The District will keep the Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information comes to its attention, in the other matters described in the Official Statement, until the delivery of the Bonds. All information with respect to the resale of the Bonds shall be the responsibility of the Underwriter.

CERTIFICATION OF OFFICIAL STATEMENT

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

MISCELLANEOUS

All estimates, statements and assumptions in this Official Statement and the Appendices hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statement in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, is intended as such and not a representation of fact and no representation is made that any such statement will be realized.

This Official Statement was approved by the Board of Directors of Sunbelt Fresh Water Supply District as of the date shown on the cover page.

APPENDIX A

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS OF THE DISTRICT

FOR THE YEAR ENDED JUNE 30, 2024

SUNBELT FRESH WATER SUPPLY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2024

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sunbelt Fresh Water Supply District
Harris County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Sunbelt Fresh Water Supply District (the "District") as of and for the year ended June 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 the District as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide an assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

November 7, 2024

**SUNBELT FRESH WATER SUPPLY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

Management's discussion and analysis of Sunbelt Fresh Water Supply District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2024. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

**SUNBELT FRESH WATER SUPPLY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by \$34,890,320 as of June 30, 2024.

A portion of the District's net position reflects its net investment in capital assets (e.g. water facilities, less any debt used to acquire those assets that is still outstanding). The District uses these assets to provide water and wastewater services.

The following is a comparative analysis of government-wide changes in net position:

**SUNBELT FRESH WATER SUPPLY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2024	2023	Change Positive (Negative)
Current and Other Assets	\$ 28,129,759	\$ 23,325,593	\$ 4,804,166
Capital Assets (Net of Accumulated Depreciation)	37,871,339	35,116,801	2,754,538
Total Assets	\$ 66,001,098	\$ 58,442,394	\$ 7,558,704
Deferred Outflows of Resources	\$ 12,913	\$ 13,952	\$ (1,039)
Due to Developer	\$ 7,034,836	\$ 3,805,515	\$ (3,229,321)
Long -Term Liabilities	18,787,175	19,867,828	1,080,653
Other Liabilities	5,301,680	6,018,684	717,004
Total Liabilities	\$ 31,123,691	\$ 29,692,027	\$ (1,431,664)
Net Position:			
Net Investment in Capital Assets	\$ 31,704,647	\$ 25,014,912	\$ 6,689,735
Restricted	1,781,489	1,974,490	(193,001)
Unrestricted	1,404,184	1,774,917	(370,733)
Total Net Position	\$ 34,890,320	\$ 28,764,319	\$ 6,126,001
		*	

The following table provides a summary of the District's operations for the years ending June 30, 2024, and June 30, 2023. The District's net position increased by \$6,126,001.

	Summary of Changes in the Statement of Activities		
	2024	2023	Change Positive (Negative)
Revenues:			
Charges for Services	\$ 17,043,048	\$ 12,966,541	\$ 4,076,507
Other Revenues	935,803	703,634	232,169
Total Revenues	\$ 17,978,851	\$ 13,670,175	\$ 4,308,676
Expenses for Services	11,852,850	10,434,118	(1,418,732)
Change in Net Position	\$ 6,126,001	\$ 3,236,057	\$ 2,889,944
Net Position, Beginning of Year	28,764,319	25,528,262	3,236,057
Net Position, End of Year	\$ 34,890,320	\$ 28,764,319	\$ 6,126,001
		*	

As Adjusted, See Note 15

**SUNBELT FRESH WATER SUPPLY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of June 30, 2024, were \$23,881,786, an increase of \$5,561,203 from the prior year.

The General Fund fund balance decreased by \$370,733, primarily due to service revenues and transfers from the Capital Projects Fund being less than expenditures and transfers to the Debt Service Fund.

The Debt Service Fund fund balance decreased by \$194,845, primarily due to the structure of the District's outstanding debt service requirements offset by transfers from the General Fund.

The Capital Projects Fund fund balance increased by \$6,126,781, primarily due to the receipt of grant revenues during the year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the fiscal year. Actual revenues were \$6,032,971 less than budgeted revenues primarily due to lower grant revenues than anticipated. Actual expenditures were \$5,341,547 less than budgeted expenditures primarily due to lower capital outlay than anticipated. Transfers out were \$291,069 less than anticipated, resulting in a negative variance of \$400,355.

CAPITAL ASSETS

The District's capital assets as of June 30, 2024, amount to \$37,871,339. These capital assets include land, buildings and equipment, as well as the water and wastewater systems. Additional information on the District's capital assets can be found in Note 6 of this report.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2024	2023	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 172,090	\$ 172,090	\$
Construction in Progress	1,697,191	3,197,906	(1,500,715)
Capital Assets, Net of Accumulated Depreciation:			
Water System	12,762,733	9,956,569	2,806,164
Wastewater System	18,927,351	19,005,219	(77,868)
Drainage	3,971,137	2,425,739	1,545,398
General Assets	340,837	359,278	(18,441)
Total Net Capital Assets	<u>\$ 37,871,339</u>	<u>\$ 35,116,801</u>	<u>\$ 2,754,538</u>

**SUNBELT FRESH WATER SUPPLY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

LONG-TERM DEBT

As of June 30, 2024, the District had total bond and note debt payable of \$19,255,000. The changes in the debt position of the District during the fiscal year ended June 30, 2024 are summarized as follows:

Bonds and Notes Payable, July 1, 2023	\$ 20,250,000
Less: Bonds and Notes Principal Paid	<u>995,000</u>
Bonds and Notes Payable, June 30, 2024	<u>\$ 19,255,000</u>

The District's Series 2016 Refunding, Series 2016A and Series 2018 revenue bonds and notes are not rated. The District's Series 2021 Refunding Bonds carry an underlying rating of "A3" from Moody's Investor Services, Inc. and carry an insured rating of "AA" based on bond insurance issued by Build America Mutual Assurance Company. Credit enhanced ratings provided through bond insurance policies are subject to change based on the rating of the bond insurance company.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Sunbelt Fresh Water Supply District, c/o Radcliffe Adams Barner PLLC, 2929 Allen Parkway, Suite 3450, Houston, TX 77019-7120.

SUNBELT FRESH WATER SUPPLY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2024

	<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS		
Cash	\$ 3,093,010	\$
Investments	1,304,260	1,923,512
Receivables:		
Service Accounts (Net of Allowance for Doubtful Accounts of \$15,418)	1,261,940	
Other	3,632	
Due from Other Funds		
Inventory	10,887	
Prepaid Costs	110,000	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	<u>\$ 5,783,729</u>	<u>\$ 1,923,512</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	<u>\$ -0-</u>	<u>\$ -0-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 5,783,729</u></u>	<u><u>\$ 1,923,512</u></u>

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 8,108,785	\$ 11,201,795	\$	\$ 11,201,795
12,290,417	15,518,189		15,518,189
	1,261,940		1,261,940
	3,632		3,632
254,888	254,888	(254,888)	
	10,887		10,887
	110,000	23,316	133,316
		172,090	172,090
		1,697,191	1,697,191
		36,002,058	36,002,058
<u>\$ 20,654,090</u>	<u>\$ 28,361,331</u>	<u>\$ 37,639,767</u>	<u>\$ 66,001,098</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 12,913</u>	<u>\$ 12,913</u>
<u><u>\$ 20,654,090</u></u>	<u><u>\$ 28,361,331</u></u>	<u><u>\$ 37,652,680</u></u>	<u><u>\$ 66,014,011</u></u>

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

SUNBELT FRESH WATER SUPPLY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2024

	<u>General Fund</u>	<u>Debt Service Fund</u>
LIABILITIES		
Accounts Payable	\$ 1,038,167	\$ 100,000
Accrued Interest Payable		
Due to Other Governmental Units	1,683,004	
Due to Developers		
Due to Other Funds	254,888	
Customer Deposits	1,403,486	
Long-Term Liabilities:		
Due Within One Year		
Due After One Year		
TOTAL LIABILITIES	<u>\$ 4,379,545</u>	<u>\$ 100,000</u>
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 110,000	\$
Inventory	10,887	
Restricted for Authorized Construction		
Restricted for Debt Service		1,823,512
Assigned to 2025 Budget Deficit	343,495	
Unassigned	939,802	
TOTAL FUND BALANCES	<u>\$ 1,404,184</u>	<u>\$ 1,823,512</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,783,729</u>	<u>\$ 1,923,512</u>
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$	\$ 1,138,167	\$	\$ 1,138,167
		42,023	42,023
	1,683,004		1,683,004
		7,034,836	7,034,836
	254,888	(254,888)	
	1,403,486		1,403,486
		1,035,000	1,035,000
		18,787,175	18,787,175
<u>\$ -0-</u>	<u>\$ 4,479,545</u>	<u>\$ 26,644,146</u>	<u>\$ 31,123,691</u>
\$	\$ 110,000	\$ (110,000)	\$
	10,887	(10,887)	
20,654,090	20,654,090	(20,654,090)	
	1,823,512	(1,823,512)	
	343,495	(343,495)	
	939,802	(939,802)	
<u>\$ 20,654,090</u>	<u>\$ 23,881,786</u>	<u>\$ (23,881,786)</u>	<u>\$ - 0 -</u>
<u>\$ 20,654,090</u>	<u>\$ 28,361,331</u>		
		\$ 31,704,647	\$ 31,704,647
		1,781,489	1,781,489
		1,404,184	1,404,184
		<u>\$ 34,890,320</u>	<u>\$ 34,890,320</u>

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

**SUNBELT FRESH WATER SUPPLY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2024**

Total Fund Balances - Governmental Funds	\$ 23,881,786
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Deferred charges on refunding bonds are not an expense of the current period.	12,913
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Prepaid insurance payments on refunding bonds are amortized over the term of the bonds.	23,316
---	--------

Land, construction in progress and capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.	37,871,339
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Due to Developer	\$ (7,034,836)	
Accrued Interest Payable	(42,023)	
Payable Within One Year	(1,035,000)	
Payable After One Year	<u>(18,787,175)</u>	<u>(26,899,034)</u>

Total Net Position - Governmental Activities	<u>\$ 34,890,320</u>
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The accompanying notes to the financial
statements are an integral part of this report.

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SUNBELT FRESH WATER SUPPLY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2024

	General Fund	Debt Service Fund
REVENUES		
Water Service	\$ 3,167,728	
Wastewater Service	2,667,336	
Sanitation Revenue	1,543,464	
Sanitation Administration Fees	207,567	
Door Hanger Revenue	140,459	
Grant Revenue	63,294	
Groundwater Reduction Plan Fees	2,776,456	
Penalty and Interest	192,790	
Tap Connection and Inspection Fees	483,954	
Investment Revenues	69,376	92,818
Industrial Waste Sampling/Penalty Fees	94,760	
Miscellaneous Revenues	34,999	
TOTAL REVENUES	<u>\$ 11,442,183</u>	<u>\$ 92,818</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 374,302	\$
Contracted Services	2,462,990	3,325
Purchased Water Service	1,864,692	
Wastewater Treatment Facility Lease	120,000	
Personnel	374,491	
Administrative	847,988	
Utilities	507,375	
Repairs and Maintenance	1,882,071	
Depreciation		
Other	1,313,651	
Capital Outlay	1,156,425	
Debt Service:		
Principal		995,000
Interest		515,338
TOTAL EXPENDITURES/EXPENSES	<u>\$ 10,903,985</u>	<u>\$ 1,513,663</u>
EXCESS (DEFICIENCY) OF REVENUES OVER		
EXPENDITURES/EXPENSES	<u>\$ 538,198</u>	<u>\$ (1,420,845)</u>
OTHER FINANCING SOURCES (USES)		
Transfers In(Out)	\$ (908,931)	\$ 1,226,000
NET CHANGE IN FUND BALANCES	<u>\$ (370,733)</u>	<u>\$ (194,845)</u>
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION, AS ADJUSTED -		
JULY 1, 2023	1,774,917	2,018,357
FUND BALANCES/NET POSITION - JUNE 30, 2024	<u><u>\$ 1,404,184</u></u>	<u><u>\$ 1,823,512</u></u>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
	\$ 3,167,728		\$ 3,167,728
	2,667,336		2,667,336
	1,543,464		1,543,464
	207,567		207,567
	140,459		140,459
5,800,000	5,863,294		5,863,294
	2,776,456		2,776,456
	192,790		192,790
	483,954		483,954
643,850	806,044		806,044
	94,760		94,760
	34,999		34,999
<u>\$ 6,443,850</u>	<u>\$ 17,978,851</u>	<u>\$ - 0 -</u>	<u>\$ 17,978,851</u>
\$	\$ 374,302	\$	\$ 374,302
	2,466,315		2,466,315
	1,864,692		1,864,692
	120,000		120,000
	374,491		374,491
	847,988		847,988
	507,375		507,375
	1,882,071		1,882,071
		1,526,360	1,526,360
	1,313,651	104,848	1,418,499
	1,156,425	(1,156,425)	
	995,000	(995,000)	
	515,338	(44,581)	470,757
<u>\$ -0-</u>	<u>\$ 12,417,648</u>	<u>\$ (564,798)</u>	<u>\$ 11,852,850</u>
<u>\$ 6,443,850</u>	<u>\$ 5,561,203</u>	<u>\$ 564,798</u>	<u>\$ 6,126,001</u>
<u>\$ (317,069)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
<u>\$ 6,126,781</u>	<u>\$ 5,561,203</u>	<u>\$ (5,561,203)</u>	<u>\$</u>
		6,126,001	6,126,001
<u>14,527,309</u>	<u>18,320,583</u>	<u>10,443,736</u>	<u>28,764,319</u>
<u><u>\$ 20,654,090</u></u>	<u><u>\$ 23,881,786</u></u>	<u><u>\$ 11,008,534</u></u>	<u><u>\$ 34,890,320</u></u>

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

SUNBELT FRESH WATER SUPPLY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

Net Change in Fund Balances - Governmental Funds	\$ 5,561,203
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(1,526,360)
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Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	1,051,577
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Governmental funds report bond and note principal payments as expenditures. However, in the Statement of Net Position, bond and note principal payments are reported as decreases in long-term liabilities.	995,000
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Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	<u>44,581</u>
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Change in Net Position - Governmental Activities	<u>\$ 6,126,001</u>
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The accompanying notes to the financial
statements are an integral part of this report.

SUNBELT FRESH WATER SUPPLY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1. CREATION OF DISTRICT

Sunbelt Fresh Water Supply District (the “District”) was created effective November 14, 1995, by an act of Commissioners Court of Harris County, Texas and operates in accordance with Texas Water Code Chapters 49 and 53. The District is empowered, among other things, 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. The District may provide garbage disposal and collection services. In addition, the District is empowered, if approved by the electorate, the Texas Commission on Environmental Quality and other governmental entities having jurisdiction, to establish, operate and maintain a fire department, either independently or jointly with certain other districts. The Board of Directors held its first meeting on November 14, 1995, and sold its first bonds on June 26, 1996. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality. On August 14, 2020, the Commission approved the District’s application to convert to a Municipal Utility District under Chapters 49 and 54 of the Texas Water Code while retaining the District name and retaining powers under Chapter 53.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

SUNBELT FRESH WATER SUPPLY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- * Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- * Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- * Unrestricted Net Position– This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

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

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

SUNBELT FRESH WATER SUPPLY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

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

Governmental Funds

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

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

Debt Service Fund – To account for financial resources restricted, committed or assigned for servicing debt.

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

Basis of Accounting

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

SUNBELT FRESH WATER SUPPLY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of June 30, 2024, the General Fund owed the Capital Projects Fund \$254,888. The Capital Projects Fund transferred \$317,069 to the General Fund for prior year sanitary sewer project costs and the General Fund transferred \$1,226,000 to the Debt Service Fund to cover debt service requirements.

Capital Assets

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

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$10,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Buildings are amortized over a period of 40 years. Water and Wastewater facilities are amortized over periods ranging from 10 to 45 years. All other equipment is amortized over periods ranging from 3 to 20 years.

Inventory

Inventory is recorded at the average cost basis. Average cost is calculated on the average cost of each specific item during the fiscal year.

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

SUNBELT FRESH WATER SUPPLY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

The District has 9 full-time employees. The District and employees of the District make contributions into the social security system. The Internal Revenue Service has determined that Board of Directors is considered to be “employees” for federal payroll tax purposes only. The District has a Simple IRA plan which provides matching contributions for employees in the plan.

Measurement Focus

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

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

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

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

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. As of June 30, 2024, the District has assigned \$343,495 of the General Fund fund balance for a projected budget deficit for the year ending June 30, 2025.

SUNBELT FRESH WATER SUPPLY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

The following is a summary of transactions regarding long-term debt payable for the year ended June 30, 2024:

	July 1, 2023	Additions	Retirements	June 30, 2024
Bonds and Notes Payable	\$ 20,250,000	\$	\$ 995,000	\$ 19,255,000
Unamortized Premiums	612,828		45,653	567,175
Total Long-Term Liabilities	<u>\$ 20,862,828</u>	<u>\$ -0-</u>	<u>\$ 1,040,653</u>	<u>\$ 19,822,175</u>
			Amount Due Within One Year	\$ 1,035,000
			Amount Due After One Year	18,787,175
			Total Long-Term Liabilities	<u>\$ 19,822,175</u>

The Series 2016 refunding bonds are private placement revenue refunding bonds sold to a bank. The Series 2016A and 2018 bonds are private placement bonds sold to the Texas Water Development Board.

The revenue bonds and notes are secured by a lien on and pledge of the net revenues to be received from the operation of the District's waterworks and sanitary sewer system.

SUNBELT FRESH WATER SUPPLY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 3. LONG-TERM DEBT (Continued)

	Series 2016 Refunding	Series 2016A
Amount Outstanding – June 30, 2024	\$ 385,000	\$ 3,310,000
Interest Rates	1.90%	2.25%-4.12%
Maturity Dates - Serially Beginning/Ending	December 1, 2024/2026	December 1, 2024/2038
Interest Payment Dates	December 1/June 1	December 1/June 1
Callable Dates	December 1, 2021*	December 1, 2026*

	Series 2018	Series 2021 Refunding
Amount Outstanding – June 30, 2024	\$ 7,895,000	\$ 7,665,000
Interest Rates	1.22%-2.23%	2.25%-3.00%
Maturity Dates - Serially Beginning/Ending	December 1, 2024/2048	December 1, 2024/2036
Interest Payment Dates	December 1/June 1	December 1/June 1
Callable Dates	December 1, 2028*	December 1, 2030*

* As a whole or from time to time in part in inverse order of maturity in integral multiples of \$5,000 principal on any date, upon payment of a redemption price equal to the principal amount thereof together with interest, if any, accrued thereon from the most recent interest payment date to the redemption date.

As of June 30, 2024, the District had authorized but unissued bonds in the amount of \$15,000,000 for utility facilities and refunding in the Defined Area and \$7,785,000 for roads in the Defined Area.

SUNBELT FRESH WATER SUPPLY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 3. LONG-TERM DEBT (Continued)

As of June 30, 2024, the debt service requirements on the bonds and notes outstanding were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 1,035,000	\$ 492,298	\$ 1,527,298
2026	1,070,000	467,608	1,537,608
2027	1,100,000	441,493	1,541,493
2028	990,000	415,264	1,405,264
2029	1,020,000	388,858	1,408,858
2030-2034	5,525,000	1,500,145	7,025,145
2035-2039	4,855,000	701,268	5,556,268
2040-2044	1,730,000	309,053	2,039,053
2045-2049	1,930,000	108,695	2,038,695
	<u>\$ 19,255,000</u>	<u>\$ 4,824,682</u>	<u>\$ 24,079,682</u>

Defined Area

Pursuant to the provisions of Subchapter J of Chapter 54 of the Texas Water Code, as amended, the District is authorized to define areas or designate certain property of the District to pay for improvements, facilities or services that primarily benefit that area. On August 6, 2020, the District approved the creation of a defined area (the "Defined Area").

At an election within the District on November 3, 2020, the voters authorized \$15,000,000 principal amount of bonds to finance water, wastewater and drainage improvements within the Defined Area and at an election within the District on May 1, 2021, the voters authorized \$7,785,000 principal amount of bonds to finance road improvements within the Defined Area. Any bonds issued for the Defined Area shall be payable solely from a tax levied within the boundaries of the Defined Area and not on any other part of the District.

During the year ended June 30, 2024, the District did not levy an ad valorem debt service and road tax within the defined area.

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The bond orders and note resolutions state that the District shall maintain insurance on the system of a kind and in an amount which usually would be carried by private companies engaged in a similar type of business, but considering any governmental immunities to which the District may be entitled.

SUNBELT FRESH WATER SUPPLY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

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

The bond orders and note resolutions state that the District shall establish and maintain a reserve fund ("Reserve Fund") in an amount equal to the average annual principal and interest requirements for the notes and all outstanding notes, if any, but if and whenever said Reserve Fund is reduced below said amount, monthly deposits into the Reserve Fund shall be commenced in an amount equal to 1/60 of the full amount then required to be on deposit in the Reserve Fund. The District has established the Reserve Fund and is funding it at the rate specified. At June 30, 2024, the amount required to be funded was \$1,007,712 and the amount actually funded was \$1,923,512.

The bond orders and note resolutions state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data to each nationally recognized municipal securities information depository. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the debt.

The District takes all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of Section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five year anniversary of each issue.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes. Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged.

At fiscal year end, the carrying amount of the District's deposits was \$11,201,795 and the bank balance was \$11,232,411. As of June 30, 2024, the District was not exposed to custodial credit risk.

SUNBELT FRESH WATER SUPPLY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at June 30, 2024, as listed below:

	<u>Cash</u>
GENERAL FUND	\$ 3,093,010
CAPITAL PROJECTS FUND	<u>8,108,785</u>
TOTAL DEPOSITS	<u>\$ 11,201,795</u>

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors.

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

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

SUNBELT FRESH WATER SUPPLY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The District invests in TexSTAR, an external public funds investment pools that is not SEC-registered. JPMorgan Investment Management, Inc. provides investment management and FirstSouthwest, a division of Hilltop Securities Inc. provides participant services and marketing under an agreement with the TexSTAR Board of Directors. Custodial, fund accounting and depository services are provided by JP Morgan Chase Bank, NA and/or its subsidiary JP Morgan Investors Services Co. Investments held by TexSTAR are marked to market daily. The investments are considered to be Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District's position in the pools is the same as the value of pool shares. There are no limitations or restrictions on withdrawals from TexSTAR.

As of June 30, 2024, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$ 1,304,260	\$ 1,304,260
<u>DEBT SERVICE FUND</u>		
TexPool	1,923,512	1,923,512
<u>CAPITAL PROJECTS FUND</u>		
TexSTAR	<u>12,290,417</u>	<u>12,290,417</u>
TOTAL INVESTMENTS	<u>\$ 15,518,189</u>	<u>\$ 15,518,189</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2024, the District's investments in TexPool and TexSTAR were rated AAAm by Standard and Poor's.

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

Restrictions

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

SUNBELT FRESH WATER SUPPLY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024:

	July 1, 2023	Increases	Decreases	June 30, 2024
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 172,090	\$	\$	\$ 172,090
Construction in Progress	3,197,906	4,280,898	5,781,613	1,697,191
Total Capital Assets Not Being Depreciated	<u>\$ 3,369,996</u>	<u>\$ 4,280,898</u>	<u>\$ 5,781,613</u>	<u>\$ 1,869,281</u>
Capital Assets Subject to Depreciation				
Water System	\$ 25,756,518	\$ 3,532,386	\$	\$ 29,288,904
Wastewater System	29,723,145	541,951		30,265,096
Drainage	2,681,390	1,707,276		4,388,666
General Assets	738,637			738,637
Total Capital Assets Subject to Depreciation	<u>\$ 58,899,690</u>	<u>\$ 5,781,613</u>	<u>\$ - 0 -</u>	<u>\$ 64,681,303</u>
Accumulated Depreciation				
Water System	\$ 15,799,949	\$ 726,222	\$	\$ 16,526,171
Wastewater System	10,717,926	619,819		11,337,745
Drainage	255,651	161,878		417,529
General Assets	379,359	18,441		397,800
Total Accumulated Depreciation	<u>\$ 27,152,885</u>	<u>\$ 1,526,360</u>	<u>\$ - 0 -</u>	<u>\$ 28,679,245</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 31,746,805</u>	<u>\$ 4,255,253</u>	<u>\$ - 0 -</u>	<u>\$ 36,002,058</u>
Total Capital Assets, Net of Accumulated Depreciation	<u><u>\$ 35,116,801</u></u>	<u><u>\$ 8,536,151</u></u>	<u><u>\$ 5,781,613</u></u>	<u><u>\$ 37,871,339</u></u>

NOTE 7. MAINTENANCE TAX

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for planning, maintaining, repairing and operating of the District's improvements, if such maintenance tax is authorized by a vote of the District's electors. Such tax would be in addition to taxes which the District is authorized to levy for paying principal of and interest of the outstanding bonds, and any tax bonds which may be issued in the future. To date, an election has not been held to authorize a maintenance tax, and thus no maintenance tax has been levied.

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

SUNBELT FRESH WATER SUPPLY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 7. MAINTENANCE TAX (Continued)

Defined Area

Pursuant to the provisions of Subchapter J of Chapter 54 of the Texas Water Code, as amended, the District is authorized to define areas or designate certain property of the District to pay for improvements, facilities or services that primarily benefit that area. On August 6, 2020, the District approved the creation of a defined area (the “Defined Area”) (See Note 3).

The District is authorized to levy a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation for property within the Defined Area, in addition to the District’s debt service and maintenance tax rates applicable to the remainder of the District. During the fiscal year ended June 30, 2024, the District did not levy an ad valorem maintenance tax.

NOTE 8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters. The District carries commercial insurance for its fidelity bonds and participates in the Texas Municipal League Intergovernmental Risk Pool (TML) to provide general liability, property, boiler and machinery, workers compensation, auto liability, and public officials liability coverage. The District, along with other participating entities, contributes annual amounts determined by TML’s management. As claims arise they are submitted and paid by TML. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 9. ESCROW REQUIREMENTS

In compliance with an order of the Texas Water Development Board (the “TWDB”), the District escrowed \$10,440,000 of the Series 2011 Waterworks and Sewer System Revenue Notes proceeds. These funds are to be used to finance construction of wastewater system improvements, including two new wastewater treatment facilities adjacent to the existing Woodland Oaks and Oakwilde wastewater treatment facilities. At closing, the TWDB released \$596,720 from escrow to fund issuance costs. On July 18, 2013, an additional \$877,290 was released from escrow to fund engineering and related costs for the Woodland Oaks Wastewater Treatment Facility and the Oakwilde Wastewater Treatment Facility. On February 3, 2015, the TWDB released \$4,512,200 from escrow for the Woodland Oaks Wastewater Treatment Facility. In September 2019, the TWDB released \$600,935 for engineering. The TWDB granted a change in scope for the remaining \$3,852,855 to fund High Meadows/Fairgreen Water Plant SCADA Installation; Hurlingham Water Plant Improvements; Northline Terrace Water Plant Improvements; Fairgreen Water Plant ground storage tank replacement; matching funds for High Meadows/Fairgreen Sanitary Sewer Rehabilitation; Smoke Testing in Oakwilde, including Mary Ellen/Mary Francis and North Houston Heights; Seven Mile Water Plant half the cost of new water well; Water Distribution System Improvements in Oakwilde; and Marquita Water Plant new water well.

SUNBELT FRESH WATER SUPPLY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 9. ESCROW REQUIREMENTS (Continues)

On December 1, 2021, the TWDB released \$1,346,946 from escrow, composed of \$535,679 for the Marquita Water Well and \$811,267 for the High Meadows/Fairgreen Rehabilitation. On October 19, 2022, the TWDB released \$308,512 from escrow to the District's construction account. On February 24, 2023, the TWDB released \$397,515 from escrow to the District's construction account. On April 1, 2024, the TWDB released \$695,778 from escrow to the District's construction account, leaving an escrowed balance at year-end of \$1,104,464.

In compliance with an order of the TWDB, the District escrowed \$3,734,050 of the Series 2016A Waterworks and Sewer System Revenue Notes proceeds. These funds are to be used to finance construction of rehabilitation work on approximately 43,435 linear feet of existing sanitary sewer lines and associated manholes and sanitary sewer service connections to serve the Northline Terrace Subdivision and construction of a new water well to serve the Oakwilde Subdivision. At closing, the TWDB released \$116,825 from escrow to fund issuance costs. During a prior fiscal year, the TWDB released \$224,125 for engineering costs. On September 24, 2018, the TWDB released \$2,673,097 from escrow for the Northline Terrace Sanitary Sewer Rehabilitation, leaving an escrowed balance at year-end of \$1,060,953.

In compliance with an order of the TWDB, the District escrowed \$7,933,213 of the Series 2018 Water and Sewer Revenue Bonds proceeds. These funds are to be used to fund construction of a new permanent wastewater treatment plant in the Oakwilde service area.

NOTE 10. EQUIPMENT LEASES

On June 23, 2010, the District executed an equipment lease for a wastewater treatment facility to treat the average daily flow of 450,000 gallons per day. Monthly lease payments are \$12,875 per month for the first 24 months and \$8,800 per month thereafter. The term of the lease is 24 months with successive 90-day renewals until the District gives a 90-day notice to terminate the lease. On November 20, 2015, a contract amendment called for relocation of the facility from Woodland Oaks to Oakwilde with a one-time cost of \$157,720 and monthly lease payments of \$8,800 per month. On September 6, 2011, the District executed an equipment lease for a wastewater treatment facility with a minimum capacity of 2,762 cubic feet. Monthly lease payments are \$2,700 per month for the first 24 months and \$1,200 per month thereafter. The term of the lease is 24 months with successive 90-day renewals until the District gives a 90-day notice to terminate the lease. This facility is in Oakwilde.

NOTE 11. UNREIMBURSED COSTS

The District has executed a Developer Reimbursement Agreement with the Developer which calls for the Developer to fund costs associated with the construction of water, wastewater, and drainage facilities to support a commercial development within a defined area. (See Note 3) Reimbursement will come from the proceeds of future bond issuances to the extent approved by the Commission. The Developer Liability at year end totaled \$7,034,836, with an increase from prior year related to the completion of the water, sewer and drainage facilities to serve Urban Logistics Park.

SUNBELT FRESH WATER SUPPLY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

**NOTE 12. CITY OF HOUSTON WATER SUPPLY AND GROUNDWATER
REDUCTION PLAN WHOLESALE AGREEMENT**

The District entered into a City of Houston Water Supply and Groundwater Reduction Plan Wholesale Agreement for Regulatory Area 3 of the Harris-Galveston Subsidence District (the “Agreement”) with the City of Houston, Texas (the “City”). Under the terms of the Agreement, the City is responsible for the design, construction and operation of a project to achieve regulatory compliance with the Harris-Galveston Subsidence District’s (the “Subsidence District”) requirements to reduce the total amount of groundwater withdrawn by non-exempt Area 3 pumpers of groundwater from wells. The Subsidence District’s deadlines are as follows: January 2005 for commencement of construction of the initial phase; January 2010 deadline for reduction of groundwater withdrawals such that the City and participants, including the District, have a total withdrawal of groundwater of no more than 70% of overall demand, and subsequent deadlines in 2020 and 2030 for further reduction of groundwater withdrawals. The District began taking water under the Agreement. The City will determine the minimum amount of water to be taken and establish maximum peak rates of flow.

The City has developed a Groundwater Reduction Plan (“GRP”) for itself, the District and all other entities who execute a similar agreement with the City. The GRP is based upon the project to supply treated water from alternative sources and includes a plan for co-permitting all groundwater wells owned or controlled by the other participants in accordance with requirements of the Subsidence District. The City and District agree to cooperate to allow co-permitting of their wells under the Subsidence District’s rules as provided in the GRP. The payment commencement date for the District, under the agreement, is based on the renewal dates of the District’s Subsidence District withdrawal permit on or after 2003 or the date on which delivery of treated water to the District commences if such date is earlier. The payment amount is calculated by formulas which are specified in the Agreement based on whether the District has connected to the project or not, as well as quantity of groundwater pumped by the District, and the base GRP Rate per thousand gallons as set by City ordinance. The term of the Agreement extends until noon on December 31, 2040, unless sooner terminated pursuant to the terms of the Agreement.

Effective September 2016, the District entered contract supplements for Oakwilde, High Meadows/Fairgreen and Woodland Oaks which specify updated minimum amounts and maximum peak flows. New development, as defined in the supplements, will be assessed an impact fee by the City, currently \$626.50 per Equivalent Single Family Connection (“ESFC”). Purchased water costs totaled \$1,864,692 during the current fiscal year.

SUNBELT FRESH WATER SUPPLY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 13. WATER AND WASTEWATER TREATMENT AGREEMENT

Effective March 15, 2012, the District entered into a Water Supply and Wastewater Treatment Agreement with Skymark Development Company, Inc. (Developer), on behalf of the developer and on behalf of proposed JFK Municipal Utility District (JFK). The District excluded from the District's jurisdiction tracts of land totaling approximately 144.388 acres. This property, along with other property, would eventually become JFK. The District will sell potable water on a wholesale basis to JFK. The Developer and the District agree to finance, construct, own and operate regional water and wastewater treatment plant facilities.

The District agrees to provide 25 ESFCs of water capacity to JFK upon payment of \$25,000 by the Developer to fund design costs of a waterline extension from the Fairgreen Water Plant to the Cuta Court Water Plant, and upon payment of \$175,000 by the Developer to fund initial construction costs for the waterline extension. The District agrees to provide an additional 25 ESFCs of water capacity to JFK upon payment by the Developer of all costs required for completion of the water line extension, estimated at \$226,000. The District agrees to provide 100 ESFCs of water capacity to JFK upon funding and completion of improvements to the Fairgreen Water Plant, estimated at \$503,125. The District agrees to provide the remaining 100 ESFCs of water capacity to JFK upon payment by the Developer or JFK for shared costs in improvements to Cuta Court Water Plant, estimated at \$157,150. Additional capacity requests may be made according to the terms of the agreement. The District will bill JFK a monthly rate of \$5.00 per 1,000 gallons of water used. The rate may be changed according to the terms of the agreement.

The District and JFK will each construct, operate and maintain a sanitary sewer collection system appropriate for serving the developed areas within their respective boundaries. The District and JFK will each construct, operate and maintain sanitary sewer lines necessary to convey waste to the Fairgreen wastewater treatment and disposal facilities. Legal title to the Fairgreen waste treatment facilities remains with the District.

The District agrees to allocate 33,333 gallons per day of wastewater treatment capacity in the Fairgreen facilities to JFK upon payment of \$100,000 by the Developer. If the District engineer determines that a new lift station at the Fairgreen Facilities and relocation of an 18" sanitary sewer line is necessary, the District and JFK will jointly fund the estimated cost of \$426,000. Future enlargement of the Fairgreen Facilities may be designed and constructed by one party or jointly according to the terms of the agreement. Ownership interest will be recalculated upon completion of the additional capacity constructed.

The District will operate the facilities. The Developer or JFK will fund its proportionate share of operations and maintenance costs. Fixed costs will be billed based on capacity allocated. Variable costs will be billed based on gallons billed to customers utilizing the Fairgreen facilities. Extraordinary repair costs, capital improvements or modifications to the Fairgreen facilities will be paid based on each district's proportionate share of ownership.

SUNBELT FRESH WATER SUPPLY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 13. WATER AND WASTEWATER TREATMENT AGREEMENT (Continued)

The participants and their respective pro-rata share of capacity in the plant are:

	<u>Percentage of Total Capacity</u>
Sunbelt Fresh Water Supply District	88.89%
Harris County Municipal Utility District No. 461	7.69
JFK Municipal Utility District	<u>3.42</u>
	<u>100.00%</u>

Effective August 16, 2017, the land within JFK was annexed into Harris County MUD No. 461. As a result, JFK's obligations under the agreement have been assigned to Harris County MUD No. 461.

NOTE 14. GRANTS

On May 7, 2024, the District was awarded \$5,800,000 in American Rescue Plan Act funds passed through the Harris County Community Services Department (HCCSD). The award is to be used for construction related to expanding an existing wastewater treatment plant to serve Westfield Estates in the Oakwilde Service area. Additional funding for this project will be from the available bond proceeds still on hand from the \$8,265,000 Series 2018 bonds purchased by the Texas Water Development Board from the Clean Water State Revolving Fund.

NOTE 15. PRIOR PERIOD ADJUSTMENT

During the current fiscal year, it was determined that the due from Harris County amount was incorrectly presented in a prior year. In order to correctly account for the District's assets for the current fiscal year, a prior period adjustment has been recorded to adjust the prior year net position balance. The effects of these changes are as follows:

Net Position - July 1, 2023	\$ 29,111,094
Effect of Adjustments	<u>(346,775)</u>
Net Position - July 1, 2023, As Adjusted	<u>\$ 28,764,319</u>
 General Fund Fund Balance - July 1, 2023	 \$ 2,121,692
Effect of Adjustment	<u>(346,775)</u>
General Fund Fund Balance - July 1, 2023, As Adjusted	<u>\$ 1,774,917</u>

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SUNBELT FRESH WATER SUPPLY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2024

SUNBELT FRESH WATER SUPPLY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2024

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Water Service	\$ 3,114,380	\$ 3,167,728	\$ 53,348
Wastewater Service	2,539,000	2,667,336	128,336
Sanitation Service	1,254,000	1,543,464	289,464
Sanitation Administration Fees	271,110	207,567	(63,543)
Door Hanger Revenue	134,800	140,459	5,659
Grant Revenue	7,199,064	63,294	(7,135,770)
Groundwater Reduction Plan Fee	2,367,000	2,776,456	409,456
Penalty and Interest	185,600	192,790	7,190
Tap Connection and Inspection Fees	149,600	483,954	334,354
Investment Revenues	14,000	69,376	55,376
Industrial Waste Sampling/Penalty Fees	103,700	94,760	(8,940)
Miscellaneous Revenues	142,900	34,999	(107,901)
TOTAL REVENUES	\$ 17,475,154	\$ 11,442,183	\$ (6,032,971)
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 527,000	\$ 374,302	\$ 152,698
Contracted Services	2,449,043	2,462,990	(13,947)
Purchased Water Service	1,085,500	1,864,692	(779,192)
Wastewater Treatment Facility Lease	120,000	120,000	
Personnel	349,800	374,491	(24,691)
Administrative Services	432,500	847,988	(415,488)
Utilities	488,400	507,375	(18,975)
Repairs and Maintenance	1,838,850	1,882,071	(43,221)
Other	1,348,800	1,313,651	35,149
Capital Outlay	7,605,639	1,156,425	6,449,214
TOTAL EXPENDITURES	\$ 16,245,532	\$ 10,903,985	\$ 5,341,547
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 1,229,622	\$ 538,198	\$ (691,424)
OTHER FINANCING SOURCES(USES)			
Transfers (Out)	\$ (1,200,000)	\$ (908,931)	\$ 291,069
NET CHANGE IN FUND BALANCE	\$ 29,622	\$ (370,733)	\$ (400,355)
FUND BALANCE, AS ADJUSTED - JULY 1, 2023	1,774,917	1,774,917	
FUND BALANCE - JUNE 30, 2024	\$ 1,804,539	\$ 1,404,184	\$ (400,355)

See accompanying independent auditor's report.

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SUNBELT FRESH WATER SUPPLY DISTRICT
SUPPLEMENTARY INFORMATION REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
JUNE 30, 2024

**SUNBELT FRESH WATER SUPPLY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2024**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered			x 1.0	
≤¾"	<u>8,323</u>	<u>7,807</u>	x 1.0	<u>7,807</u>
1"	<u>74</u>	<u>74</u>	x 2.5	<u>185</u>
1½"	<u>95</u>	<u>95</u>	x 5.0	<u>475</u>
2"	<u>68</u>	<u>68</u>	x 8.0	<u>544</u>
3"	<u>2</u>	<u>2</u>	x 15.0	<u>30</u>
4"	<u>8</u>	<u>8</u>	x 25.0	<u>200</u>
6"			x 50.0	
8"	<u>14</u>	<u>14</u>	x 80.0	<u>1,120</u>
10"	<u>1</u>	<u>1</u>	x 115.0	<u>115</u>
Total Water Connections	<u>8,585</u>	<u>8,069</u>		<u>10,476</u>
Total Wastewater Connections	<u>7,162</u>	<u>7,162</u>	x 1.0	<u>7,162</u>

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

Gallons pumped into system:	461,500,000	Water Accountability Ratio: 79.43% (Gallons billed /Gallons pumped)
Gallons billed to customers:	630,200,000	
Gallons purchased:	331,873,000	From: City of Houston

See accompanying independent auditor's report.

**SUNBELT FRESH WATER SUPPLY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2024**

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

Does the District have Debt Service standby fees? Yes ☐ No ☒

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes ☒ No ☐

County or Counties in which District is located:

Harris County, Texas

Is the District located within a city?

City of Houston, Texas

Entirely ☐ Partly ☒ Not at all ☐

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

Entirely ☒ Partly ☐ Not at all ☐

ETJ's in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes ☐ No ☒

See accompanying independent auditor's report.

**SUNBELT FRESH WATER SUPPLY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2024**

PERSONNEL EXPENDITURES (Including Benefits)	<u>\$ 374,491</u>
PROFESSIONAL FEES:	
Auditing	\$ 38,280
Engineering	162,567
Legal	<u>173,455</u>
TOTAL PROFESSIONAL FEES	<u>\$ 374,302</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	<u>\$ 1,864,692</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 38,400
Operations and Billing	955,970
Solid Waste Disposal	1,444,393
Security	<u>24,227</u>
TOTAL CONTRACTED SERVICES	<u>\$ 2,462,990</u>
UTILITIES:	
Electricity	\$ 494,430
Telephone	<u>12,945</u>
TOTAL UTILITIES	<u>\$ 507,375</u>
REPAIRS AND MAINTENANCE	<u>\$ 1,882,071</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 32,187
Election Costs	159,290
Insurance	243,629
Office Supplies and Postage	44,605
Travel and Meetings	19,006
Other	<u>349,271</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 847,988</u>

See accompanying independent auditor's report.

**SUNBELT FRESH WATER SUPPLY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2024**

TOTAL CAPITAL OUTLAY	<u>\$ 1,156,425</u>
TAP CONNECTIONS	<u>\$ 79,965</u>
OTHER EXPENDITURES:	
Chemicals	\$ 238,217
Laboratory Fees	195,767
Permit Fees	40,072
Wastewater Treatment Facility Lease	120,000
Inspection Fees	87,792
Mowing	42,794
Sludge Hauling	<u>629,044</u>
TOTAL OTHER EXPENDITURES	<u>\$ 1,353,686</u>
TOTAL EXPENDITURES	<u><u>\$ 10,903,985</u></u>

Number of persons employed by the District: 9 Full-Time 0 Part-Time

See accompanying independent auditor's report.

SUNBELT FRESH WATER SUPPLY DISTRICT
INVESTMENTS
JUNE 30, 2024

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 416,957	\$
TexPool	XXXX0008	Varies	Daily	887,303	
TOTAL GENERAL FUND				<u>\$ 1,304,260</u>	<u>\$ - 0 -</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0006	Varies	Daily	\$ 1,049,942	\$
TexPool	XXXX0007	Varies	Daily	873,570	
TOTAL DEBT SERVICE FUND				<u>\$ 1,923,512</u>	<u>\$ - 0 -</u>
<u>CAPITAL PROJECTS FUND</u>					
TexSTAR	XXXX1110	Varies	Daily	\$ 2,297,462	\$
TexSTAR	XXXX0160	Varies	Daily	1,296,673	
TexSTAR	XXXX0200			8,696,282	
TOTAL CAPITAL PROJECTS FUND				<u>\$ 12,290,417</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u><u>\$ 15,518,189</u></u>	<u><u>\$ - 0 -</u></u>

See accompanying independent auditor's report.

SUNBELT FRESH WATER SUPPLY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2024

S E R I E S - 2 0 1 6 R E F U N D I N G			
Due During Fiscal Years Ending June 30	Principal Due December 1	Interest Due December 1/ June 1	Total
2025	\$ 125,000	\$ 6,127	\$ 131,127
2026	130,000	3,705	133,705
2027	130,000	1,235	131,235
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
	<u>\$ 385,000</u>	<u>\$ 11,067</u>	<u>\$ 396,067</u>

See accompanying independent auditor's report.

SUNBELT FRESH WATER SUPPLY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2024

S E R I E S - 2 0 1 6 A			
Due During Fiscal Years Ending June 30	Principal Due December 1	Interest Due December 1/ June 1	Total
2025	\$ 170,000	\$ 113,176	\$ 283,176
2026	180,000	109,067	289,067
2027	185,000	104,504	289,504
2028	195,000	99,376	294,376
2029	200,000	93,547	293,547
2030	205,000	87,136	292,136
2031	210,000	80,192	290,192
2032	220,000	72,653	292,653
2033	225,000	64,564	289,564
2034	235,000	55,971	290,971
2035	240,000	46,886	286,886
2036	250,000	37,304	287,304
2037	255,000	27,241	282,241
2038	265,000	16,723	281,723
2039	275,000	5,665	280,665
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
	<u>\$ 3,310,000</u>	<u>\$ 1,014,005</u>	<u>\$ 4,324,005</u>

See accompanying independent auditor's report.

SUNBELT FRESH WATER SUPPLY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2024

S E R I E S - 2 0 1 8			
Due During Fiscal Years Ending June 30	Principal Due December 1	Interest Due December 1/ June 1	Total
2025	\$ 250,000	\$ 155,457	\$ 405,457
2026	255,000	152,224	407,224
2027	260,000	148,591	408,591
2028	260,000	144,626	404,626
2029	265,000	140,398	405,398
2030	270,000	135,877	405,877
2031	275,000	131,067	406,067
2032	280,000	125,988	405,988
2033	285,000	120,662	405,662
2034	290,000	115,098	405,098
2035	295,000	109,277	404,277
2036	305,000	103,170	408,170
2037	310,000	96,820	406,820
2038	315,000	90,257	405,257
2039	320,000	83,494	403,494
2040	330,000	76,523	406,523
2041	335,000	69,374	404,374
2042	345,000	62,047	407,047
2043	355,000	54,469	409,469
2044	365,000	46,640	411,640
2045	370,000	38,609	408,609
2046	380,000	30,378	410,378
2047	385,000	21,944	406,944
2048	395,000	13,304	408,304
2049	400,000	4,460	404,460
	<u>\$ 7,895,000</u>	<u>\$ 2,270,754</u>	<u>\$ 10,165,754</u>

See accompanying independent auditor's report.

SUNBELT FRESH WATER SUPPLY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2024

S E R I E S - 2 0 2 1 R E F U N D I N G			
Due During Fiscal Years Ending June 30	Principal Due December 1	Interest Due December 1/ June 1	Total
2025	\$ 490,000	\$ 217,538	\$ 707,538
2026	505,000	202,612	707,612
2027	525,000	187,163	712,163
2028	535,000	171,262	706,262
2029	555,000	154,913	709,913
2030	570,000	138,037	708,037
2031	590,000	120,638	710,638
2032	605,000	102,712	707,712
2033	625,000	84,263	709,263
2034	640,000	65,287	705,287
2035	660,000	45,788	705,788
2036	675,000	28,293	703,293
2037	690,000	10,350	700,350
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
	<u>\$ 7,665,000</u>	<u>\$ 1,528,856</u>	<u>\$ 9,193,856</u>

See accompanying independent auditor's report.

SUNBELT FRESH WATER SUPPLY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2024

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending June 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2025	\$ 1,035,000	\$ 492,298	\$ 1,527,298
2026	1,070,000	467,608	1,537,608
2027	1,100,000	441,493	1,541,493
2028	990,000	415,264	1,405,264
2029	1,020,000	388,858	1,408,858
2030	1,045,000	361,050	1,406,050
2031	1,075,000	331,897	1,406,897
2032	1,105,000	301,353	1,406,353
2033	1,135,000	269,489	1,404,489
2034	1,165,000	236,356	1,401,356
2035	1,195,000	201,951	1,396,951
2036	1,230,000	168,767	1,398,767
2037	1,255,000	134,411	1,389,411
2038	580,000	106,980	686,980
2039	595,000	89,159	684,159
2040	330,000	76,523	406,523
2041	335,000	69,374	404,374
2042	345,000	62,047	407,047
2043	355,000	54,469	409,469
2044	365,000	46,640	411,640
2045	370,000	38,609	408,609
2046	380,000	30,378	410,378
2047	385,000	21,944	406,944
2048	395,000	13,304	408,304
2049	400,000	4,460	404,460
	<u>\$ 19,255,000</u>	<u>\$ 4,824,682</u>	<u>\$ 24,079,682</u>

See accompanying independent auditor's report.

SUNBELT FRESH WATER SUPPLY DISTRICT
CHANGE IN LONG-TERM DEBT
FOR THE YEAR ENDED JUNE 30, 2024

Description	Original Notes Issued	Bonds and Notes Outstanding July 1, 2023
Sunbelt Fresh Water Supply District Waterworks and Sewer System Revenue Refunding Bonds - Series 2016	\$ 4,780,000	\$ 510,000
Sunbelt Fresh Water Supply District Waterworks and Sewer System Revenue Notes - Series 2016A	4,075,000	3,460,000
Sunbelt Fresh Water Supply District Waterworks and Sewer System Revenue Notes - Series 2018	8,265,000	8,145,000
Sunbelt Fresh Water Supply District Waterworks and Sewer System Revenue Refunding Bonds - Series 2021	<u>8,465,000</u>	<u>8,135,000</u>
TOTAL	<u>\$ 36,025,000</u>	<u>\$ 20,250,000</u>
Debt Service Fund cash and investments balances as of June 30, 2024:		<u>\$ 1,923,512</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:		<u>\$ 963,187</u>

See accompanying independent auditor's report.

Current Year Transactions				Bonds and Notes Outstanding June 30, 2024	Paying Agent		
Bonds or Notes Sold	Retirements						
	Principal	Interest					
\$	\$	125,000	\$	8,503	\$	385,000	Branch Banking and Trust Company, N.A. Dallas, TX
		150,000		116,603		3,310,000	Amegy Bank Houston, TX
		250,000		158,295		7,895,000	ZB N.A. Houston, TX
		470,000		231,937		7,665,000	The Bank of New York Mellon Trust Company, N.A. Dallas, Tx
<u>\$</u>	<u>- 0 -</u>	<u>\$</u>	<u>995,000</u>	<u>\$</u>	<u>515,338</u>	<u>\$</u>	<u>19,255,000</u>

See accompanying independent auditor's report.

SUNBELT FRESH WATER SUPPLY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2024	2023	2022
REVENUES			
Water Service	\$ 3,167,728	\$ 2,963,464	\$ 2,680,314
Wastewater Service	2,667,336	2,417,585	2,354,525
Sanitation Service	1,543,464	1,263,833	1,202,364
Sanitation Administration Fees	207,567	656,591	217,795
Door Hanger Revenue	140,459	136,548	161,785
Grant Revenue	63,294	2,254,887	508,907
Groundwater Reduction Plan Fee	2,776,456	2,391,137	1,975,455
Penalty and Interest	192,790	182,288	166,443
Tap Connection and Inspection Fees	483,954	700,208	225,309
Investment Revenues	69,376	47,030	13,824
Industrial Waste Sampling/Penalty Fees	94,760	101,784	121,422
Miscellaneous Revenues	34,999	41,663	40,185
TOTAL REVENUES	<u>\$ 11,442,183</u>	<u>\$ 13,157,018</u>	<u>\$ 9,668,328</u>
EXPENDITURES			
Professional Fees	\$ 374,302	\$ 348,823	\$ 390,576
Contracted Services	2,462,990	2,347,287	2,277,704
Purchased Water Service	1,864,692	1,219,033	778,122
Wastewater Treatment Facility Lease	120,000	120,000	120,000
Personnel	374,491	347,066	344,379
Administrative	847,988	496,700	418,453
Utilities	507,375	452,478	449,746
Repairs and Maintenance	1,882,071	1,625,915	827,168
Other	1,313,651	1,556,023	1,064,327
Debt Service Principal			10,063
Capital Outlay	1,156,425	3,189,082	2,284,196
TOTAL EXPENDITURES	<u>\$ 10,903,985</u>	<u>\$ 11,702,407</u>	<u>\$ 8,964,734</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 538,198</u>	<u>\$ 1,454,611</u>	<u>\$ 703,594</u>
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	<u>\$ (908,931)</u>	<u>\$ (1,512,000)</u>	<u>\$ (1,642,011)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (370,733)</u>	<u>\$ (57,389)</u>	<u>\$ (938,417)</u>
BEGINNING FUND BALANCE	2,121,692	2,179,081	3,117,498
PRIOR PERIOD ADJUSTMENT	<u>(346,775)</u>		
ENDING FUND BALANCE	<u>\$ 1,404,184</u>	<u>\$ 2,121,692</u>	<u>\$ 2,179,081</u>

See accompanying independent auditor's report.

		Percentage of Total Revenue									
2021	2020	2024		2023		2022		2021		2020	
\$ 2,835,091	\$ 2,570,093	27.7	%	22.5	%	27.7	%	31.6	%	28.0	%
2,352,806	2,369,116	23.3		18.4		24.4		26.3		25.7	
1,249,203	1,263,478	13.5		9.6		12.4		13.9		13.7	
180,792	179,822	1.8		5.0		2.3		2.0		2.0	
14,415	85,636	1.2		1.0		1.7		0.2		0.9	
		0.6		17.1		5.3					
1,961,378	2,003,414	24.3		18.2		20.4		21.9		21.7	
8,524	92,782	1.7		1.4		1.7		0.1		1.0	
116,265	477,774	4.2		5.3		2.3		1.3		5.2	
15,820	34,967	0.6		0.4		0.1		0.2		0.4	
138,014	86,154	0.8		0.8		1.3		1.5		0.9	
89,538	50,472	0.3		0.3		0.4		1.0		0.5	
<u>\$ 8,961,846</u>	<u>\$ 9,213,708</u>	<u>100.0</u>	%	<u>100.0</u>	%	<u>100.0</u>	%	<u>100.0</u>	%	<u>100.0</u>	%
\$ 434,907	\$ 420,018	3.3	%	2.7	%	4.0	%	4.9	%	4.6	%
2,343,872	2,241,053	21.5		17.8		23.6		26.2		24.3	
842,120	585,393	16.3		9.3		8.0		9.4		6.4	
120,000	110,000	1.0		0.9		1.2		1.3		1.2	
303,483	290,895	3.3		2.6		3.6		3.4		3.2	
464,821	440,922	7.4		3.8		4.3		5.2		4.8	
377,609	395,450	4.4		3.4		4.7		4.2		4.3	
995,089	815,543	16.4		12.4		8.6		11.1		8.9	
890,532	1,075,003	11.5		11.8		11.0		9.9		11.7	
14,761	22,560					0.1		0.2		0.2	
650,624	281,069	10.1		24.2		23.6		7.3		3.1	
<u>\$ 7,437,818</u>	<u>\$ 6,677,906</u>	<u>95.2</u>	%	<u>88.9</u>	%	<u>92.7</u>	%	<u>83.1</u>	%	<u>72.7</u>	%
<u>\$ 1,524,028</u>	<u>\$ 2,535,802</u>	<u>4.8</u>	%	<u>11.1</u>	%	<u>7.3</u>	%	<u>16.9</u>	%	<u>27.3</u>	%
<u>\$ (2,067,770)</u>	<u>\$ (1,279,000)</u>										
\$ (543,742)	\$ 1,256,802										
3,661,240	2,404,438										
<u>\$ 3,117,498</u>	<u>\$ 3,661,240</u>										

See accompanying independent auditor's report.

SUNBELT FRESH WATER SUPPLY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2024	2023	2022
REVENUES			
Interest on Investments	\$ 92,818	\$ 66,864	\$ 3,312
EXPENDITURES			
Debt Service Principal	\$ 995,000	\$ 725,000	\$ 1,105,000
Debt Service Interest and Fees	518,663	662,429	499,822
Bond Issuance Costs			319,394
TOTAL EXPENDITURES	<u>\$ 1,513,663</u>	<u>\$ 1,387,429</u>	<u>\$ 1,924,216</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (1,420,845)</u>	<u>\$ (1,320,565)</u>	<u>\$ (1,920,904)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	\$ 1,226,000	\$ 1,512,000	\$ 1,642,011
Long-Term Debt Issued			8,465,000
Payment to Refunded Bond Escrow Agent			(8,910,548)
Bond Premium			682,931
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 1,226,000</u>	<u>\$ 1,512,000</u>	<u>\$ 1,879,394</u>
NET CHANGE IN FUND BALANCE	\$ (194,845)	\$ 191,435	\$ (41,510)
BEGINNING FUND BALANCE	<u>2,018,357</u>	<u>1,826,922</u>	<u>1,868,432</u>
ENDING FUND BALANCE	<u>\$ 1,823,512</u>	<u>\$ 2,018,357</u>	<u>\$ 1,826,922</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>8,069</u>	<u>7,950</u>	<u>7,926</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>7,162</u>	<u>7,162</u>	<u>7,162</u>

See accompanying independent auditor's report.

		Percentage of Total Revenue							
2021	2020	2024		2023		2022		2021	2020
<u>\$ 1,795</u>	<u>\$ 32,120</u>	<u>100.0</u>	%	<u>100.0</u>	%	<u>100.0</u>	%	<u>100.0</u>	<u>100.0</u>
\$ 1,355,000	\$ 1,305,000	1,072.0	%	1,084.3	%	33,363.5	%	75,487.5	4,062.9
737,485	766,872	558.8		990.7		15,091.2		41,085.5	2,387.5
						9,643.5			
<u>\$ 2,092,485</u>	<u>\$ 2,071,872</u>	<u>1,630.8</u>	%	<u>2,075.0</u>	%	<u>58,098.2</u>	%	<u>116,573.0</u>	<u>6,450.4</u>
<u>\$ (2,090,690)</u>	<u>\$ (2,039,752)</u>	<u>(1,530.8)</u>	%	<u>(1,975.0)</u>	%	<u>(57,998.2)</u>	%	<u>(116,473.0)</u>	<u>(6,350.4)</u>
\$ 2,067,770	\$ 1,270,000								
<u>\$ 2,067,770</u>	<u>\$ 1,270,000</u>								
\$ (22,920)	\$ (769,752)								
<u>1,891,352</u>	<u>2,661,104</u>								
<u>\$ 1,868,432</u>	<u>\$ 1,891,352</u>								
<u>7,926</u>	<u>7,990</u>								
<u>7,162</u>	<u>7,162</u>								

See accompanying independent auditor's report.

District Mailing Address - Sunbelt Fresh Water Supply District
410 West Gulf Bank Road
Houston, TX 77037

District Telephone Number - (281) 272-9577

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**SUNBELT FRESH WATER SUPPLY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2024**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended June 30, 2024</u>	<u>Title</u>
Radcliffe Adams Barner PLLC	05/21/97	\$ 302,509	General Counsel
McCall Gibson Swedlund Barfoot PLLC	07/18/13	\$ 25,155 \$ 10,000	Auditor Single Audit
Governmental Financial Reporting, LLC	02/05	\$ 39,671	Bookkeeper
A & S Engineers, Inc.	03/20/03	\$ 297,603	Engineer
The GMS Group	12/18/06	\$ -0-	Financial Advisor
Municipal Operations & Consulting	01/02/03	\$ 2,256,706	Operator
Arbitrage Compliance Specialists, Inc.	As needed	\$ -0-	Arbitrage Consultant
Key Employees:			
LaDonna Smith		\$ 58,785	Business Service Manager

See accompanying independent auditor's report.

APPENDIX B

SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

ASSURED GUARANTY INC.

By _____
Authorized Officer

1633 Broadway, New York, N.Y. 10019

(212) 974-0100

Form 500 (8/24)