

OFFICIAL STATEMENT DATED JULY 10, 2025

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS (I) IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER SECTION 103 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, AND (II) IS NOT AN ITEM OF TAX PREFERENCE FOR PURPOSES OF THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS. SEE “TAX MATTERS” HEREIN, INCLUDING INFORMATION REGARDING POTENTIAL ALTERNATIVE MINIMUM TAX CONSEQUENCES FOR CORPORATIONS.

THE BONDS HAVE **NOT** BEEN DESIGNATED AS “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS.

NEW ISSUE - Book-Entry-Only

Insured Ratings (AG): S&P “AA” (stable outlook)
Moody’s “A1” (stable outlook)
Underlying Rating: Moody’s “A2”
See “MUNICIPAL BOND RATING” and
“MUNICIPAL BOND INSURANCE” herein.

\$10,150,000
EMERALD FOREST UTILITY DISTRICT
(A political subdivision of the State of Texas located within Harris County)
UNLIMITED TAX BONDS
SERIES 2025

Dated: August 1, 2025

Due: September 1, as shown below

Interest Accrual Date: Date of Delivery

Principal of the bonds described above (the “Bonds”) will be payable at stated maturity or redemption upon presentation of the Bonds at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A. (the “Paying Agent/Registrar,” “Paying Agent” or “Registrar”) in Houston, Texas. Interest on the Bonds will accrue from the date of initial delivery (expected to be on or about August 19, 2025) (the “Date of Delivery”) and be payable on March 1, 2026 and on each September 1 and March 1 thereafter until the earlier of maturity or redemption. Interest will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued only in fully registered form in \$5,000 denominations or integral multiples thereof. The Bonds are subject to redemption prior to maturity as shown below.

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



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

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Principal Amount	Maturity (September 1)	CUSIP Number (a)	Interest Rate	Initial Reoffering Yield (b)	Principal Amount	Maturity (September 1)	CUSIP Number (a)	Interest Rate	Initial Reoffering Yield (b)
\$ 3,000,000	2026	290881 MD0	4.00 %	2.80 %	\$ 220,000	2034 (c)	290881 MM0	4.00 %	3.55 %
2,500,000	2027	290881 ME8	4.00	2.80	220,000	2035 (c)	290881 MN8	1.50	4.65
2,000,000	2028	290881 MF5	4.00	2.90	220,000	2036 (c)	290881 MP3	1.50	4.75
225,000	2029	290881 MG3	4.00	3.00	220,000	2037 (c)	290881 MQ1	1.50	4.85
225,000	2030	290881 MH1	4.00	3.10	220,000	2038 (c)	290881 MR9	1.50	4.95
220,000	2031	290881 MJ7	4.00	3.20	220,000	2039 (c)	290881 MS7	1.50	4.98
220,000	2032 (c)	290881 MK4	4.00	3.30	220,000	2040 (c)	290881 MT5	1.50	5.00
220,000	2033 (c)	290881 ML2	4.00	3.40					

- (a) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter (as herein defined) shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (b) Initial reoffering yield represents the initial offering yield to the public which has been established by the Underwriter for offers to the public and which may be subsequently changed by the Underwriter and is the sole responsibility of the Underwriter. The initial reoffering yields indicated above represent the lower of the yields resulting when priced at maturity or to the first call date.
- (c) Bonds maturing on and after September 1, 2032, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2031, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. See “THE BONDS—Redemption Provisions.”

The Bonds, when issued, will constitute valid and legally binding obligations of Emerald Forest Utility District (the “District”) and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston or any entity other than the District. The Bonds are subject to special investment risks described herein. See “INVESTMENT CONSIDERATIONS.”

The Bonds are offered by the Underwriter subject to prior sale, when, as and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Bond Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about August 19, 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 representation must not be relied upon as having been authorized by the District.

This OFFICIAL STATEMENT is not to be used in 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 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, orders, 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 Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas, 77027, upon payment of duplication costs.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this OFFICIAL STATEMENT for purposes of, and as that term is defined in, SEC Rule 15c2-12, as amended.

This OFFICIAL STATEMENT contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion, or 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 (as herein defined) and thereafter only as specified in "PREPARATION OF OFFICIAL STATEMENT—Updating the Official Statement."

Assured Guaranty Inc. ("AG" or the "Insurer") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, the Insurer 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 the Insurer supplied by the Insurer and presented under the heading "MUNICIPAL BOND INSURANCE" and "APPENDIX B—Specimen Municipal Bond Insurance Policy."

OFFICIAL STATEMENT SUMMARY

The following information is qualified in its entirety by the detailed information appearing elsewhere in this OFFICIAL STATEMENT.

THE FINANCING

<i>The Issuer</i>	Emerald Forest Utility District (the “District”), a political subdivision of the State of Texas, is located in Harris County, Texas. See “THE DISTRICT.”
<i>The Issue</i>	<p>\$10,150,000 Unlimited Tax Bonds, Series 2025 (the “Bonds”) are issued pursuant to a resolution (the “Bond Resolution”) of the District's Board of Directors. The Bonds will be issued as fully registered bonds maturing on September 1 of the years and in the amounts and accruing interest at the rates shown on the cover hereof. Interest on the Bonds accrues from the date of initial delivery (expected to be on or about August 19, 2025) (the “Date of Delivery”) and is payable on March 1, 2026, and on each September 1 and March 1 thereafter until the earlier of maturity or prior redemption. See “THE BONDS—Redemption Provisions.”</p> <p>The Bonds maturing on and after September 1, 2032, are subject to redemption, in whole or in part, at the option of the District, prior to their maturity dates, on September 1, 2031, or on any date thereafter. Upon redemption, the Bonds will be payable at a price of par plus accrued interest to the date of redemption. See “THE BONDS.”</p>
<i>Book-Entry-Only System</i>	The Depository Trust Company (defined as “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 and will be deposited with DTC. See “BOOK-ENTRY-ONLY SYSTEM.”
<i>Source of Payment</i>	The Bonds are payable from an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. See “TAX PROCEDURES.” The Bonds are obligations of the District and are not obligations of the State of Texas, Harris County, the City of Houston or any other political subdivision or agency other than the District. See “THE BONDS—Source of and Security for Payment.”
<i>Use of Proceeds</i>	Proceeds from the sale of the Bonds will be used to pay for the items shown herein under “THE SYSTEM—Use and Distribution of Bond Proceeds.” Bond proceeds will also be used to pay interest on funds advanced by the certain of Developers (as defined herein), land acquisition costs, and certain other costs and engineering fees related to the issuance of the Bonds. See “THE SYSTEM—Use and Distribution of Bond Proceeds.”
<i>Authority for Issuance</i>	The Bonds are the sixth series of bonds issued out of an aggregate of \$61,000,000 principal amount of unlimited tax bonds authorized by the District’s voters on June 30, 2001 and May 1, 2021 for construction of the District’s water, wastewater and drainage system (the “System”). After issuance of the Bonds, the District will have \$33,385,000 in authorized but unissued bonds for construction of the System remaining. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Resolution, an order of the Texas Commission on Environmental Quality (the “TCEQ” or the “Commission”), Article XVI, Section 59 of the Texas Constitution Chapters 49 and 54 of the Texas Water Code, as amended, and the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See “THE BONDS—Authority for Issuance,” “—Issuance of Additional Debt” and “INVESTMENT CONSIDERATIONS—Future Debt.”
<i>Payment Record</i>	The District has previously issued seven series of waterworks and sewer system combination unlimited tax and revenue bonds (including one series of refunding bonds) and eight series of unlimited tax bonds (including three series of refunding bonds), of which \$3,125,000 is outstanding (the “Outstanding Bonds”) as of the date hereof. The District has never defaulted on the payment of principal and interest on the Outstanding Bonds. See “FINANCIAL STATEMENT (UNAUDITED)—Outstanding Bonds.”

<i>Not Qualified Tax-Exempt Obligations</i>	The District has not designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended. See “TAX MATTERS—Not Qualified Tax-Exempt Obligations.”
<i>Municipal Bond Rating and Municipal Bond Insurance</i>	S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, (“S&P”) is expected to assign a municipal bond insured rating of “AA” (stable outlook) and Moody’s Investors Service, Inc. (“Moody’s”) is expected to assign a municipal bond insured rating of “A1” (stable outlook), respectively, to this issue of the 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. (“AG” or the “Insurer”). Moody’s has also assigned an underlying rating of “A2” to the Bonds. An explanation of the ratings may be obtained from S&P and Moody’s. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance,” “MUNICIPAL BOND RATING,” “MUNICIPAL BOND INSURANCE” and “APPENDIX B.”
<i>Legal Opinion</i>	Allen Boone Humphries Robinson LLP, Bond Counsel, Houston, Texas.
<i>Disclosure Counsel</i>	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
<i>Financial Advisor</i>	Masterson Advisors LLC, Houston, Texas.
<i>District Engineer</i>	Vogler & Spencer Engineering, Inc., Houston, Texas.

THE DISTRICT

<i>Description</i>	The District was created by the Acts of the 62 nd Legislature of the State of Texas in 1971 and contains approximately 809 acres of land. The District is located in northwestern Harris County approximately 18 miles from downtown Houston and lies wholly within the exclusive extraterritorial jurisdiction of the City of Houston and within the boundaries of the Cypress-Fairbanks Independent School District. Farm-to-Market Road 1960 (“FM 1960”) bisects the District generally between Jones Road and Mills Road. The District is bounded on the north by Mills Road, on the south by Windfern Road, on the east by N. Gessner Road and on the west by Jones Road. See “THE DISTRICT” and “AERIAL PHOTOGRAPH.”
<i>The Developers</i>	<p>The developer of Nexus Park Northwest, a commercial development consisting of four buildings comprising a total of approximately 462,450 square feet on approximately 44 acres of land within the District, is DRI/JS Nexus Park, LLC, a Delaware limited liability company (“DRI/JS Nexus, LLC”). According to the DRI/JS Nexus Park, LLC, the buildings are 100% leased. DRI/JS Nexus Park, LLC owns no remaining developable land in the District.</p> <p>The developer of the Republic Business Center, a commercial development consisting of two buildings comprising a total of approximately 799,641 square feet on approximately 156 acres of land within the District, is Republic Business Center, LLC, a Delaware limited liability company, dba NPH Republic, LLC (“Republic Business Center, LLC”). Republic Business Center, LLC is a single purpose entity created for the purpose of developing the Republic Business Center. Republic Business Center, LLC transferred the land used to develop the two buildings to RBC Building 1, LLC and RBC Building 2, LLC which also have the same owner. According to Republic Business Center, LLC, both buildings are 100% leased. Republic Business Center, LLC continues to own approximately 2 acres of developable land in the District.</p> <p>DRI/JS Nexus Park, LLC and Republic Business Center, LLC are herein referred to as the “Developers.” See “THE DISTRICT—The Developers.”</p>

Status of Development Development within the District includes approximately 464 acres developed for single-family residential purposes (1,852 lots), approximately 13 acres developed for multi-family purposes and approximately 272 acres developed for commercial purposes. With the exception of the undevelopable land and developable land described below, substantially all of the land within the District is provided with water, sanitary sewer and drainage facilities.

Development of the single-family residential portions of the District is complete. As of May 10, 2025, the District contained 1,840 occupied residential connections and 12 completed and unoccupied residential connections.

The District also includes multi-family and commercial developments. Multi-family development includes Pebble Creek Apartments, which consists of 136 units, and The Abbey at Jones Road Apartments, which consists of 126 units. Commercial development has occurred in the District adjacent to FM 1960, Perry Road and Jones Road. Commercial improvements in the District include Woodedge Shopping Center, Jones Plaza Shopping Center, Republic Business Center, consisting of an approximately 657,216 square foot distribution center occupied by Home Depot U.S.A., Inc. and an approximately 142,425 square foot distribution center occupied by Amazon.com Services LLC, several strip centers and other retail service, fast food businesses, two self-storage facilities, and Nexus Park Northwest, consisting of an approximately 185,400 square foot distribution warehouse occupied by PepsiCo, an approximately 114,400 square foot distribution warehouse occupied by Abatix and Seal for Life Industries, an approximately 90,650 square foot distribution warehouse occupied by Bell Trucks, ICC Cable Corporation and Cabot Plus and an approximately 72,000 square foot distribution warehouse occupied by Lumber Plus. The District presently provides water and sewer service to approximately 44 commercial customers within the boundaries of the District, and 7 commercial customers outside the boundaries of the District, including a 272-unit apartment complex. The District also serves a Cypress-Fairbanks Independent School District complex, which includes an athletic stadium, a junior high school, a central office facility, a food production center, and various other facilities. See “THE DISTRICT—The Developers” and “—Status of Development—*Service to Out-of-District Customers.*”

The District presently contains approximately 30 acres of undevelopable land and approximately 30 acres of developable land which are not presently provided with water, sanitary sewer and drainage facilities. See “THE DISTRICT—Status of Development.”

INVESTMENT CONSIDERATIONS

THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THIS ENTIRE OFFICIAL STATEMENT WITH RESPECT TO THE INVESTMENT SECURITY PARTICULARLY THE SECTION CAPTIONED “INVESTMENT CONSIDERATIONS.”

SELECTED FINANCIAL INFORMATION

2024 Taxable Assessed Valuation	\$788,912,585 (a)
2025 Preliminary Taxable Assessed Valuation.....	\$811,621,933 (b)
Gross Debt Outstanding (after the issuance of the Bonds).....	\$13,275,000 (c)
Estimated Overlapping Debt.....	<u>43,348,162 (d)</u>
Gross Debt and Estimated Overlapping Debt	\$56,623,162
Ratios of Gross Debt to:	
2024 Taxable Assessed Valuation	1.68%
2025 Preliminary Taxable Assessed Valuation.....	1.64%
Ratios of Gross Debt and Estimated Overlapping Debt to:	
2024 Taxable Assessed Valuation	7.18%
2025 Preliminary Taxable Assessed Valuation.....	6.98%
2024 Tax Rate:	
Debt Service.....	\$0.365
Maintenance and Operations.....	<u>0.250</u>
Total	\$0.615/\$100 A.V.
Average percentage of total tax collections (2020-2024).....	99.46%
Maximum Annual Debt Service Requirements (2026)	
of the Outstanding Bonds and the Bonds (“Maximum Annual Requirement”).....	\$3,703,683 (e)
Average Annual Debt Service Requirements (2026-2040)	
of the Outstanding Bonds and the Bonds (“Average Annual Requirement”)	\$ 990,371 (e)
Tax rates required to pay Maximum Annual Requirement based upon:	
2024 Taxable Assessed Valuation at a 95% collection rate	\$0.50/\$100 A.V. (f)
2025 Preliminary Taxable Assessed Valuation at a 95% collection rate	\$0.49/\$100 A.V. (f)
Tax rates required to pay Average Annual Requirement based upon:	
2024 Taxable Assessed Valuation at a 95% collection rate	\$0.14/\$100 A.V. (f)
2025 Preliminary Taxable Assessed Valuation at a 95% collection rate	\$0.13/\$100 A.V. (f)
Water Connections as of May 10, 2025:	
Single-Family Residential - Occupied	1,840
Single-Family Residential - Vacant	12
Multi-Family (534 Units).....	4 (g)
Commercial Connections	50 (h)
Other (Irrigation, Cypress-Fairbanks ISD facilities and District Meters)	<u>39</u>
Total.....	1,945
Area of District — 809 acres	
Estimated 2025 Population — 6,964 (i)	

- (a) The Harris Central Appraisal District (the “Appraisal District”) has certified \$782,247,164 of taxable assessed value and an additional \$6,665,421 of taxable value remains uncertified. According to the Appraisal District, the uncertified value represents the landowner’s opinion of the taxable assessed value; however, such value could be subject to downward revision. No tax will be levied on the uncertified value until it is certified. The 2024 Taxable Assessed Valuation shown throughout this OFFICIAL STATEMENT is the certified value plus the uncertified value. See “TAX PROCEDURES.”
- (b) Provided by the Appraisal District as a preliminary indication of the 2025 taxable value (as of January 1, 2025). Such amount is subject to review and downward adjustment prior to certification. Such amount includes the 2025 preliminary real property value in the amount of \$671,547,889 and the 2024 certified personal property value in the District in the amount of \$140,074,044. No tax will be levied on such amount until it is certified. See “TAX PROCEDURES.”
- (c) Includes the Outstanding Bonds and the Bonds. See “FINANCIAL STATEMENT (UNAUDITED)—Outstanding Bonds.”
- (d) See “ESTIMATED OVERLAPPING DEBT STATEMENT.”
- (e) See “DEBT SERVICE REQUIREMENTS.”
- (f) See “TAX DATA—Tax Adequacy for Debt Service” and “INVESTMENT CONSIDERATIONS—Impact on District Tax Rate.”
- (g) Three master meters serve the combined total of 262 apartment units within the District and one master meter serves a total of 272 apartment units located outside the boundaries of the District.
- (h) Includes 44 commercial connections within the District’s boundaries and 6 commercial connections outside of the District’s boundaries.
- (i) Estimate based on 3.5 persons per occupied single-family connection and 2 persons per apartment unit.

OFFICIAL STATEMENT

\$10,150,000

EMERALD FOREST UTILITY DISTRICT

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

UNLIMITED TAX BONDS

SERIES 2025

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Emerald Forest Utility District (the “District”) of its \$10,150,000 Unlimited Tax Bonds, Series 2025 (the “Bonds”).

The Bonds are issued pursuant to elections held within the District, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, a resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the Board of Directors of the District (the “Board”), an order of the Texas Commission on Environmental Quality (the “TCEQ” or the “Commission”) and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Resolution, the Developers (as defined herein), and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from the District by request made to Allen Boone Humphries Robinson LLP, Bond Counsel, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027 upon payment of the costs of duplication therefor.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Resolution of the Board authorizing the issuance and sale of the Bonds. The Bond Resolution authorizes the issuance and sale of the Bonds and prescribes the terms, conditions, and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds will be dated August 1, 2025, with interest accruing from the date of initial delivery (expected to be on or about August 19, 2025) (the “Date of Delivery”), and are payable on each March 1 and September 1 (each, an “Interest Payment Date”) commencing March 1, 2026, until the earlier of maturity or prior redemption. The Bonds mature on September 1 in the amounts and years and accrue interest at the rates shown on the cover page of this OFFICIAL STATEMENT. Interest calculations are based on a 360-day year comprised of twelve 30-day months. The Bonds will be issued only in fully registered form in \$5,000 denominations or integral multiples thereof.

Method of Payment of Principal and Interest

In the Bond Resolution, the Board has appointed The Bank of New York Mellon Trust Company N.A., Houston, Texas as the initial Paying Agent/Registrar for the Bonds. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America, which, on the date of payment, is legal tender for the payment of debts due the United States of America. In the event the book-entry system is discontinued, principal of the Bonds shall be payable upon presentation and surrender of the Bonds as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Houston, Texas and interest on each Bond shall be payable by check payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the Registered Owner of record as of the close of business on the February 15 or August 15 immediately preceding each Interest Payment Date (defined herein as the “Record Date”), to the address of such Registered Owner as shown on the Paying Agent/Registrar's records (the “Register”) or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners.

If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day, as defined in the Bond Resolution.

Authority for Issuance

The Bonds are the sixth series of bonds issued out of an aggregate of \$61,000,000 principal amount of unlimited tax bonds authorized by the District's voters at elections held on June 30, 2001, and May 1, 2021 for construction of the District's water, wastewater and drainage system (the "System"). After issuance of the Bonds, the District will have \$33,385,000 in authorized but unissued bonds for construction of the System remaining. The Commission has authorized the District to sell the Bonds for the purposes described in "THE SYSTEM—Use and Distribution of Bond Proceeds."

The Bonds are issued by the District pursuant to the terms and provisions of the Bond Resolution, an order of the TCEQ, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas and elections held within the District.

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

Source of and Security for Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants in the Bond Resolution to levy a continuing, direct, annual ad valorem tax, without legal limit as to rate or amount, upon all taxable property in the District sufficient to pay the principal of and interest on the Bonds, with full allowance being made for delinquencies and costs of collection. In the Bond Resolution, the District covenants that said taxes are irrevocably pledged to the payment of the interest on and the principal of the Bonds and to no other purpose.

The Bonds are obligations of the District and are not the obligations of the State of Texas, Harris County, the City of Houston (the "City") or any entity other than the District.

Funds

In the Bond Resolution, the Debt Service Fund is confirmed, and the proceeds from all taxes levied, assessed and collected for and on account of the Bonds authorized by the Bond Resolution shall be deposited, as collected, in such fund.

The proceeds from sale of the Bonds, including interest earnings thereon, shall be deposited into the Capital Projects Fund, to pay the costs of acquiring or constructing District facilities, for paying developer interest and for paying the costs of issuing the Bonds. See "THE SYSTEM—Use and Distribution of Bond Proceeds" for a more complete description of the use of Bond proceeds.

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, employees, and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District are authorized to certify to the facts and circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District covenants in the Bond Resolution 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.

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on or after September 1, 2032, prior to their scheduled maturities, in whole or in part, in integral multiples of \$5,000, on September 1, 2031, or on any date thereafter, at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities of Bonds to be redeemed shall be selected by the District. If less than all the Bonds of any maturity are redeemed at any time, the particular Bonds within a maturity to be redeemed shall be selected by the Paying Agent/Registrar by lot or other customary method of selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption by sending written notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the register. Such notices shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment and, if fewer than all the Bonds outstanding within any one maturity are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest that would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Registration and Transfer

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

Replacement of Paying Agent/Registrar

Provision is made in the Bond Resolution for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be a national or state banking institution, a corporation organized and doing business under the laws of the United States of America or of any State, authorized under such laws to exercise trust powers, and subject to supervision or examination by federal or state authority, to act as Paying Agent/Registrar for the Bonds.

Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity bond, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding.

Registered owners of lost, stolen or destroyed bonds will be required to pay the District's costs to replace such bond. In addition, the District or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

Issuance of Additional Debt

At bond elections held within the District on June 30, 2001 and May 1, 2021, voters of the District authorized the issuance of \$61,000,000 principal amount of bonds for the purpose of constructing the System. After issuance of the Bonds, the District will have \$33,385,000 of unlimited tax bonds authorized but unissued for financing the System. At an election held on June 30, 2001, District voters also authorized the issuance of \$13,650,000 unlimited tax refunding bonds, of which \$11,170,000 remains authorized but unissued. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. See "INVESTMENT CONSIDERATIONS—Future Debt."

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. The District held a bond election on November 6, 2007 and the voters authorized the issuance of total of \$5,020,000 principal amount of unlimited tax bonds for the development and maintenance of park and recreational facilities and for refunding such bonds. The District has not issued any bonds from this authorization. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the park project and bonds by the Commission; and (b) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent (1%) of the District's certified taxable assessed valuation, 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 greater than three percent (3%) of the value of the taxable property in the District.

The District is also authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purposes by the qualified voters in the District; (b) approval of the master plan and issuance of bonds by the Commission; and (c) approval of bonds by the Attorney General of Texas. The Board has not considered calling such an election at this time. The District receives emergency medical services and fire protection from Harris County Emergency Services District Nos. 11 and 13, respectively. See “ESTIMATED OVERLAPPING DEBT STATEMENT—Overlapping Tax Rates for 2024.”

Pursuant to Chapter 54 of the Water Code, a municipal utility district may petition the Commission for the power to issue bonds supported by property taxes to finance roads. Before the District could issue such bonds, the District would be required to receive a grant of such power from the Commission, authorization from the District’s voters to issue such bonds, and approval of the bonds by the Attorney General of Texas. The District has not considered filing an application to the Commission for “road powers” nor calling such an election at this time.

Issuance of bonds for fire-fighting facilities, parks and recreational facilities and roads could increase gross debt/property ratios and might dilute the investment security for the Bonds.

Annexation by the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District must conform to a City of Houston consent ordinance. Generally, the District may be annexed by the City of Houston without the District’s consent, and the City cannot annex territory within the District unless it annexes the entire District. However, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement between the City and the District specifying the procedures for full purpose annexation of all or a portion of the District. See “—Strategic Partnership Agreement,” below, for a description of the terms of the Strategic Partnership Agreement between the City and the District.

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

Strategic Partnership Agreement

The District entered into a Strategic Partnership Agreement (the “SPA”) with the City of Houston, effective May 9, 2002, pursuant to Chapter 43 of the Texas Local Government Code. The SPA provides for a “limited purpose annexation” of approximately 21 acres of the District that are planned to be developed for retail and commercial purposes in order to apply certain City health, safety, planning and zoning ordinances within such property. Residential development within the District is not subject to the limited purpose annexation. The SPA also provides that the City will not annex the District for “full purposes” for at least thirty (30) years from the effective date of the SPA. Also, as a condition to full purpose annexation, any unpaid reimbursement obligations due to a developer by the District for water, wastewater, and drainage facilities must be assumed by the City to the maximum extent permitted by Commission rules.

Under the SPA, the City is authorized to impose the one percent (1%) retail City Sales Tax within the portion of the District included in the limited purpose annexation. The City pays to the District an amount equal to one-half of all retail sales tax revenues generated within such area of the District and received by the City from the Comptroller (herein defined as the “Contract Sales Tax Revenue”). Pursuant to State law, the District is authorized to use the Contract Sales Tax Revenue generated under the SPA for any lawful purpose. The District makes no representation that the property covered by the limited purpose annexation will develop in the future or that the development of such property will result in the generation of a substantial amount of Contract Sales Tax Revenue. None of the Contract Sales Tax Revenue is pledged toward the payment of principal of and interest on the Bonds.

Consolidation

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

Remedies in Event of Default

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution, or defaults in the observance or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the statutory 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 Bond Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property.

Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District. See "INVESTMENT CONSIDERATIONS—Registered Owners' Remedies and Bankruptcy Limitations."

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 might apply to or which might be utilized by any of such persons or entities to limit the acceptability or suitability of the Bonds for any of the foregoing purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds as to the suitability or acceptability of the Bonds for investment or collateral purposes.

Defeasance

The Bond Resolution provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both or with a commercial bank or trust company designated in the proceedings authorizing such discharge, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct 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 of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, 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 which would permit investments other than those described above to be made with amounts deposited to defease the Bonds.

BOOK-ENTRY-ONLY SYSTEM

The information in this section concerning the Depository Trust Company, New York, NY ("DTC") and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the Registered Owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this OFFICIAL STATEMENT. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Direct Participants is on file with DTC.

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of "AA+" by S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District (or the Trustee on behalf thereof) 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).

Principal, premium, if any, interest payments and redemption proceeds 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 Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, interest payments and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, 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. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

THE DISTRICT

General

Emerald Forest Utility District (the "District") is a municipal utility district created by Acts of the 62nd Legislature of the State of Texas, 1971, and operates under the provisions of Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes applicable to municipal utility districts.

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

The Commission exercises continuing supervisory jurisdiction over the District. The District is required to observe certain requirements of the City of Houston which limit the purposes for which the District may sell bonds for the acquisition, construction, and improvement of waterworks, wastewater, and drainage facilities, parks and recreational facilities, and roads and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of Houston of District construction plans; and permit connections only to platted lots and reserves which have been approved by the Planning Commission of the City of Houston. Construction and operation of the District's system are subject to the regulatory jurisdiction of additional government agencies. See "THE SYSTEM."

The District presently encompasses approximately 809 acres of land located in northwestern Harris County approximately 18 miles northwest of the City of Houston and lies wholly within the exclusive extraterritorial jurisdiction of the City of Houston and within the boundaries of the Cypress-Fairbanks Independent School District. The District lies along Farm-to-Market Road 1960 ("FM 1960"), which bisects the District generally between Jones Road and Mills Road. The District is bounded on the north by Mills Road, south by Windfern Road, east by N. Gessner Road and west by Jones Road. See "AERIAL PHOTOGRAPH."

The Developers

The developer of Nexus Park Northwest, a commercial development consisting of four buildings comprising a total of approximately 462,450 square feet on approximately 44 acres of land within the District, is DRI/JS Nexus Park, LLC, a Delaware limited liability company ("DRI/JS Nexus Park LLC"). According to the DRI/JS Nexus Park, LLC, the buildings are 100% leased. DRI/JS Nexus Park, LLC owns no remaining developable land in the District.

The developer of the Republic Business Center, a commercial development consisting of two buildings comprising a total of approximately 799,641 square feet on approximately 156 acres of land within the District, is Republic Business Center, LLC, a Delaware limited liability company, dba NPH Republic, LLC ("Republic Business Center, LLC"). Republic Business Center, LLC is a single purpose entity created for the purpose of developing the Republic Business Center. Republic Business Center, LLC transferred the land used to develop the two buildings to RBC Building 1, LLC and RBC Building 2, LLC which also have the same owner. See "TAX DATA—Principal Taxpayers." According to Republic Business Center, LLC, both buildings are 100% leased. Republic Business Center, LLC continues to own approximately 2 acres of developable land in the District.

DRI/JS Nexus Park, LLC and Republic Business Center, LLC are herein referred to as the "Developers."

The Developers are not responsible for, liable for, and has not made any commitment for payment of the Bonds or other obligations of the District. The Developers have no legal commitment to the District or owners of the Bonds to continue development of land within the District and may sell or otherwise dispose of its property within the District, or any other assets, at any time. Further, the Developers' financial condition is subject to change at any time.

Status of Development

With the exception of approximately 30 acres of undevelopable land and approximately 30 acres of developable land, substantially all of the land within the District is provided with water, sanitary sewer and drainage facilities. Development within the District includes approximately 464 acres developed for single-family residential purposes (1,852 lots), approximately 13 acres developed for multi-family purposes and approximately 272 acres developed for commercial purposes.

Single-Family Residential Development: The single-family residential portions of the District are built out as the following single-family residential subdivisions: Cypress Glen, Turtle Hill, Turtle Lake, Woodedge Village, Schroeder Oaks Village, Linnfield, and Green Creek Estates. As of May 10, 2025, the District contained 1,840 occupied residential connections and 12 unoccupied residential connections.

Multi-Family and Commercial Development: The District contains two multi-family developments: Pebble Creek Apartments, which consists of 136 units and The Abbey at Jones Road Apartments, which consists of 126 units. Several retail and service commercial projects are located in the District. Woodedge Center is a neighborhood center located at Perry Road and FM 1960 and Jones Plaza Shopping Center is a neighborhood center located on an approximately 9-acre tract with frontage on both FM 1960 and Jones Road. Woodedge Shopping Center is a strip shopping center located on approximately 4 acres. The Republic Business Center is an approximately 156-acre commercial development consisting of an approximately 657,216 square foot distribution center occupied by Home Depot U.S.A., Inc. and an approximately 142,425 square foot distribution center occupied by Amazon.com Services LLC. Other commercial improvements in the District include small strip shopping centers and freestanding businesses including fast food, service and retail establishments, two self-storage facilities, and Nexus Park Northwest, consisting of an approximately 185,400 square foot distribution warehouse occupied by PepsiCo, an approximately 114,400 square foot distribution warehouse occupied by Abatix and Seal for Life Industries, an approximately 90,650 square foot distribution warehouse occupied by Bell Trucks, ICC Cable Corporation and Cabot Plus and an approximately 72,000 square foot distribution warehouse occupied by Lumber Plus. The District presently provides water and sewer service to approximately 44 commercial customers within the boundaries of the District. See "—Service to Out-of-District Customers" herein.

Undeveloped Acreage: The District presently contains approximately 30 acres of undevelopable land and approximately 30 acres of developable land which are not presently provided with water, sanitary sewer and drainage facilities.

Service to Out-of-District Customers: The District provides out-of-District services to 7 commercial customers outside of the District's boundaries, including a 272-unit apartment complex. The District also serves a Cypress-Fairbanks Independent School District complex which is located just south of the District. This complex includes an athletic stadium, a junior high school, a central office facility, a food production center, and various other facilities. Service to this complex is provided under a contract which requires the District to supply a maximum amount of 100,000 gallons of water per day and to treat a maximum amount of 75,000 gallons of sewage per day. Cypress-Fairbanks Independent School District is billed at rates set forth in the District's rate order. The District receives water and/or sewer revenue and is collecting an annual payment in lieu of taxes pursuant to utility service agreements with certain of the out-of-District customers and other out-of-District customers pay multiplied rate amounts.

MANAGEMENT

Board of Directors

The District is governed by the Board of Directors, consisting of five directors, which has control over and management supervision of all affairs of the District. All of the Directors listed below either reside or own land within the District. Directors are elected by the voters within the District for four-year staggered terms. Directors elections are held only in even numbered years. The Directors of the District are listed below:

<u>Name</u>	<u>District Board Title</u>	<u>Term Expires</u>
DeWayne High	President	May 2026
Bobby G. Dillard	Vice President	May 2028
William B. Schmidt	Secretary	May 2026
Donald F. Brooks	Assistant Vice President	May 2026
Robert M. Kimball	Assistant Secretary	May 2028

While the District does not employ any full-time employees, it has contracted for certain services as follows:

Tax Assessor/Collector

Land and improvements within the District were appraised for ad valorem taxation purposes by the Harris Central Appraisal District. The District's Tax Assessor/Collector is appointed by the Board of Directors of the District. Bob Leared Interests is currently serving in this capacity for the District.

Bookkeeper

The District has engaged District Data Services Inc. to serve as the District's bookkeeper.

Engineer

The consulting engineer for the District in connection with the design and construction of the District's facilities is Vogler & Spencer Engineering, Inc.

System Operator

The District contracts with Regional Water Corporation for maintenance and operation of the District's system.

Auditor

As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which are filed with the Commission. The District's financial statements for the fiscal year ended September 30, 2024, were audited by McCall Gibson Swedlund Barfoot Ellis, PLLC, Certified Public Accountants. See "APPENDIX A" for a copy of the District's September 30, 2024 audited financial statements.

Attorney

The District engages Allen Boone Humphries Robinson LLP as general counsel and as Bond Counsel in connection with the issuance of the Bonds. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds.

Financial Advisor

Masterson Advisors LLC (the “Financial Advisor”) serves as financial advisor to the District. The fees to be paid the Financial Advisor for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds.

Disclosure Counsel

The District has engaged McCall, Parkhurst & Horton, L.L.P., Houston, Texas as Disclosure Counsel. The fees paid to Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

THE SYSTEM

Regulation

According to the Engineer, the District’s water supply and distribution, wastewater collection, and storm drainage facilities (collectively, the “System”) have been designed in accordance with accepted engineering practices and the then current requirements of various entities having regulatory or supervisory jurisdiction over the construction and operation of such facilities. The construction of the System was required to be accomplished in accordance with the standards and specifications of such entities and is subject to inspection by each such entity. Operation of the System must be accomplished in accordance with the standards and requirements of such entities. The Commission exercises continuing supervisory authority over the District. Discharge of treated sewage is subject to the regulatory authority of the Commission and the U.S. Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of the Harris County Flood Control District, the City of Houston, Harris County and, in some instances, the Commission and Texas Department of Transportation. Harris County and the City of Houston also exercise regulatory jurisdiction over the System. The regulations and requirements of entities exercising regulatory jurisdiction over the System are subject to further development and revision which, in turn, could require additional expenditures by the District in order to achieve compliance. In particular, additional or revised requirements in connection with any permit for the wastewater treatment plant in which the District owns beyond the criteria existing at the time of construction of the plant could result in the need to construct additional facilities in the future. The following descriptions are based upon information supplied by the District’s Engineer.

Water, Sanitary Sewer and Drainage Facilities

Construction of the District’s System has been financed from proceeds of the bonds previously issued by the District, advances from developers, and certain nonreimbursable developer contributions as required by the rules of the Commission. The System has been designed to be in conformity with requirements of the City of Houston, Harris County, Harris County Flood Control District, Texas Department of Health and the Commission.

Source of Water Supply: Water Plant No. 2 and Water Plant No. 3 currently serve the District. The District has abandoned Water Plant No. 1. Water Plant No. 2 includes a 1,651 gallon per minute (“gpm”) water well, a 500,000 gallon elevated storage tank, an emergency standby generator, and related appurtenant equipment. Water Plant No. 3 contains a 1,754 gpm water well, a 1,000,000 gallon ground storage tank (“gst”), a 420,000 gallon gst, two 10,000 gallon hydropneumatic tanks, an emergency generator, three booster pumps totaling 5,000 gpm capacity, a control building and related appurtenant equipment. According to the Engineer, the water supply facilities are capable of serving approximately 5,000 equivalent single-family connections, of which the District is currently serving 2,943 equivalent single-family connections, and should be sufficient to serve the District at full build out assuming present regulatory criteria and land usages. The District has an open interconnect with the Harris County Fresh Water Supply District No. 61, and emergency interconnections with Reid Road Municipal Utility District No. 1 and White Oak Bend Municipal Utility District.

Subsidence and Conversion to Surface Water Supply: The District is within the boundaries of the Harris-Galveston Subsidence District (the “Subsidence District”) which regulates groundwater withdrawal. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in certain areas within the Subsidence District’s jurisdiction, including the area within the District. In 1999, the Texas legislature created the North Harris County Regional Water Authority (“Authority”) to, among other things, reduce groundwater usage in, and to provide surface water to, the northern portion of Harris County. The District is located within the boundaries of the Authority. The Authority has entered into a Water Supply Contract with the City of Houston, Texas (“Houston”) to obtain treated surface water from Houston. The Authority has developed a groundwater reduction plan (“GRP”) and obtained Subsidence District approval of its GRP. The Authority’s GRP sets forth the Authority’s plan to comply with Subsidence District regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). The District’s groundwater well(s) are included within the Authority’s GRP. The District’s authority to pump groundwater is subject to an annual permit issued by the Subsidence District to the Authority, which permit includes all groundwater wells that are included in the Authority’s GRP.

The Authority, among other powers, has the power to (i) issue debt supported by the revenues pledged for the payment of its obligations; (ii) establish fees (including fees to be paid by the District for groundwater pumped by the District or for surface water received by the District from the Authority), user fees, rates, and charges as necessary to accomplish its purposes; and (iii) mandate water users, including the District, to convert from groundwater to surface water. The Authority currently charges the District, and other major groundwater users, a fee per 1,000 gallons based on the amount of groundwater pumped by the District and a fee per 1,000 gallons of surface water, if any, received by the District from the Authority. The Authority has issued revenue bonds to fund, among other things, Authority surface water project costs. It is expected that the Authority will continue to issue a substantial amount of bonds by the year 2035 to finance the Authority’s project costs, and it is expected that the fees charged by the Authority will increase substantially over such period.

Under the Subsidence District regulations and the GRP, the Authority is required: (i) through the year 2024, to limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the Authority’s GRP; (ii) beginning in the year 2025, to limit groundwater withdrawals to no more than 40% of the total annual water demand of the water users within the Authority’s GRP; and (iii) beginning in the year 2035, and continuing thereafter, to limit groundwater withdrawals to no more than 20% of the total annual water demand of the water users within the Authority’s GRP. If the Authority fails to comply with the above Subsidence District regulations or its GRP, the Authority is subject to a disincentive fee penalty per 1,000 gallons (“Disincentive Fees”) imposed by the Subsidence District for any groundwater withdrawn in excess of 20% of the total annual water demand in the Authority’s GRP. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from the District. If the District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely impose monetary or other penalties against the District.

The District cannot predict the amount or level of fees and charges, which may be due to the Authority in the future, but anticipates the need to pass such fees through to its customers: (i) through higher water rates and/or (ii) with portions of maintenance tax proceeds, if any. In addition, conversion to surface water could necessitate improvements to the System which could require the issuance of additional bonds by the District. No representation is made that the Authority: (i) will build the necessary facilities to meet the requirements of the Subsidence District for conversion to surface water, (ii) will comply with the Subsidence District’s surface water conversion requirements, or (iii) will comply with its GRP.

Source of Wastewater Treatment: The District’s wastewater treatment is provided by a 1.0 million gallon per day wastewater treatment plant. According to the Engineer, the District’s wastewater treatment plant is capable of serving approximately 3,333 equivalent single-family connections based upon flow allocations of 300 gallons per day per single-family equivalent connection, of which the District is currently serving 2,943 equivalent single-family connections. The Engineer states that, under current land use plans and regulatory criteria, the District has sufficient wastewater treatment capacity to serve the District at current development. Depending on the land use of the remaining undeveloped acreage, future wastewater flow levels, and annexation of any additional land into the District, the District may need additional wastewater treatment capacity to serve the District at full build out. As a result, the District amended its discharge permit to expand the permitted capacity to 1.5 million gallons per day.

100-Year Flood Plain

“Flood Insurance Rate Map” or “FIRM” means an official map of a community on which the Federal Emergency Management Agency (“FEMA”) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The “100-year flood plain” (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes and other improvements must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is no assurance that homes and other improvements built in such area will not be flooded. The District’s drainage system has been designed and constructed to all current standards.

According to the Engineer, approximately 204 acres in the District are within the 100-year floodplain as shown on the Federal Emergency Management Administration Flood Insurance Rate Map for the area dated October 16, 2013. Such area includes approximately 181 homes located within the District. The District has no knowledge of whether any existing structures on such acreage are constructed below the 100-year floodplain elevation. See “INVESTMENT CONSIDERATIONS—Extreme Weather Events.”

Atlas 14

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States (“Atlas 14”). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area and potentially leaving 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.

Use and Distribution of Bond Proceeds

The estimated use and distribution of Bond proceeds is shown below. Of proceeds to be received from sale of the Bonds, \$8,118,622 is estimated for construction costs, and \$2,031,378 is estimated for non-construction costs.

CONSTRUCTION COSTS

Republic Business Center - Water Line Upsize	\$ 490,699
Republic Business Center - Wastewater Extension.....	126,558
Republic Business Center - Detention Ponds	3,140,956
Wastewater Treatment Plant Generator Replacement.....	1,029,000
Lift Station No. 1 Generator Replacement.....	108,000
Land Acquisition Costs	1,794,208
Engineering.....	1,267,390
Contingencies	227,400
Less: Surplus Funds (a).....	(65,589)

Total Construction Costs	\$ 8,118,622
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NON-CONSTRUCTION COSTS

Legal Fees	\$ 243,000
Fiscal Agent Fees	203,000
Developer Interest (Estimated).....	1,042,420
Bond Discount (b).....	293,040
Bond Issuance Expenses	58,963
Annexation Costs	35,995
Bond Application Report.....	108,625
Attorney General Fee (0.10%).....	9,500
TCEQ Fee (0.25%).....	25,375
Contingency (b).....	11,460

Total Non-Construction Costs	\$ 2,031,378
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TOTAL BOND ISSUE	\$ 10,150,000
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(a) See “FINANCIAL STATEMENT (UNAUDITED)—Cash and Investment Balances.”

(b) In its order authorizing the issuance of the Bonds, the Commission approved a maximum Bond Discount of 3.0%. Contingency represents the difference in the estimated and actual amount of Bond Discount.

In the event approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses in accordance with the rules of the TCEQ. In the event actual costs exceed previously approved estimated amounts and contingencies, additional approval and the issuance of additional bonds may be required.

UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED

<u>Date of Authorization</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued to Date</u>	<u>Amount Unissued</u>
06/30/2001, 05/01/2021	Water, Sanitary Sewer, and Drainage	\$61,000,000	\$27,615,000*	\$33,385,000
06/30/2001	Refunding	\$13,650,000	\$2,480,000	\$11,170,000
11/06/2007	Parks and Recreational Facilities and Refunding	\$5,020,000	\$0	\$5,020,000

* Includes the Bonds.

FINANCIAL STATEMENT (UNAUDITED)

2024 Taxable Assessed Valuation	\$788,912,585 (a)
2025 Preliminary Taxable Assessed Valuation.....	\$811,621,933 (b)

Gross Debt Outstanding (after the issuance of the Bonds).....	\$13,275,000
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Ratios of Gross Debt to:

2024 Taxable Assessed Valuation	1.68%
2025 Preliminary Taxable Assessed Valuation.....	1.64%

Area of District — 809 acres
Estimated 2025 Population — 6,964 (c)

- (a) The Appraisal District has certified \$782,247,164 of taxable assessed value and an additional \$6,665,421 of taxable value remains uncertified. According to the Appraisal District, the uncertified value represents the landowner's opinion of the taxable assessed value; however, such value could be subject to downward revision. No tax will be levied on the uncertified value until it is certified. The 2024 Taxable Assessed Valuation shown throughout this OFFICIAL STATEMENT is the certified value plus the uncertified value. See "TAX PROCEDURES."
- (b) Provided by the Appraisal District as a preliminary indication of the 2025 taxable value (as of January 1, 2025). Such amount is subject to review and downward adjustment prior to certification. Such amount includes the 2025 preliminary real property value in the amount of \$671,547,889 and the 2024 certified personal property value in the District in the amount of \$140,074,044. No tax will be levied on such amount until it is certified. See "TAX PROCEDURES."
- (c) Estimate based on 3.5 persons per occupied single-family connection and 2 persons per apartment unit.

Cash and Investment Balances (unaudited as of June 18, 2025)

Operating Fund	Cash and Temporary Investments	\$7,551,652
Debt Service Fund	Cash and Temporary Investments	\$3,364,572 (a)
Capital Projects Fund	Cash and Temporary Investments	\$ 619,387 (b)

- (a) Neither the Bond Resolution nor Texas law requires that the District maintain any particular balance in the Debt Service Fund.
- (b) The District will use approximately \$65,589 of surplus Capital Projects Funds in connection with the issuance of the Bonds. See "THE SYSTEM—Use and Distribution of Bond Proceeds."

Outstanding Bonds

<u>Series</u>	<u>Original Principal Amount</u>	<u>Outstanding Bonds (as of 6/1/2025)</u>
2022	\$4,830,000	\$ 3,125,000

ESTIMATED OVERLAPPING DEBT STATEMENT

Expenditures of the various taxing entities within the territory of the District are paid out of ad valorem taxes levied by such entities on properties within the District. Such entities are independent of the District and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds ("Tax Debt") was developed from information contained in the "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of the overlapping Tax Debt of the District.

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
Harris County (a).....	\$ 2,424,019,039	5/31/2025	0.12%	\$ 2,908,823
Harris County Flood Control District.....	968,445,000	5/31/2025	0.12%	1,162,134
Harris County Hospital District.....	867,820,000	5/31/2025	0.12%	1,041,384
Harris County Department of Education.....	28,960,000	5/31/2025	0.12%	34,752
Port of Houston Authority.....	406,509,397	5/31/2025	0.12%	487,811
Lone Star College System.....	471,270,000	5/31/2025	0.24%	1,131,048
Cypress-Fairbanks Independent School District.....	3,484,020,000	5/31/2025	1.05%	36,582,210
Total Estimated Overlapping Debt.....				\$ 43,348,162
The District.....	13,275,000 (b)	Current	100.00%	13,275,000
Total Direct and Estimated Overlapping Debt.....				\$ 56,623,162

Ratios of Gross Debt and Estimated Overlapping Debt to:

2024 Taxable Assessed Valuation.....	7.18%
2025 Preliminary Taxable Assessed Valuation	6.98%

(a) Excludes the Harris County Toll Road Unlimited Tax Bonds. Historically, Harris County has provided payment of such debt service from toll road revenues and certain other funds, and no ad valorem tax revenue has been required to pay debt service on such bonds.

(b) Includes the Bonds and the Outstanding Bonds.

Overlapping Tax Rates for 2024

2024 Tax Rate
per \$100 of Taxable
Assessed Valuation

Harris County (including Harris County Flood Control District, Harris County Hospital District, Harris County Department of Education and the Port of Houston Authority).....	\$ 0.608689
Harris County Emergency Services District No. 11.....	0.038294
Harris County Emergency Services District No. 13.....	0.093336
Lone Star College System.....	0.107600
Cypress-Fairbanks ISD.....	1.086900
Total Overlapping Tax Rate.....	\$ 1.934819
The District (a).....	0.615000
Total Tax Rate.....	\$ 2.549819

(a) See "TAX DATA—Tax Rate Distribution."

TAX DATA

Tax Collections

The following statement of tax collections sets forth in condensed form the historical tax collection experience of the District. This summary has been prepared for inclusion herein, based upon information from the District's tax assessor/collector. Reference is made to such records for further and more complete information.

Tax Year	Certified Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections as of May 31, 2025 (a)	
				Amount	Percent
2020	\$ 414,857,310	\$ 0.655	\$ 2,717,315	\$ 2,711,480	99.79%
2021	469,462,369	0.645	3,028,032	3,020,353	99.75%
2022	578,635,484	0.615	3,558,608	3,549,332	99.74%
2023	740,403,688	0.615	4,553,483	4,536,114	99.62%
2024	782,247,164	0.615	4,810,820	4,734,116	98.41%

(a) Unaudited.

Taxes are due when billed and become delinquent if not paid before February 1 of the year following the year in which imposed. No split payments are allowed, and no discounts are allowed.

Tax Rate Distribution

	2024	2023	2022	2021	2020
Debt Service	\$ 0.365	\$ 0.365	\$ 0.365	\$ 0.395	\$ 0.405
Maintenance and Operations	0.250	0.250	0.250	0.250	0.250
Total	\$ 0.615	\$ 0.615	\$ 0.615	\$ 0.645	\$ 0.655

Tax Rate Limitations

Debt Service: Unlimited (no legal limit as to rate or amount).
Maintenance and Operations: \$0.25 per \$100 of taxable assessed valuation.

Debt Service Tax

The Board covenants in the Bond Resolution to levy and assess, for each year that all or any part of the Bonds and the Outstanding Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds and the Outstanding Bonds. For the 2024 tax year, the Board levied a debt service tax in the amount of \$0.365 per \$100 of taxable assessed valuation.

Maintenance and Operations Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by vote of the District's electors. Pursuant to an election held on April 6, 1985, the Board was authorized to levy such a maintenance tax in an amount not to exceed \$0.25 per \$100 of taxable assessed valuation. On November 6, 2007, the District's voters authorized the maintenance tax in an amount not to exceed \$0.25 per \$100 of taxable assessed valuation to be used for maintenance of the District's park and recreational facilities, as well as water, sewer, and drainage facilities. Such tax is in addition to taxes which the District is authorized to levy for paying principal and interest on the District's bonds. For the 2024 tax year, the Board levied a maintenance tax in the amount of \$0.25 per \$100 of taxable assessed valuation.

Tax Exemptions

As discussed in the section titled "TAX PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. The District does not exempt any percentage of the market value of any residential homesteads from taxation. For the 2025 tax year, the District granted a 20% residential homestead exemption and a \$30,000 exemption of the appraised value of resident homesteads for persons who are disabled or 65 years of age or older.

Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District established an additional penalty of twenty percent (20%) of the tax to defray the costs of collection. This 20% penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not later than May 1 of that year, and that remain delinquent on April 1 (for personal property) and July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Texas Property Tax Code.

Principal Taxpayers

The following list of principal taxpayers was provided by the District's tax assessor/collector based upon the certified portion (\$782,247,164) of the 2024 Taxable Assessed Valuation of \$788,912,585, which reflects ownership at January 1, 2024. Accurate principal taxpayer lists related to the uncertified portion (\$6,665,421) of the 2024 Taxable Assessed Valuation and the 2025 Preliminary Taxable Assessed Valuation, which is under review and subject to adjustments and corrections, are not available as of the date hereof. See "INVESTMENT CONSIDERATIONS—Dependence on Principal Taxpayers."

Taxpayer	Type of Property	2024 Certified Taxable Assessed Valuation	% of 2024 Certified Taxable Assessed Valuation
RBC Building 1, LLC (a)	Distribution Warehouse	\$ 69,400,230	8.87%
Home Depot USA Inc.	Personal Property	50,485,978	6.45%
CIVF VI DEV TX2M01 M04 LLC (a)(b)	Distribution Warehouse	44,500,000	5.69%
RBC Building 2, LLC (a)	Distribution Warehouse	29,039,530	3.71%
Bell Trucking America Inc.	Personal Property	20,684,750	2.64%
PRIII/Cypress Creek Distribution Center Owner LP	Distribution Warehouse	14,421,327	1.84%
Amazon Logistics Inc.	Personal Property	14,044,810	1.80%
AR Jones Road LLC	Apartments	12,466,906	1.59%
Brixmore GA Apollo I TX Holdings LLC	Shopping Center	12,180,835	1.56%
Milwood Apartments LLC	Apartments	11,062,920	1.41%
Total		\$ 278,287,286	35.58%

(a) See "THE DISTRICT—The Developers."

(b) Ownership entity of the four buildings comprising the Nexus Park Northwest.

Summary of Assessed Valuation

The following summary of the 2024, 2023 and 2022 Taxable Assessed Valuations is provided by the District's Tax Assessor/Collector based on information contained in the 2024, 2023 and 2022 tax rolls of the District. Accurate breakdowns of the uncertified portion (\$6,665,421) of the 2024 Taxable Assessed Valuation and the 2025 Preliminary Taxable Assessed Valuation, which is under review and subject to adjustments and corrections, are not available as of the date hereof.

	2024 Taxable Assessed Value	2023 Taxable Assessed Value	2022 Taxable Assessed Value
Land	\$ 169,468,045	\$ 170,581,808	\$ 135,831,408
Improvements	555,426,603	563,599,100	473,157,531
Personal Property	140,074,044	97,215,352	21,192,638
Exemptions	(82,721,528)	(90,992,572)	(51,546,093)
Total Certified	\$ 782,247,164	\$ 740,403,688	\$ 578,635,484
Uncertified Value	6,665,421	-	-
Total	\$ 788,912,585	\$ 740,403,688	\$ 578,635,484

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2024 Taxable Assessed Valuation of \$788,912,585 (\$782,247,164 of certified value plus \$6,665,421 of uncertified value) and the 2025 Preliminary Taxable Assessed Valuation, which is under review and subject to adjustments and corrections, of \$811,621,933, no use of available funds, and utilize tax rates necessary to pay the District's maximum and average annual debt service requirements on the Outstanding Bonds and the Bonds. See "DEBT SERVICE REQUIREMENTS" and "INVESTMENT CONSIDERATIONS—Impact on District Tax Rate."

Maximum annual debt service requirement (2026)	\$3,703,683
\$0.50 tax rate on the 2024 Taxable Assessed Valuation	
of \$788,912,585 at a 95% collection rate produces	\$3,747,335
\$0.49 tax rate on the 2025 Preliminary Taxable Assessed Valuation	
of \$811,621,933 at a 95% collection rate produces	\$3,778,100
 Average annual debt service requirement (2026-2040)	 \$ 990,371
\$0.14 tax rate on the 2024 Taxable Assessed Valuation	
of \$788,912,585 at a 95% collection rate produces	\$1,049,254
\$0.13 tax rate on the 2025 Preliminary Taxable Assessed Valuation	
of \$811,621,933 at a 95% collection rate produces	\$1,002,353

No representation or suggestion is made that the uncertified portion of the 2024 Taxable Assessed Valuation or the 2025 Preliminary Taxable Assessed Valuation will not be adjusted downward prior to certification by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See "TAX PROCEDURES."

TAX PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Outstanding Bonds, the Bonds and any additional bonds payable from taxes which the District may hereafter issue (see "INVESTMENT CONSIDERATIONS—Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully herein under "THE BONDS—Source of and Security for Payment." Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and for the payment of certain contractual obligations. See "TAX DATA—Debt Service Tax" and "—Maintenance and Operations Tax."

Property Tax Code and County-Wide Appraisal District

Title I 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 within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Harris Central Appraisal District (the "Appraisal District") 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").

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years of age or older and of certain disabled persons to the extent deemed advisable by the Board. For the 2025 tax year, the District has granted a \$30,000 tax exemption on residential homesteads for persons 65 years of age or older or disabled. The District may be required to call such an election upon petition by twenty percent (20%) of the number

of qualified voters who voted in the previous election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 of taxable valuation depending upon the disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed or fatally injured in the line of duty is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See "TAX DATA."

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year but must be adopted before July 1. For the 2025 tax year, the District granted a 20% homestead exemption. See "TAX DATA."

Freeport Goods and Goods-in-Transit Exemptions: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

Harris County or the City of Houston may designate all or part of the area within the District as a reinvestment zone. Thereafter, Harris County, the District, and the City of Houston (if it were to annex the District), at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code.

Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. In November 1997, Texas voters approved a constitutional amendment to limit increases in the appraised value of residence homesteads to ten percent (10%) annually regardless of the market value of the property. The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use, open space land and timberland.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses formally to include such values on its appraisal roll.

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

District and Taxpayer Remedies

Under certain circumstances taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. 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. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

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

Tax Payment Installations After Disaster

Certain qualified taxpayers, including owners of residential homesteads, located within a designated disaster area or emergency area and whose property has been damaged as a direct result of the disaster or emergency, 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, the Property Tax Code authorizes a taxing jurisdiction such as the District, solely at the jurisdiction's 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.

Rollback of Operation and Maintenance Tax Rate

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

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, may be required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

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

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

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

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year 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 such other taxing units. See "ESTIMATED OVERLAPPING DEBT STATEMENT—Overlapping Tax Rates for 2024." 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 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 (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes 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 U.S.C. 1825, as amended. See "INVESTMENT CONSIDERATIONS—Tax Collection Limitations."

WATER AND SEWER OPERATIONS

General

The Bonds and the Outstanding Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Net revenues, if any, derived from the operation of the District's water and sewer operations are not pledged to the payment of the Bonds and the Outstanding Bonds but are available for any lawful purpose including payment of debt service on the Bonds and the Outstanding Bonds, at the discretion and upon action of the Board. It is not anticipated that any significant revenues will be available for the payment of debt service on the Bonds and the Outstanding Bonds.

Waterworks and Sewer System Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and, in all instances, exclude depreciation. Such summary is based upon information obtained from the District's audited financial statements for fiscal years ended September 30, 2021 through September 30, 2024, and an unaudited summary for the eight-month period ending May 31, 2025, prepared by the Bookkeeper. Reference is made to such statements and records for further and more complete information.

		Fiscal Year Ended September 30			
	10/1/2024 to 5/31/2025 (Unaudited)	2024	2023	2022	2021
Revenues:					
Property Taxes	\$ 1,925,602	\$ 1,824,047	\$ 1,458,582	\$ 1,178,086	\$ 1,023,602
Water Service	502,222	822,666	865,653	874,404	930,286
Wastewater Service	620,996	943,722	929,859	953,954	797,693
Regional Water Authority Fees	411,604	897,635	1,032,937	1,078,005	979,950
Penalty and Interest	22,977	46,193	30,814	40,195	36,629
Tap Connection and Inspection Fees	39,275	73,450	478,545	53,428	260,724
Capacity Reservation Fees	252,446	272,916	184,539	184,760	180,570
Investment Revenues	386,462	644,041	477,787	77,148	12,029
Miscellaneous Revenues	15,028	5,312	161,381	526,176	33,507
Total Revenues	\$ 4,176,610	\$ 5,529,982	\$ 5,620,097	\$ 4,966,156	\$ 4,254,990
Expenditures					
Professional Fees	\$ 242,265	\$ 337,460	\$ 356,413	\$ 415,852	\$ 383,264
Contracted Services	540,811	696,825	748,693	704,162	577,542
Purchased Water Service	9,729	17,043	13,166	14,632	22,888
Utilities	90,001	156,645	175,467	229,669	224,667
Regional Water Authority Assessments	454,238	879,529	1,178,124	1,167,981	1,240,953
Repairs and Maintenance	750,331	893,002	1,010,158	760,475	696,157
Other	170,145	607,036	721,196	377,029	417,012
Capital Outlay	115,960	987,837 (a)	1,597,453 (a)	1,698,890 (a)	410,179
Total Expenditures	\$ 2,373,482	\$ 4,575,377	\$ 5,800,670	\$ 5,368,690	\$ 3,972,662
Net Revenues	\$ 1,803,129	\$ 954,605	\$ (180,573)	\$ (402,534)	\$ 282,328
Other Financing Sources (Uses):					
Transfer In (Out)	\$ -	\$ -	\$ 52,780	\$ -	\$ -
Developer Contributions	-	-	61,206	1,354,100 (b)	-
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ 113,986	\$ 1,354,100	\$ -
Beginning Fund Balance	\$ 11,865,261	\$ 10,910,656	\$ 10,977,243	\$ 10,025,677	\$ 9,743,349
Ending Fund Balance	\$ 13,668,390	\$ 11,865,261	\$ 10,910,656	\$ 10,977,243	\$ 10,025,677

(a) Capital outlay consists of construction costs related to repair and improvements for the District's System.

(b) Represents expenditures related to the construction, engineering and land costs for detention facilities at Nexus Park Northwest.

DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service requirements for the Outstanding Bonds and the Bonds.

	Outstanding Bonds		Plus: Debt Service on the Bonds			Total	
Year	Debt Service		Principal	Interest	Total	Debt Service	
2025	\$	276,125.00	(a) \$	-	\$	-	\$ 276,125.00
2026		318,250.00		3,000,000		385,433.33	3,703,683.33
2027		311,500.00		2,500,000		253,000.00	3,064,500.00
2028		304,750.00		2,000,000		153,000.00	2,457,750.00
2029		298,000.00		225,000		73,000.00	596,000.00
2030		316,250.00		225,000		64,000.00	605,250.00
2031		308,750.00		220,000		55,000.00	583,750.00
2032		301,250.00		220,000		46,200.00	567,450.00
2033		293,125.00		220,000		37,400.00	550,525.00
2034		285,000.00		220,000		28,600.00	533,600.00
2035		276,562.50		220,000		19,800.00	516,362.50
2036		268,125.00		220,000		16,500.00	504,625.00
2037		259,062.50		220,000		13,200.00	492,262.50
2038		-		220,000		9,900.00	229,900.00
2039		-		220,000		6,600.00	226,600.00
2040		-		220,000		3,300.00	223,300.00
Total	\$	3,816,750.00		\$ 10,150,000		\$ 1,164,933.33	\$ 15,131,683.33

(a) Excludes the District's March 1, 2025 debt service payment in the amount of \$51,125.

Average Annual Debt Service Requirements (2026-2040).....	\$ 990,371
Maximum Annual Debt Service Requirements (2026)	\$3,703,683

INVESTMENT CONSIDERATIONS

General

The Bonds are obligations solely of the District and are not obligations of the City of Houston, Harris County, the State of Texas, or any entity other than the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect taxes levied on taxable property within the District in an amount sufficient to service the District's bonded debt or in the event of foreclosure, on the value of the taxable property in the District and the taxes levied by the District and other taxing authorities upon the property within the District. See "THE BONDS—Source of and Security for Payment." The collection by the District of delinquent taxes owed to it and the enforcement by Registered Owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that taxable property within the District will maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property or that owners of the property will have the ability to pay taxes. See "—Registered Owners' Remedies and Bankruptcy Limitations."

Dependence on Principal Taxpayers

Based on the certified portion (\$782,247,164) of the 2024 Taxable Assessed Valuation of \$788,912,585, the ten largest property owners are responsible for payment of approximately 35.58% of the District's 2024 taxes. The principal taxpayer is RBC Building 1, LLC, a distribution warehouse occupied by Home Depot U.S.A., Inc., located within the Republic Business Center, which represents \$69,400,230 or 8.87% of the certified portion of the 2024 Taxable Assessed Valuation. See "THE DISTRICT—Status of Development" and "TAX DATA—Principal Taxpayers." The ability of any principal taxpayer 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, any one or more principal taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to levy a higher tax rate or use other funds available for debt service purposes. However, the District has not covenanted in the Bond Resolution, nor is it required by Texas law, to maintain any particular balance in its Debt Service Fund or any other funds to allow for any such delinquencies. Therefore, failure by one or more 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.

Undeveloped Acreage

There are approximately 30 developable acres of land in the District that have not been fully provided with water, sanitary sewer, and drainage facilities necessary for the construction of taxable improvements. The District makes no representation as to when or if development of the undeveloped acreage will occur. Failure of any developers to develop the developable land or of any builders to construct taxable improvements on developed land could restrict the rate of growth of taxable values in the District. See “THE DISTRICT—Status of Development.”

Impact on District Tax Rate

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2024 Taxable Assessed Valuation is \$788,912,585 (\$782,247,164 of certified value plus \$6,665,421 of uncertified value). After issuance of the Bonds, the maximum annual debt service requirement will be \$3,703,683 (2026) and the average annual debt service requirement will be \$990,371 (2026-2040). Assuming no increase or decrease from the 2024 Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$0.50 and \$0.14 per \$100 of assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum annual debt service requirement and average annual debt service requirement, respectively. The 2025 Preliminary Taxable Assessed Valuation, which is under review and subject to adjustments and corrections, is \$811,621,933. Assuming no increase or decrease from the 2025 Preliminary Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$0.49 and \$0.13 per \$100 of assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum annual debt service requirement and average annual debt service requirement, respectively. See “DEBT SERVICE REQUIREMENTS.”

Although calculations have been made regarding the tax rate necessary to pay the maximum and average annual debt service on the Bonds based upon the 2024 Taxable Assessed Valuation and the 2025 Preliminary Taxable Assessed Valuation, the District can make no representations regarding the future level of assessed valuation within the District. See “TAX DATA—Tax Adequacy for Debt Service” and “TAX PROCEDURES.”

Potential Effects of Oil Price Fluctuations on the Houston Area

The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values within the District. The District cannot predict the impact that negative conditions in the oil and gas industry could have on property values within the District.

Extreme Weather Events

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

The greater Houston area has experienced multiple storms exceeding a 0.2% probability (i.e. “500-year flood” events) since 2015, including Hurricane Harvey which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. According to the District, the System did not sustain any material damage, there was no interruption of water and sewer service, and no homes or commercial improvements within the District experienced structural flooding or other material damage as a result of Hurricane Harvey.

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

Specific Flood Type Risks

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

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

Future Debt

The District reserves in the Bond Resolution the right to issue the remaining \$33,385,000 principal amount of unlimited tax bonds for the System, \$5,020,000 principal amount of unlimited tax bonds for parks and recreational facilities and \$11,170,000 principal amount of bonds for refunding purposes, which have been authorized at elections held within the District and such additional bonds as may be voted hereafter. The issuance of such future obligations may adversely affect the investment security of the Bonds. The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. Any bonds issued by the District, however, must be approved by the Commission, the Attorney General of Texas and the Board of the District. In addition, future changes in health or environmental regulations could require the construction or financing of additional improvements without any corresponding increases in taxable value in the District. See “THE BONDS—Issuance of Additional Debt.”

If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent (1%) of the District’s certified taxable assessed valuation, 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 greater than three percent (3%) of the value of the taxable property in the District.

To date, the Developers have advanced certain funds for construction of water, wastewater and storm drainage facilities for which it has not been reimbursed. After the reimbursements are made with Bond proceeds, the District will continue to owe the Developers approximately \$1,550,000 for such facilities. The District intends to issue additional bonds in order to fully reimburse the Developers.

Tax Collection Limitations

The District’s ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District’s ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court’s stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see “ESTIMATED OVERLAPPING DEBT STATEMENT—Overlapping Tax Rates for 2024”), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers’ right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor’s confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

Registered Owners' Remedies and Bankruptcy Limitations

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the statutory 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 Bond Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default, and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for

money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owner's remedies, including mandamus. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay, or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision such as the District may qualify as a debtor eligible to proceed in a Chapter 9 case only if it is (1) authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Special districts such as the District must obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such 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, the District could file a voluntary bankruptcy petition under Chapter 9, thereby invoking the protection of the automatic stay until the bankruptcy court, after a hearing, dismisses the petition. A federal bankruptcy court is a court of equity and federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceedings and in making the decision of whether to grant the petitioning District relief from its creditors. While such a decision might be appealable, the concomitant delay and loss of remedies to the Registered Owner could potentially and adversely impair the value of the Registered Owner's claim.

If 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 the collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owners' claims against a district.

A district may not be forced into bankruptcy involuntarily.

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 Municipal Separate Storm 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 would 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 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.

Continuing Compliance with Certain Covenants

Failure by the District to comply with certain covenants in the Bond Resolution on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See “TAX MATTERS.”

Marketability

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

2025 Legislative Session

The 89th Regular Legislative Session convened on January 14, 2025 and concluded on June 2, 2025. The Governor of Texas has called a special session to convene on July 21, 2025. The Governor of Texas may call additional special sessions, at the Governor’s discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Texas Legislature could enact laws that materially change current laws affecting ad valorem tax matters, elections, and other matters which could adversely affect the District and also affect the marketability or market value of the Bonds. The District can make no representation regarding any actions the Texas Legislature may take or the effect of any such actions. While the enactment of future legislation in Texas could adversely affect the financial condition or operations of the District, the District does not anticipate that the security for payment of the Bonds, specifically, the District’s obligation to levy an unlimited annual ad valorem tax, would be adversely affected by any such legislation.

Risk Factors Related to the Purchase of Municipal Bond Insurance

The Underwriter has entered into an agreement with Assured Guaranty Inc. (“AG” or the “Insurer”) for the purchase of a municipal bond insurance policy (the “Policy”). At the time of entering into the agreement, the Insurer was rated “AA” (stable outlook) by S&P (as hereinafter defined) and “A1” (stable outlook) by Moody’s (as hereinafter defined). See “MUNICIPAL BOND INSURANCE.”

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

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

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

LEGAL MATTERS

Legal Proceedings

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas payable from the proceeds of an annual ad valorem tax levied by the District, without limit as to rate or amount, upon all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Bond Counsel, to a like effect and to the effect that, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations for the purpose of determining the alternative minimum tax imposed on corporations.

Bond Counsel has reviewed the information appearing in this OFFICIAL STATEMENT under “THE BONDS,” “THE DISTRICT—General,” “TAX PROCEDURES,” “LEGAL MATTERS,” “TAX MATTERS,” and “CONTINUING DISCLOSURE OF INFORMATION” solely to determine if such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this OFFICIAL STATEMENT nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this OFFICIAL STATEMENT. No person is entitled to rely upon Bond Counsel’s limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

Allen Boone Humphries Robinson LLP also serves as General Counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold, and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds. The legal fees paid to Allen Boone Humphries Robinson LLP in its capacity as General Counsel are based on time charges actually incurred.

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

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 from that set forth or contemplated in the PRELIMINARY OFFICIAL STATEMENT, as it may be amended or supplemented through the date of the sale.

No-Litigation Certificate

The District will furnish the Underwriter a certificate, executed by both the President and Secretary of the Board, and dated as of the Date of Delivery of the Bonds, to the effect that there is not pending, and to their knowledge, there is not threatened, any litigation affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices, and that no additional bonds or other indebtedness have been issued since the date of the statement of indebtedness or nonencumbrance certificate submitted to the Attorney General of Texas in connection with approval of the Bonds.

TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Bonds should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

Tax Exemption

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals.

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

Bond Counsel’s opinion will assume continuing compliance with the covenants of the Bond Resolution pertaining to those sections of the Code that affect the excludability of interest on the Bonds from gross income for federal income tax purposes and, in addition, will rely on representations by the District and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the District and such parties, which Bond Counsel has not independently verified. If the District fails to comply with the covenants in the Bond Resolution or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the Date of Delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Bond Counsel will express no opinion as to the amount or timing of interest on the Bonds or, except as stated above, any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds. Certain actions may be taken or omitted subject to the terms and conditions set forth in the Bond Resolution upon the advice or with the approving opinion of Bond Counsel. Bond Counsel will express no opinion with respect to Bond Counsel’s ability to render an opinion that such actions, if taken or omitted, will not adversely affect the excludability of interest of the Bonds from gross income for federal income tax purposes.

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

Not Qualified Tax-Exempt Obligations

The District has not designated the Bonds as “qualified tax-exempt obligations” for financial institutions.

Additional Federal Income Tax Considerations

Collateral Tax Consequences: Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences, including but not limited to those noted below. Therefore, prospective purchasers of the Bonds should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

An “applicable corporation” (as defined in section 59(k) of the Code) may be subject to a 15 percent alternative minimum tax imposed under section 55 of the Code on its “adjusted financial statement income” (as defined in section 56A of the Code) for such taxable year. Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation’s “adjusted financial statement income,” ownership of the Bonds could subject certain corporations to alternative minimum tax consequences.

Ownership of tax-exempt obligations also may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the “branch profits tax” on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds.

Prospective purchasers of the Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

Tax Accounting Treatment of Original Issue Premium: The issue price of certain maturities of the Bonds exceeds the stated redemption price payable at maturity of such Bonds, such Bonds (the “Premium Bonds”) are considered for federal income tax purposes to have “bond premium” equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

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

Tax Accounting Treatment of Original Issue Discount: The issue price of certain maturities of the Bonds is less than the stated redemption price payable at maturity of such Bonds (the “OID Bonds”), the difference between (i) the amount payable at the maturity of each OID Bond, and (ii) the initial offering price to the public of such OID Bond constitutes original issue discount with respect to such OID Bond in the hands of any owner who has purchased such OID Bond in the initial public offering of the Bonds. Generally, 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 OID Bond equal to that portion of the amount of such original issue discount allocable to the period that such OID Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions “—Tax Exemption,” “—Additional Federal Income Tax Considerations—*Collateral Tax Consequences*” and “—Tax Legislative Changes” generally apply and should be considered in connection with the discussion in this portion of the OFFICIAL STATEMENT.

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

The foregoing discussion assumes that (i) the Underwriter has purchased the Bonds for contemporaneous sale to the public and (ii) all of the OID Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm’s-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the cover page of this OFFICIAL STATEMENT. Neither the District nor Bond Counsel has made any investigation or offers any assurance that the OID Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each OID Bond accrues daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner’s basis for such OID 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 (i) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (ii) the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of OID Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of OID 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 OID Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such OID Bonds.

Tax Legislative Changes

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could 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 recently enacted, proposed, pending or future legislation.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest cost, which bid was tendered by SAMCO Capital Markets, Inc. (the “Underwriter”) bearing the interest rates shown on the cover page hereof, at a price of 97.1129% of the principal amount thereof which resulted in a net effective interest rate of 3.694501% as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended (the IBA method).

Prices and Marketability

The prices and other terms with respect to the offering and sale of the Bonds may be changed at any 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 trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of utility district bonds 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 bonds of such entities are more generally bought, sold, or traded in the secondary market.

Securities Laws

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

MUNICIPAL BOND RATING

S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, (“S&P”) is expected to assign a municipal bond insured rating of “AA” (stable outlook) and Moody’s Investors Service, Inc. (“Moody’s”) is expected to assign a municipal bond insured rating of “A1” (stable outlook), respectively, to the Bonds with the understanding that, upon issuance and delivery of the Bonds, a bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Inc. (“AG” or the “Insurer”). Moody’s has also assigned an underlying rating of “A2” to the Bonds. An explanation of the ratings may be obtained from S&P and Moody’s. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance,” “MUNICIPAL BOND INSURANCE” and “APPENDIX B.”

There is no assurance that such ratings will continue for any given period of time or that they will not be revised or withdrawn entirely by S&P or Moody’s, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Inc. (“AG” or the “Insurer”) will issue its municipal bond insurance policy (the “Policy”) for the Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX B 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 June 30, 2025, S&P announced that it had affirmed AG’s financial strength rating of “AA” (stable outlook).

On October 18, 2024, KBRA announced that 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).

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 “MUNICIPAL 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 “MUNICIPAL BOND INSURANCE.”

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

The financial data and other information contained in this OFFICIAL STATEMENT has been obtained primarily from the District’s records, the Developers, the Engineer, the Tax Assessor/Collector, the Appraisal District and information from certain other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from sources other than the District, and its inclusion herein is not to be construed as a representation on the part of the District except as described under “—Certification of Official Statement.” Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, resolutions, engineering and other related information 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.

Financial Advisor

Masterson Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the OFFICIAL STATEMENT, including the OFFICIAL NOTICE OF SALE and the OFFICIAL BID FORM for the sale of the Bonds. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this OFFICIAL STATEMENT. In addition to compiling and editing, the Financial Advisor has obtained the information set forth herein under the caption indicated from the sources below:

“THE DISTRICT” – Vogler & Spencer Engineering, Inc. (“Engineer”) and Records of the District (“Records”); “THE SYSTEM” – Engineer; “UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED” – Records; “FINANCIAL STATEMENT (UNAUDITED)” – Harris Central Appraisal District and Bob Leared Interests, Tax Assessor/Collector; “ESTIMATED OVERLAPPING DEBT STATEMENT” – Municipal Advisory Council of Texas and Financial Advisor; “TAX DATA” – Bob Leared Interests; “MANAGEMENT” – District Directors; “WATER AND SEWER OPERATIONS” – Records; “DEBT SERVICE REQUIREMENTS” – Financial Advisor; “THE BONDS,” “TAX PROCEDURES,” “LEGAL MATTERS,” and “TAX MATTERS” – Allen Boone Humphries Robinson LLP.

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

Consultants

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 and to the description of the System and in particular that information included in the sections entitled “THE DISTRICT” and “THE SYSTEM” has been provided by Vogler & Spencer Engineering, Inc. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Appraisal District: The information contained in this OFFICIAL STATEMENT relating to the assessed valuations has been provided by the Harris Central Appraisal District and has been included herein in reliance upon the authority of such entity as experts in assessing the values of property in Harris County, including the District.

Tax Assessor/Collector: The information contained in this OFFICIAL STATEMENT relating to the historical breakdown of the assessed valuations, principal taxpayers, and certain other historical data concerning tax rates and tax collections has been provided by Bob Leared Interests, and is included herein in reliance upon the authority of such firm as an expert in assessing property values and collecting taxes.

Auditor: The District's financial statements for the fiscal year ending September 30, 2024, were audited by McCall Gibson Swedlund Barfoot Ellis, PLLC, Certified Public Accountants. See “APPENDIX A” for a copy of the District's audited financial statements for the fiscal year ended September 30, 2024.

Bookkeeper: The information related to the “unaudited” summary of the District's General Operating Fund as it appears in “WATER AND SEWER OPERATIONS” has been provided by District Data Services Inc. and is included herein in reliance upon the authority of such firm as experts in the tracking and managing the various funds of municipal utility districts.

Updating the Official Statement

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

Certification of Official Statement

The District, acting through its Board in its official capacity, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement 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 are made, not misleading. With respect to information included in this OFFICIAL STATEMENT other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. In rendering such certificate, the Board has relied in part upon its examination of records of the District, and upon discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants and representatives of the District.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Resolution, the District has the following agreement for the benefit of the registered and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the “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 to the MSRB through EMMA. 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 “FINANCIAL STATEMENT (UNAUDITED),” “TAX DATA,” “DEBT SERVICE REQUIREMENTS” and in “APPENDIX A” (Financial Statements of the District). The District will update and provide this information within six months after the end of each fiscal year ending in or after 2025. Any financial statements so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable period to the MSRB within such six month period, and audited financial statements when the audit report becomes available.

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

Event Notices

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

Availability of Information from MSRB

The District has agreed to provide the foregoing updated information only to the MSRB. The MSRB makes the information available to the public without charge through its Electronic Municipal Market Access (“EMMA”) internet portal at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of specified 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; nor has the District 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 Registered or Beneficial Owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

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

MISCELLANEOUS

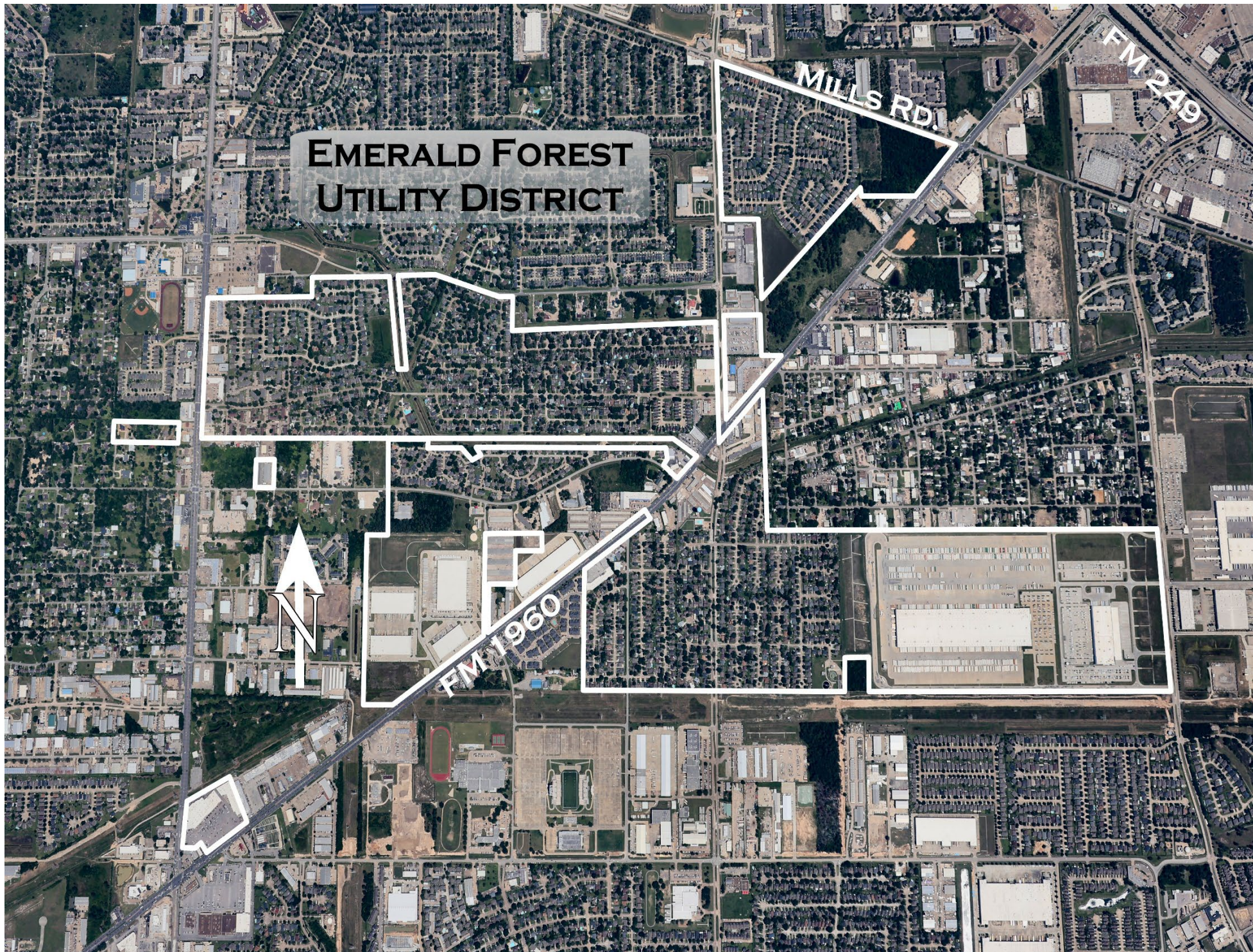
All estimates, statements and assumptions in this OFFICIAL STATEMENT and the Appendices hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statements in this OFFICIAL STATEMENT involving matters of opinion or estimates, whether or not 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.

/s/ DeWayne High
President, Board of Directors
Emerald Forest Utility District

ATTEST:

/s/ William B. Schmidt
Secretary, Board of Directors
Emerald Forest Utility District

AERIAL PHOTOGRAPH
(Approximate boundaries of the District as of May 2025)



PHOTOGRAPHS OF THE DISTRICT
(Taken June 2025)













APPENDIX A

District Audited Financial Statements for the fiscal year ended September 30, 2024

EMERALD FOREST UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2024

McCALL GIBSON SWEDLUND BARFOOT ELLIS PLLC
Certified Public Accountants

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McCall Gibson Swedlund Barfoot Ellis PLLC

Certified Public Accountants

*Chris Swedlund
Noel W. Barfoot
Joseph Ellis
Ashlee Martin*

*Mike M. McCall
(retired)
Debbie Gibson
(retired)*

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Emerald Forest Utility District
Harris County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Emerald Forest Utility District (the "District") as of and for the year ended September 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 September 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.

Board of Directors
Emerald Forest Utility District

Supplementary Information

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

McCall Gibson Swedlund Barfoot Ellis PLLC

McCall Gibson Swedlund Barfoot Ellis PLLC
Certified Public Accountants
Houston, Texas

January 28, 2025

**EMERALD FOREST UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

Management's discussion and analysis of Emerald Forest Utility District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended September 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 Fund 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, if applicable, deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

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

FUND FINANCIAL STATEMENTS

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

**EMERALD FOREST UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI") and other supplementary information. The 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 \$23,650,165 as of September 30, 2024.

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

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

**EMERALD FOREST UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 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	\$ 17,052,350	\$ 15,023,195	\$ 2,029,155
Capital Assets (Net of Accumulated Depreciation)	19,344,190	19,270,707	73,483
Total Assets	\$ 36,396,540	\$ 34,293,902	\$ 2,102,638
Deferred Outflows of Resources	\$ 135,683	\$ 163,318	\$ (27,635)
Bonds Payable	\$ 6,223,009	\$ 7,176,048	\$ 953,039
Due to Developers	5,836,880	5,980,748	143,868
Other Liabilities	822,169	1,384,417	562,248
Total Liabilities	\$ 12,882,058	\$ 14,541,213	\$ 1,659,155
Net Position:			
Net Investment in Capital Assets	\$ 8,026,589	\$ 6,895,170	\$ 1,131,419
Restricted	3,718,873	2,081,911	1,636,962
Unrestricted	11,904,703	10,938,926	965,777
Total Net Position	\$ 23,650,165	\$ 19,916,007	\$ 3,734,158

The following table provides a summary of the District's operations for the years ended September 30, 2024, and September 30, 2023.

	Summary of Changes in the Statement of Activities		
	2024	2023	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 4,513,938	\$ 3,587,451	\$ 926,487
Charges for Services	3,104,177	3,558,153	(453,976)
Other Revenues	884,180	836,990	47,190
Total Revenues	\$ 8,502,295	\$ 7,982,594	\$ 519,701
Expenses for Services	4,768,137	6,903,501	2,135,364
Change in Net Position	\$ 3,734,158	\$ 1,079,093	\$ 2,655,065
Net Position, Beginning of Year	19,916,007	18,836,914	1,079,093
Net Position, End of Year	\$ 23,650,165	\$ 19,916,007	\$ 3,734,158

**EMERALD FOREST UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of September 30, 2024, were \$16,118,219, an increase of \$2,587,006 from the prior year.

The General Fund fund balance increased by \$954,605, primarily due to property tax and service revenues exceeding operating and capital expenditures.

The Debt Service Fund fund balance increased by \$1,611,969, primarily due to the structure of the District's debt service payments.

The Capital Projects Fund fund balance increased by \$20,432 primarily due to investment income.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District did not amend the budget during the current fiscal year. Actual revenues were \$372,730 more than budgeted revenues. Actual expenditures were \$294,173 less than budgeted expenditures. This resulted in a positive budget variance of \$666,903. See the budget to actual comparison for further information.

CAPITAL ASSETS

Capital assets as of September 30, 2024, total \$19,344,190 (net of accumulated depreciation) and include the water and wastewater systems. Significant capital asset events completed during the current fiscal year included the FM 1960 wastewater and sanitary sewer extension, lift station no. 5 and the District's share of the disinfection conversion project for water plants no. 2 and 3.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2024	2023	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 3,027,655	\$ 3,027,655	\$
Construction in Progress	670,612	2,654,458	(1,983,846)
Capital Assets, Net of Accumulated Depreciation:			
Water System	2,879,296	3,063,373	(184,077)
Wastewater System	8,756,109	6,417,525	2,338,584
Drainage System	4,010,518	4,107,696	(97,178)
Total Net Capital Assets	<u>\$ 19,344,190</u>	<u>\$ 19,270,707</u>	<u>\$ 73,483</u>

Additional information on the District's capital assets can be found in Note 6 of this report.

**EMERALD FOREST UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

LONG-TERM DEBT ACTIVITY

As of September 30, 2024, the District had total long-term debt payable of \$6,000,000. The changes in the debt position of the District during the fiscal year ended September 30, 2024, are summarized as follows:

Bond Debt Payable, October 1, 2023	\$ 6,925,000
Less: Bond Principal Paid	<u>925,000</u>
Bond Debt Payable, September 30, 2024	<u><u>\$ 6,000,000</u></u>

The District's bonds carry an underlying rating of "A2" from Moody's Investors Service. The District's Series 2016 Refunding bonds and Series 2022 bonds carry an insured rating of "AA" by virtue of bond insurance issued by Build America Mutual Assurance 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 Emerald Forest Utility District, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, TX 77027.

EMERALD FOREST UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2024

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 211,889	\$ 106,544
Investments	12,215,603	3,547,037
Receivables:		
Property Taxes	39,442	60,166
Penalty and Interest on Delinquent Taxes		
Service Accounts	210,283	
Due from Developer	21,331	
Due from Other Funds		21,743
Prepaid Costs	175	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	<u>\$ 12,698,723</u>	<u>\$ 3,735,490</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>\$ 12,698,723</u></u>	<u><u>\$ 3,735,490</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
\$ 3,567	\$ 322,000	\$	\$ 322,000
605,855	16,368,495		16,368,495
	99,608		99,608
		30,458	30,458
	210,283		210,283
	21,331		21,331
	21,743	(21,743)	
	175		175
		3,027,655	3,027,655
		670,612	670,612
		15,645,923	15,645,923
<u>\$ 609,422</u>	<u>\$ 17,043,635</u>	<u>\$ 19,352,905</u>	<u>\$ 36,396,540</u>
 \$ -0-	 \$ - 0 -	 \$ 135,683	 \$ 135,683
 <u>\$ 609,422</u>	 <u>\$ 17,043,635</u>	 <u>\$ 19,488,588</u>	 <u>\$ 36,532,223</u>

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

EMERALD FOREST UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2024

	<u>General Fund</u>	<u>Debt Service Fund</u>
LIABILITIES		
Accounts Payable	\$ 326,259	\$
Accrued Interest Payable		
Due to Developers		
Due to Taxpayers		28,971
Due to Other Funds	21,743	
Security Deposits	446,018	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	<u>\$ 794,020</u>	<u>\$ 28,971</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	<u>\$ 39,442</u>	<u>\$ 60,166</u>
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 175	\$
Restricted for Authorized Construction		
Restricted for Debt Service		3,646,353
Unassigned	11,865,086	
TOTAL FUND BALANCES	<u>\$ 11,865,261</u>	<u>\$ 3,646,353</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 12,698,723</u>	<u>\$ 3,735,490</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
\$ 2,817	\$ 329,076	\$	\$ 329,076
		18,104	18,104
		5,836,880	5,836,880
	28,971		28,971
	21,743	(21,743)	
	446,018		446,018
		650,000	650,000
		5,573,009	5,573,009
<u>\$ 2,817</u>	<u>\$ 825,808</u>	<u>\$ 12,056,250</u>	<u>\$ 12,882,058</u>
<u>\$ -0-</u>	<u>\$ 99,608</u>	<u>\$ (99,608)</u>	<u>\$ - 0 -</u>
\$ 606,605	\$ 175	\$ (175)	\$
	606,605	(606,605)	
	3,646,353	(3,646,353)	
	11,865,086	(11,865,086)	
<u>\$ 606,605</u>	<u>\$ 16,118,219</u>	<u>\$ (16,118,219)</u>	<u>\$ - 0 -</u>
<u>\$ 609,422</u>	<u>\$ 17,043,635</u>		
		\$ 8,026,589	\$ 8,026,589
		3,718,873	3,718,873
		11,904,703	11,904,703
		<u>\$ 23,650,165</u>	<u>\$ 23,650,165</u>

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

**EMERALD FOREST UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2024**

Total Fund Balances - Governmental Funds	\$ 16,118,219
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Amounts reported for governmental activities in the Statement of Net Position are different because:

The difference between the net carrying amount of refunded bonds and the reacquisition price is recorded as a deferred outflow of resources in the governmental activities and systematically charged to interest expense over the remaining life of the new debt or the old debt, whichever is shorter.	135,683
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Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.	19,344,190
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Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2023 and prior tax levies became part of recognized revenues in the governmental activities of the District.	130,066
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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	\$ (5,836,880)	
Accrued Interest Payable	(18,104)	
Bonds Payable	(6,223,009)	(12,077,993)
Total Net Position - Governmental Activities		\$ 23,650,165

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

EMERALD FOREST UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 1,824,047	\$ 2,663,071
Water Service	822,666	
Wastewater Service	943,722	
Regional Water Authority Fees	897,635	
Penalty and Interest	46,193	41,585
Tap Connection and Inspection Fees	73,450	
Capacity Reservation Fees	272,916	
Investment Revenues	644,041	188,161
Miscellaneous Revenues	5,312	15,025
TOTAL REVENUES	<u>\$ 5,529,982</u>	<u>\$ 2,907,842</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 337,460	\$ 12,043
Contracted Services	696,825	76,739
Purchased Water Service	17,043	
Utilities	156,645	
Regional Water Authority Assessments	879,529	
Repairs and Maintenance	893,002	
Depreciation		
Other	607,036	24,822
Capital Outlay	987,837	
Debt Service:		
Bond Principal		925,000
Bond Interest		257,269
TOTAL EXPENDITURES/EXPENSES	<u>\$ 4,575,377</u>	<u>\$ 1,295,873</u>
NET CHANGE IN FUND BALANCES	\$ 954,605	\$ 1,611,969
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION -		
OCTOBER 1, 2023	<u>10,910,656</u>	<u>2,034,384</u>
FUND BALANCES/NET POSITION -		
SEPTEMBER 30, 2024	<u>\$ 11,865,261</u>	<u>\$ 3,646,353</u>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 4,487,118	\$ 26,820	\$ 4,513,938
	822,666		822,666
	943,722		943,722
	897,635		897,635
	87,778	6,010	93,788
	73,450		73,450
	272,916		272,916
	832,202		832,202
31,641	51,978		51,978
<u>\$ 31,641</u>	<u>\$ 8,469,465</u>	<u>\$ 32,830</u>	<u>\$ 8,502,295</u>
\$ 10,849	\$ 360,352	\$	\$ 360,352
	773,564		773,564
	17,043		17,043
	156,645		156,645
	879,529		879,529
	893,002		893,002
		782,651	782,651
360	632,218		632,218
	987,837	(968,235)	19,602
	925,000	(925,000)	
	257,269	(3,738)	253,531
<u>\$ 11,209</u>	<u>\$ 5,882,459</u>	<u>\$ (1,114,322)</u>	<u>\$ 4,768,137</u>
\$ 20,432	\$ 2,587,006	\$ (2,587,006)	\$
		3,734,158	3,734,158
586,173	13,531,213	6,384,794	19,916,007
<u>\$ 606,605</u>	<u>\$ 16,118,219</u>	<u>\$ 7,531,946</u>	<u>\$ 23,650,165</u>

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

**EMERALD FOREST UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

Net Change in Fund Balances - Governmental Funds	\$	2,587,006
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report tax revenues when collected. However, in the government-wide financial statements, revenues are recorded in the accounting period for which the taxes are levied.		26,820
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Governmental funds report penalty and interest revenues on delinquent property taxes when collected. However, in the government-wide financial statements, revenues are recorded when penalties and interest are assessed.		6,010
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Governmental funds do not account for depreciation. However, in the government-wide financial statements, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.		(782,651)
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Governmental funds report capital expenditures as expenditures in the period purchased. However, in the government-wide financial statements, capital assets are increased by new purchases that meet the District's threshold for capitalization, and are owned and maintained by the District. All other capital asset purchases are expensed in the Statement of Activities.		968,235
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Governmental funds report principal payments on long-term debt as expenditures. However, in the government-wide financial statements, principal payments decrease long-term liabilities and the Statement of Activities is not affected.		925,000
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Governmental funds report interest payments on long-term debt as expenditures in the year paid. However, in the government-wide financial statements, interest is accrued on the long-term debt through fiscal year-end.		3,738
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Change in Net Position - Governmental Activities	\$	3,734,158
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The accompanying notes to the financial
statements are an integral part of this report.

EMERALD FOREST UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1. CREATION OF DISTRICT

Emerald Forest Utility District, located in Harris County, Texas (the “District”) was created effective June 1, 1971 by an act of the State of Texas, Regular Session, 1971, in accordance with the Texas Water Code. The District operates under the supervision of the Texas Commission on Environmental Quality (the “Commission”). Pursuant to the provisions of Chapters 54 and 49 of the Texas Water Code, as amended, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, wastewater service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct and maintain parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests, establish, operate and maintain a fire department to perform all fire-fighting activities and develop and finance roads within the District. The Board of Directors held its first meeting on July 8, 1971, and the first bonds were delivered on August 7, 1973.

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

Financial Statement Presentation

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

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

EMERALD FOREST UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- 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.

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 revenues and expenses in the government-wide Statement of Activities.

Fund Financial Statements

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

EMERALD FOREST UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

Governmental Funds

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

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

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

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

Basis of Accounting

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

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of September 30, 2024, the General Fund owes the Debt Service Fund \$21,743 for an excess transfer of maintenance tax collections.

EMERALD FOREST UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 of \$10,000 or more and an estimated useful life of at least two years following the date of acquisition. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation. Estimated useful lives are as follows:

	<u>Years</u>
Water System	10-45
Wastewater System	10-45
Drainage System	10-45

Budgeting

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

Pensions

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

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination

EMERALD FOREST UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

of operating income, changes in net position, financial position, and cash flows. All assets, liabilities, and deferred inflows and outflows of resources 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 Governmental Funds 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 formal action by the Board. The District does not have any committed fund balances.

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

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

EMERALD FOREST UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 3. LONG-TERM DEBT

	Refunding Series 2016	Series 2022
Amount Outstanding – September 30, 2024	\$ 2,875,000	\$ 3,125,000
Interest Rates	4.00%	3.00% - 4.00%
Maturity Dates - Beginning/Ending	September 1, 2025/2032	September 1, 2025/2037
Interest Payment Dates	March 1/ September 1	March 1/ September 1
Callable Dates	September 1, 2024*	September 1, 2028*

- * Or on any date thereafter, in whole or in part, at the option of the District, at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. The Refunding Series 2016 term bonds maturing September 1, 2032 are subject to mandatory redemption beginning September 1, 2030, by lot or other customary random method. The Series 2022 bonds maturing September 1, 2027, 2029, 2031, 2033, 2035, and 2037 are subject to mandatory redemption beginning September 1, 2026, 2028, 2030, 2032, 2034, and 2036, respectively.

The following is a summary of transactions regarding bonds payable for the year ended September 30, 2024:

	October 1, 2023	Additions	Retirements	September 30, 2024
Bonds Payable	\$ 6,925,000	\$	\$ 925,000	\$ 6,000,000
Unamortized Discounts	(46,054)		(3,315)	(42,739)
Unamortized Premiums	297,102		31,354	265,748
Bonds Payable, Net	<u>\$ 7,176,048</u>	<u>\$ -0-</u>	<u>\$ 953,039</u>	<u>\$ 6,223,009</u>
		Amount Due Within One Year		\$ 650,000
		Amount Due After One Year		<u>5,573,009</u>
		Bonds Payable, Net		<u>\$ 6,223,009</u>

EMERALD FOREST UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 3. LONG-TERM DEBT (Continued)

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

Fiscal Year	Principal	Interest	Total
2025	\$ 650,000	\$ 217,250	\$ 867,250
2026	660,000	191,250	851,250
2027	665,000	167,100	832,100
2028	675,000	142,750	817,750
2029	680,000	118,000	798,000
2030-2034	1,920,000	308,775	2,228,775
2035-2037	750,000	53,750	803,750
	<u>\$ 6,000,000</u>	<u>\$ 1,198,875</u>	<u>\$ 7,198,875</u>

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount. The District has authorized but unissued tax bonds totaling \$43,535,000 for utilities, \$11,170,000 for refundings, and \$5,020,000 for parks and recreation.

During the year ended September 30, 2024, the District levied an ad valorem debt service tax at the rate of \$0.365 per \$100 of assessed valuation, which resulted in a tax levy of \$2,711,148 on the adjusted taxable valuation of \$742,780,180 for the 2023 tax year. The bond orders require the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for maintenance tax levy.

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

EMERALD FOREST UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

- A. The District has covenanted that it will take 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 each 5th year anniversary of each issue.
- B. The bond orders state that the District is required to annually provide continuing disclosure of certain general financial information and operating data to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (“EMMA”) system. 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 bonds.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year-end, the carrying amount of the District’s deposits was \$322,000 and the bank balances were \$375,983. The District was not exposed to custodial credit risk at year end.

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

	<u>Cash</u>
GENERAL FUND	\$ 211,889
DEBT SERVICE FUND	106,544
CAPITAL PROJECTS FUND	<u>3,567</u>
TOTAL DEPOSITS	<u><u>\$ 322,000</u></u>

EMERALD FOREST UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 5. DEPOSITS AND INVESTMENTS

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 Texas Comptroller of Public Accounts has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool measures all portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

The District invests in the Texas Short Term Asset Reserve Program ("TexSTAR"), an external public funds investment pool that is not SEC-registered. J. P. Morgan Investment Management Inc. provides investment management and 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 JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. 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 pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from TexSTAR.

EMERALD FOREST UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$ 10,153,427	\$ 10,153,427
TexSTAR	2,062,176	2,062,176
<u>DEBT SERVICE FUND</u>		
TexPool	3,547,037	3,547,037
<u>CAPITAL PROJECTS FUND</u>		
TexPool	605,855	605,855
TOTAL INVESTMENTS	<u><u>\$ 16,368,495</u></u>	<u><u>\$ 16,368,495</u></u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 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 and the cost of assessing and collecting taxes.

EMERALD FOREST UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2024:

	October 1, 2023	Increases	Decreases	September 30, 2024
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 3,027,655	\$	\$	\$ 3,027,655
Construction in Progress	<u>2,654,458</u>	<u>856,134</u>	<u>2,839,980</u>	<u>670,612</u>
Total Capital Assets Not Being Depreciated	<u>\$ 5,682,113</u>	<u>\$ 856,134</u>	<u>\$ 2,839,980</u>	<u>\$ 3,698,267</u>
Capital Assets Subject to Depreciation				
Water System	\$ 7,666,199	\$	\$	\$ 7,666,199
Wastewater System	14,777,246	2,839,980		17,617,226
Drainage System	<u>4,361,057</u>	<u></u>	<u></u>	<u>4,361,057</u>
Total Capital Assets Subject to Depreciation	<u>\$ 26,804,502</u>	<u>\$ 2,839,980</u>	<u>\$ - 0 -</u>	<u>\$ 29,644,482</u>
Less Accumulated Depreciation				
Water System	\$ 4,602,826	\$ 184,077	\$	\$ 4,786,903
Wastewater System	8,359,721	501,396		8,861,117
Drainage System	<u>253,361</u>	<u>97,178</u>	<u></u>	<u>350,539</u>
Total Accumulated Depreciation	<u>\$ 13,215,908</u>	<u>\$ 782,651</u>	<u>\$ - 0 -</u>	<u>\$ 13,998,559</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 13,588,594</u>	<u>\$ 2,057,329</u>	<u>\$ - 0 -</u>	<u>\$ 15,645,923</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 19,270,707</u>	<u>\$ 2,913,463</u>	<u>\$ 2,839,980</u>	<u>\$ 19,344,190</u>

The District has financed certain drainage facilities which have been conveyed to other entities for maintenance. Capital assets are added above when the facilities are placed into service.

NOTE 7. MAINTENANCE TAX

On November 6, 2007, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$0.25 per \$100 of assessed valuation of taxable property within the District. During the year ended September 30, 2024, the District levied an ad valorem maintenance tax at the rate of \$0.25 per \$100 of assessed valuation, which resulted in a tax levy of \$1,856,950 on the adjusted taxable valuation of \$742,780,180 for the 2023 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and sanitary sewer system.

EMERALD FOREST UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 8. CONTRACTS WITH OTHER ENTITIES

On August 25, 1977, the District entered into a contract to supply water and sewer services to the Cypress-Fairbanks Independent School District (the “School”) to a tract outside the District for a term of 30 years. The contract was most recently amended February 14, 2011 and extended the term from year to year unless terminated with six months’ notice. The maximum amount of water to be supplied is 100,000 gallons per day, and the maximum amount of sewage to be treated is 75,000 gallons per day. The School is billed as a single-family unit at the rates set forth in the District’s rate order. On November 11, 2024, subsequent to year end, the contract was amended.

On August 11, 2003, the District entered into the third amendment to the Water Service Agreement with Harris County Fresh Water Supply District No. 61 (“District No. 61”) to provide 35,000 gallons per day to the District. The District is responsible for payment of surface water fees to the North Harris County Regional Water Authority for water received from District No. 61. The District recorded \$17,043 in expenditures for water purchases from District No. 61 during the current fiscal year.

NOTE 9. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

The District is located within the boundaries of the North Harris County Regional Water Authority (the “Authority”). The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 2965 (the “Act”), as passed by the seventy-fifth Texas Legislature, in 1999. The Act empowers the Authority to provide for the conservation, preservation, protection, recharge and prevention of waste of groundwater, and for the reduction of groundwater withdrawals. The Authority has entered into a contract for purchase of surface water from the City of Houston, Texas to assure that its participants comply with the Harris-Galveston Subsidence District (“HGSD”) pumpage requirements, which mandate that districts within HGSD boundaries, including the District, convert a percentage of their water use to surface water over a period of time.

On July 6, 2020, the District and the Authority entered into an interlocal agreement which calls on the Authority to contract and install, at its sole cost and expense, certain chloramination equipment at the District’s water plants nos. 2 and 3 and additional Authority equipment, including, but not limited to water lines and control valves and related equipment. This is being done as part of the expansion of the Authority’s surface water distribution system to meet the 2025 surface water conservation requirements of the HGSD.

EMERALD FOREST UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 9. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY
(Continued)

Additionally, the agreement calls for the Authority to install and construct the necessary equipment to convert the District's existing chlorine gas disinfection system to a bleach disinfection system at water plants nos. 2 and 3. Upon completion of this project, the District will reimburse the Authority 100% of all reasonable and necessary costs associated with the permitting, construction and inspection by the Authority. The current cost estimate for the construction and installation of this conversion project is \$415,420. During the current fiscal year, this project was completed and the District reimbursed the Authority \$349,518.

The Authority currently charges a fee, based on the amount of water pumped from a well, to the owner of wells located within the boundaries of the Authority, unless exempted. This fee enables the Authority to fulfill its purpose and regulatory functions. As of October 1, 2023, the rate is \$3.60 per 1,000 gallons of water pumped from each well and \$4.05 per 1,000 gallons of surface water received from the Authority. The District recorded an expenditure of \$879,529 for fees assessed during the current fiscal year.

NOTE 10. STRATEGIC PARTNERSHIP AGREEMENT

Effective May 9, 2002, the District entered into a Strategic Partnership Agreement ("SPA") with the City of Houston, Texas. The term of the SPA is 30 years from the effective date. Under the agreement, and in accordance with Subchapter F of Chapter 43 of the Texas Local Government Code, the City has annexed the District for the limited purposes of applying the City's Planning, Zoning, Health, and Safety Ordinances within the District.

The District will continue to develop, to own, and to operate and maintain a water, wastewater, and drainage system in the District. The taxable property within the District is not liable for any present or future debts of the City, and current and future taxes levied by the City may not be levied on taxable property within the District. The City's municipal courts have jurisdiction to adjudicate criminal cases filed under the Planning, Zoning, Health and Safety Ordinances and certain state laws. The District's assets, liabilities, indebtedness, and obligations will remain the responsibility of the District during the period preceding full-purpose annexation. The District will pay an annual \$100 fee to the City for the provision of city services in lieu of full-purpose annexation. The qualified voters of the District may vote in City elections pursuant to Local Government Code. The City is responsible for notifying the voters within the District.

The City shall impose a Sales and Use Tax within the portion of the District covered by the SPA on the receipts from the sale and use at retail of taxable items at the rate of one percent or the rate specified under future amendments to Chapter 321 of the Tax Code. The City agrees to pay to the District an amount equal to one-half of all Sales and Use Tax receipts generated within the District. The City agrees to deliver to the District its share of the sales tax receipts within 30 days of the City receiving the funds from the State Controller's office. During the current fiscal year, the District recorded no revenues related to the SPA.

EMERALD FOREST UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 11. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 12. DUE TO DEVELOPERS

The District has executed development financing agreements with developers within the District. The agreements call for the developers to fund costs associated with water, wastewater and drainage facilities, until such time as the District sells bonds. As of September 30, 2024, the District recorded an estimated liability of \$5,836,880 in relation to these agreements for facilities that have been completed.

	Beginning Balance	Additions	Reimbursements	Ending Balance
Due to Developers	\$ 5,948,980	\$ - 0 -	\$ 112,100	\$ 5,836,880

EMERALD FOREST UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2024

**EMERALD FOREST UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 1,775,172	\$ 1,824,047	\$ 48,875
Water Service	818,000	822,666	4,666
Wastewater Service	879,000	943,722	64,722
Regional Water Authority Fees	932,000	897,635	(34,365)
Penalty and Interest	37,000	46,193	9,193
Tap Connection and Inspection Fees	19,600	73,450	53,850
Capacity Reservation Fees	185,000	272,916	87,916
Investment Revenues	450,000	644,041	194,041
Miscellaneous Revenues	61,480	5,312	(56,168)
TOTAL REVENUES	<u>\$ 5,157,252</u>	<u>\$ 5,529,982</u>	<u>\$ 372,730</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 317,000	\$ 337,460	\$ (20,460)
Contracted Services	716,000	696,825	19,175
Purchased Water Service	15,000	17,043	(2,043)
Utilities	133,200	156,645	(23,445)
Regional Water Authority Fees	932,000	879,529	52,471
Repairs and Maintenance	1,004,000	893,002	110,998
Other	610,350	607,036	3,314
Capital Outlay	1,142,000	987,837	154,163
TOTAL EXPENDITURES	<u>\$ 4,869,550</u>	<u>\$ 4,575,377</u>	<u>\$ 294,173</u>
NET CHANGE IN FUND BALANCE	\$ 287,702	\$ 954,605	\$ 666,903
FUND BALANCE - OCTOBER 1, 2023	<u>10,910,656</u>	<u>10,910,656</u>	<u>_____</u>
FUND BALANCE - SEPTEMBER 30, 2024	<u>\$ 11,198,358</u>	<u>\$ 11,865,261</u>	<u>\$ 666,903</u>

See accompanying independent auditor's report.

EMERALD FOREST UTILITY DISTRICT
SUPPLEMENTARY INFORMATION REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
SEPTEMBER 30, 2024

**EMERALD FOREST UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered	<u>1</u>	<u>1</u>	x 1.0	<u>1</u>
≤¾"	<u>1,868</u>	<u>1,839</u>	x 1.0	<u>1,839</u>
1"	<u>28</u>	<u>26</u>	x 2.5	<u>65</u>
1½"	<u>12</u>	<u>11</u>	x 5.0	<u>55</u>
2"	<u>29</u>	<u>28</u>	x 8.0	<u>224</u>
3"	<u>3</u>	<u>2</u>	x 15.0	<u>30</u>
4"	<u>3</u>	<u>3</u>	x 25.0	<u>75</u>
6"	<u>2</u>	<u>2</u>	x 50.0	<u>100</u>
8"	<u>2</u>	<u>2</u>	x 80.0	<u>160</u>
10"	<u>2</u>	<u>2</u>	x 115.0	<u>230</u>
Total Water Connections	<u><u>1,950</u></u>	<u><u>1,916</u></u>		<u><u>2,779</u></u>
Total Wastewater Connections	<u><u>1,952</u></u>	<u><u>1,915</u></u>	x 1.0	<u><u>1,915</u></u>

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

Gallons pumped into system:	269,434,000	Water Accountability Ratio: 81% (Gallons billed and sold/Gallons pumped and purchased)
Gallons purchased:	2,864,000	From: <u>Harris County Fresh Water Supply District No. 61</u>
Gallons billed to customers:	220,676,000	

Note: The District is aware of the low accountability ratio and is in the process of performing leak surveys, commercial meter testing and has replaced meters with electronic smart meters.

See accompanying independent auditor's report.

**EMERALD FOREST UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 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?

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.

**EMERALD FOREST UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

PROFESSIONAL FEES:	
Auditing	\$ 17,000
Engineering	192,883
Legal	<u>127,577</u>
TOTAL PROFESSIONAL FEES	<u>\$ 337,460</u>
 PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	<u>\$ 17,043</u>
 CONTRACTED SERVICES:	
Bookkeeping	\$ 21,290
Operations and Billing	138,629
Security	407,400
Solid Waste Disposal	<u>129,506</u>
TOTAL CONTRACTED SERVICES	<u>\$ 696,825</u>
 UTILITIES:	
Electricity	\$ 155,732
Telephone	<u>913</u>
TOTAL UTILITIES	<u>\$ 156,645</u>
 REPAIRS AND MAINTENANCE	<u>\$ 893,002</u>
 ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 28,895
Dues	2,250
Insurance	68,879
Office Supplies and Postage	39,578
Payroll Taxes	1,950
Travel and Meetings	10,282
Other	<u>16,688</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 168,522</u>
 CAPITAL OUTLAY	<u>\$ 987,837</u>

See accompanying independent auditor's report.

**EMERALD FOREST UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

TAP CONNECTIONS	<u>\$ 59,939</u>
OTHER EXPENDITURES:	
Chemicals	\$ 203,248
Laboratory Fees	70,354
Permit Fees	14,133
Inspection Fees	13,952
Regional Water Authority Assessments	879,529
Regulatory Assessment	8,513
Sludge Hauling	<u>68,375</u>
TOTAL OTHER EXPENDITURES	<u>\$ 1,258,104</u>
TOTAL EXPENDITURES	<u>\$ 4,575,377</u>

See accompanying independent auditor's report.

EMERALD FOREST UTILITY DISTRICT
INVESTMENTS
SEPTEMBER 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	XXXX0005	Varies	Daily	\$ 10,153,427	\$
TexSTAR	XXXX1110	Varies	Daily	2,062,176	
TOTAL GENERAL FUND				<u>\$ 12,215,603</u>	<u>\$ - 0 -</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0001	Varies	Daily	<u>\$ 3,547,037</u>	<u>\$ - 0 -</u>
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0004	Varies	Daily	<u>\$ 605,855</u>	<u>\$ -0-</u>
TOTAL - ALL FUNDS				<u><u>\$ 16,368,495</u></u>	<u><u>\$ - 0 -</u></u>

See accompanying independent auditor's report.

EMERALD FOREST UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	<u>Maintenance Taxes</u>		<u>Debt Service Taxes</u>	
TAXES RECEIVABLE -				
OCTOBER 1, 2023	\$	28,270	\$	44,518
Adjustments to Beginning				
Balance		<u>(21,731)</u>	\$	<u>(32,429)</u>
		\$ 6,539	\$	12,089
Original 2023 Tax Levy	\$	1,692,216	\$	2,470,635
Adjustment to 2023 Tax Levy		<u>164,734</u>	<u>240,513</u>	<u>2,711,148</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 1,863,489	\$	2,723,237
TAX COLLECTIONS:				
Prior Years	\$	(10,281)	\$	(15,047)
Current Year		<u>1,834,328</u>	<u>2,678,118</u>	<u>2,663,071</u>
TAXES RECEIVABLE -				
SEPTEMBER 30, 2024		<u>\$ 39,442</u>	<u>\$ 60,166</u>	
TAXES RECEIVABLE BY				
YEAR:				
2023	\$	22,622	\$	33,030
2022		5,416		7,907
2021		3,094		4,888
2020		2,311		3,744
2019		1,480		2,398
2018		743		1,204
2017 and prior		<u>3,776</u>		<u>6,995</u>
TOTAL		<u>\$ 39,442</u>	<u>\$ 60,166</u>	

See accompanying independent auditor's report.

**EMERALD FOREST UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
PROPERTY VALUATIONS:				
Land	\$ 170,581,808	\$ 135,787,009	\$ 124,327,099	\$ 101,491,241
Improvements	566,077,733	479,788,902	354,026,321	316,776,511
Personal Property	97,329,401	21,257,894	14,080,826	14,824,650
Exemptions	<u>(91,208,762)</u>	<u>(50,864,392)</u>	<u>(21,231,620)</u>	<u>(18,436,021)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 742,780,180</u>	<u>\$ 585,969,413</u>	<u>\$ 471,202,626</u>	<u>\$ 414,656,381</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.365	\$ 0.365	\$ 0.395	\$ 0.405
Maintenance	<u>0.250</u>	<u>0.250</u>	<u>0.250</u>	<u>0.250</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.615</u>	<u>\$ 0.615</u>	<u>\$ 0.645</u>	<u>\$ 0.655</u>
ADJUSTED TAX LEVY*	<u>\$ 4,568,098</u>	<u>\$ 3,603,712</u>	<u>\$ 3,039,257</u>	<u>\$ 2,715,999</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>98.78 %</u>	<u>99.63 %</u>	<u>99.74 %</u>	<u>99.78 %</u>

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

** Maintenance Tax – Maximum tax rate of \$0.25 per \$100 of assessed valuation was approved by voters on November 6, 2007.

See accompanying independent auditor's report.

**EMERALD FOREST UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 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 September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2025	\$ 425,000	\$ 115,000	\$ 540,000
2026	435,000	98,000	533,000
2027	440,000	80,600	520,600
2028	450,000	63,000	513,000
2029	455,000	45,000	500,000
2030	215,000	26,800	241,800
2031	220,000	18,200	238,200
2032	235,000	9,400	244,400
2033			
2034			
2035			
2036			
2037			
	<u>\$ 2,875,000</u>	<u>\$ 456,000</u>	<u>\$ 3,331,000</u>

See accompanying independent auditor's report.

**EMERALD FOREST UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2024**

S E R I E S - 2 0 2 2			
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2025	\$ 225,000	\$ 102,250	\$ 327,250
2026	225,000	93,250	318,250
2027	225,000	86,500	311,500
2028	225,000	79,750	304,750
2029	225,000	73,000	298,000
2030	250,000	66,250	316,250
2031	250,000	58,750	308,750
2032	250,000	51,250	301,250
2033	250,000	43,125	293,125
2034	250,000	35,000	285,000
2035	250,000	26,563	276,563
2036	250,000	18,125	268,125
2037	250,000	9,062	259,062
	<u>\$ 3,125,000</u>	<u>\$ 742,875</u>	<u>\$ 3,867,875</u>

See accompanying independent auditor's report.

EMERALD FOREST UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2024

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2025	\$ 650,000	\$ 217,250	\$ 867,250
2026	660,000	191,250	851,250
2027	665,000	167,100	832,100
2028	675,000	142,750	817,750
2029	680,000	118,000	798,000
2030	465,000	93,050	558,050
2031	470,000	76,950	546,950
2032	485,000	60,650	545,650
2033	250,000	43,125	293,125
2034	250,000	35,000	285,000
2035	250,000	26,563	276,563
2036	250,000	18,125	268,125
2037	250,000	9,062	259,062
	<u>\$ 6,000,000</u>	<u>\$ 1,198,875</u>	<u>\$ 7,198,875</u>

See accompanying independent auditor's report.

**EMERALD FOREST UTILITY DISTRICT
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

Description	Original Bonds Issued	Bonds Outstanding October 1, 2023
Emerald Forest Utility District		
Unlimited Tax Refunding Bonds - Series 2016	\$ 3,545,000	\$ 3,045,000
Emerald Forest Utility District		
Unlimited Tax Bonds - Series 2022	<u>4,830,000</u>	<u>3,880,000</u>
TOTAL	<u>\$ 8,375,000</u>	<u>\$ 6,925,000</u>

Bond Authority:	Tax Bonds	Park Bonds	Refunding Bonds
Amount Authorized by Voters	\$ 61,000,000	\$ 5,020,000	\$ 13,650,000
Amount Issued	<u>17,465,000</u>	<u> </u>	<u>2,480,000*</u>
Remaining to be Issued	<u>\$ 43,535,000</u>	<u>\$ 5,020,000</u>	<u>\$ 11,170,000</u>

Debt Service Fund cash and investment balances as of September 30, 2024:	<u>\$ 3,653,581</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:	<u>\$ 553,760</u>

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

* Amount issued refers to incremental debt, not total issued.

See accompanying independent auditor's report.

Current Year Transactions			Bonds Outstanding September 30, 2024	Paying Agent
Bonds Sold	Retirements			
	Principal	Interest		
\$	\$ 170,000	\$ 120,100	\$ 2,875,000	The Bank of New York Mellon Trust Company, N.A. Dallas, Texas
	755,000	137,169	3,125,000	The Bank of New York Mellon Trust Company, N.A. Dallas, Texas
\$ - 0 -	\$ 925,000	\$ 257,269	\$ 6,000,000	

See accompanying independent auditor's report.

EMERALD FOREST UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUE AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amount		
	2024	2023	2022
REVENUES			
Property Taxes	\$ 1,824,047	\$ 1,458,582	\$ 1,178,086
Water Service	822,666	865,653	874,404
Wastewater Service	943,722	929,859	953,954
Regional Water Authority Fees	897,635	1,032,937	1,078,005
Penalty and Interest	46,193	30,814	40,195
Tap Connection and Inspection Fees	73,450	478,545	53,428
Investment Revenues	644,041	477,787	77,148
Miscellaneous Revenues	<u>278,228</u>	<u>345,920</u>	<u>710,936</u>
TOTAL REVENUES	<u>\$ 5,529,982</u>	<u>\$ 5,620,097</u>	<u>\$ 4,966,156</u>
EXPENDITURES			
Professional Fees	\$ 337,460	\$ 356,413	\$ 415,852
Contracted Services	696,825	748,693	704,162
Purchased Water Service	17,043	13,166	14,632
Utilities	156,645	175,467	229,669
Regional Water Authority Fees	879,529	1,178,124	1,167,981
Repairs and Maintenance	893,002	1,010,158	760,475
Other	607,036	721,196	377,029
Capital Outlay	<u>987,837</u>	<u>1,597,453</u>	<u>1,698,890</u>
TOTAL EXPENDITURES	<u>\$ 4,575,377</u>	<u>\$ 5,800,670</u>	<u>\$ 5,368,690</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 954,605</u>	<u>\$ (180,573)</u>	<u>\$ (402,534)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	\$	\$ 52,780	\$
Developer Contributions	<u></u>	<u>61,206</u>	<u>1,354,100</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ - 0 -</u>	<u>\$ 113,986</u>	<u>\$ 1,354,100</u>
NET CHANGE IN FUND BALANCE	\$ 954,605	\$ (66,587)	\$ 951,566
BEGINNING FUND BALANCE	<u>10,910,656</u>	<u>10,977,243</u>	<u>10,025,677</u>
ENDING FUND BALANCE	<u>\$ 11,865,261</u>	<u>\$ 10,910,656</u>	<u>\$ 10,977,243</u>

See accompanying independent auditor's report.

			Percentage of Total Revenues									
2021		2020	2024		2023		2022		2021		2020	
\$	1,023,602	\$ 983,307	33.1	%	26.0	%	23.7	%	24.1	%	25.2	%
	930,286	757,848	14.9		15.4		17.6		21.9		19.4	
	797,693	867,908	17.1		16.5		19.2		18.7		22.2	
	979,950	855,760	16.2		18.4		21.7		23.0		21.9	
	36,629	32,353	0.8		0.5		0.8		0.9		0.8	
	260,724	12,543	1.3		8.5		1.1		6.1		0.3	
	12,029	116,062	11.6		8.5		1.6		0.3		3.0	
	214,077	282,002	5.0		6.2		14.3		5.0		7.2	
\$	4,254,990	\$ 3,907,783	100.0	%	100.0	%	100.0	%	100.0	%	100.0	%
\$	383,264	\$ 283,484	6.1	%	6.3	%	8.4	%	9.0	%	7.3	%
	577,542	487,593	12.6		13.3		14.2		13.6		12.5	
	22,888	13,839	0.3		0.2		0.3		0.5		0.4	
	224,667	174,760	2.8		3.1		4.6		5.3		4.5	
	1,240,953	1,039,475	15.9		21.0		23.5		29.2		26.6	
	696,157	545,844	16.1		18.0		15.3		16.4		14.0	
	417,012	351,050	11.0		12.8		7.6		9.8		9.0	
	410,179	247,163	17.9		28.4		34.2		9.6		6.3	
\$	3,972,662	\$ 3,143,208	82.7	%	103.1	%	108.1	%	93.4	%	80.6	%
\$	282,328	\$ 764,575	17.3	%	(3.1)	%	(8.1)	%	6.6	%	19.4	%
\$		\$										
\$	- 0 -	\$ - 0 -										
\$	282,328	\$ 764,575										
	9,743,349	8,978,774										
\$	10,025,677	\$ 9,743,349										

See accompanying independent auditor's report.

EMERALD FOREST UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUE AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	<u>Amount</u>		
	<u>2024</u>	<u>2023</u>	<u>2022</u>
REVENUES			
Property Taxes	\$ 2,663,071	\$ 2,130,587	\$ 1,861,887
Penalty and Interest	41,585	36,327	23,360
Investment Revenues	188,161	114,901	12,295
Miscellaneous Revenues	<u>15,025</u>	<u>15,609</u>	<u>1,992</u>
TOTAL REVENUES	<u>\$ 2,907,842</u>	<u>\$ 2,297,424</u>	<u>\$ 1,899,534</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 111,279	\$ 85,035	\$ 71,324
Debt Service Principal	925,000	1,270,000	715,000
Debt Service Interest and Fees	<u>259,594</u>	<u>294,975</u>	<u>154,188</u>
TOTAL EXPENDITURES	<u>\$ 1,295,873</u>	<u>\$ 1,650,010</u>	<u>\$ 940,512</u>
NET CHANGE IN FUND BALANCE	\$ 1,611,969	\$ 647,414	\$ 959,022
BEGINNING FUND BALANCE	<u>2,034,384</u>	<u>1,386,970</u>	<u>427,948</u>
ENDING FUND BALANCE	<u>\$ 3,646,353</u>	<u>\$ 2,034,384</u>	<u>\$ 1,386,970</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>1,916</u>	<u>1,926</u>	<u>1,916</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>1,915</u>	<u>1,952</u>	<u>1,897</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues						
2021	2020	2024	2023	2022	2021	2020		
\$ 1,658,260	\$ 1,592,955	91.6 %	92.7 %	98.1 %	98.7 %	98.0 %		
22,475	22,368	1.4	1.6	1.2	1.3	1.4		
616	9,087	6.5	5.0	0.6		0.6		
751		0.5	0.7	0.1				
<u>\$ 1,682,102</u>	<u>\$ 1,624,410</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>		
\$ 62,724	\$ 65,923	3.8 %	3.7 %	3.8 %	3.7 %	4.1 %		
1,995,000	770,000	31.8	55.3	37.6	118.6	47.4		
206,007	243,810	8.9	12.8	8.1	12.2	15.0		
<u>\$ 2,263,731</u>	<u>\$ 1,079,733</u>	<u>44.5 %</u>	<u>71.8 %</u>	<u>49.5 %</u>	<u>134.5 %</u>	<u>66.5 %</u>		
\$ (581,629)	\$ 544,677	<u>55.5 %</u>	<u>28.2 %</u>	<u>50.5 %</u>	<u>(34.5) %</u>	<u>33.5 %</u>		
1,009,577	464,900							
<u>\$ 427,948</u>	<u>\$ 1,009,577</u>							
<u>1,911</u>	<u>1,899</u>							
1,892	1,878							

See accompanying independent auditor's report.

District Mailing Address - Emerald Forest Utility District
c/o Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, TX 77027

District Telephone Number - (713) 860-6400

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

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution (TWC Section 49.060) on July 9, 2001. Fees of Office are the amounts paid to a Director during the District's current fiscal year.

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EMERALD FOREST UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2024

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended September 30, 2024</u>	<u>Title</u>
Allen Boone Humphries Robinson LLP	07/28/03	\$ 133,391 \$ -0-	General Counsel Bond Counsel
McCall Gibson Swedlund Barfoot Ellis PLLC	09/11/17	\$ 17,000 \$ -0-	Auditor Bond Related
District Data Services, Inc.	03/09/20	\$ 21,290 \$ -0-	Bookkeeper Bond Related
Baxter & Woodman, Inc.	10/08/18	\$ 233,626 \$ 14,107	Engineer Bond Related
Masterson Advisors LLC	05/14/18	\$ -0-	Financial Advisor
Regional Water Corporation	06/26/12	\$ 1,236,120	Operator
Perdue, Brandon, Fielder, Collins & Mott, LLP	03/11/96	\$ 12,043	Delinquent Tax Attorney
Bob Leared Interests	05/24/74	\$ 41,287	Tax Assessor/ Collector
Stephanie Viator	05/08/23	\$ -0-	Investment Officer

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)