

OFFICIAL STATEMENT DATED SEPTEMBER 17, 2025

THE DELIVERY OF THE BONDS IS SUBJECT TO THE OPINION OF BOND COUNSEL TO THE DISTRICT AS TO THE VALIDITY OF THE BONDS AND TO THE EFFECT THAT INTEREST ON THE BONDS IS EXCLUDABLE FROM THE GROSS INCOME OF THE OWNERS OF THE BONDS FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS, AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION, SUBJECT TO THE MATTERS DESCRIBED UNDER “TAX MATTERS” HEREIN, INCLUDING THE ALTERNATIVE MINIMUM TAX ON CERTAIN CORPORATIONS. SEE “LEGAL MATTERS” AND “TAX MATTERS” HEREIN FOR A DISCUSSION OF BOND COUNSEL'S OPINION.

The District has designated the Bonds as “qualified tax-exempt obligations.” See “TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions.”

NEW ISSUE - Book-Entry-Only

**Ratings: S&P Global Ratings (AG Insured) “AA” (stable outlook)
S&P Global Ratings (Underlying).... “BBB+” (stable outlook)
See “BOND INSURANCE” and “RATINGS” herein**

\$1,775,000

**CHAMBERS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
(A Political Subdivision of the State of Texas located within Chambers County, Texas)
UNLIMITED TAX BONDS, SERIES 2025**

Dated: October 1, 2025

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

Interest Accrual Date: Delivery Date

Principal of the above bonds (the “Bonds”) is payable by the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N. A., or any successor paying agent/registrar (the “Paying Agent,” “Registrar” or “Paying Agent/Registrar”). Interest on the Bonds accrues from the date of initial delivery (expected October 22, 2025) (the “Delivery Date”), and is payable on March 1, 2026, and on each September 1 and March 1 thereafter until the earlier of maturity or prior redemption. The Bonds are issued in denominations of \$5,000 or any integral multiple thereof in fully registered form only.

The Bonds are subject to redemption prior to maturity at the option of Chambers County Municipal Utility District No. 1 (the “District”), as a whole or in part, on September 1, 2030, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of the Bonds to be redeemed shall be selected by the District in integral multiples of \$5,000 within any one maturity. If fewer than all of the Bonds of any given maturity are to be redeemed at any time, the particular Bonds to be redeemed shall be selected by such method of random selection as determined by the Registrar (or by DTC or any successor securities depository in accordance with their procedures while the Bonds are in book-entry-only form). The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Registrar for payment of the redemption price on the portion of the Bond so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

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 “THE BONDS - 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”).



See Maturity Schedule on the inside cover

The Bonds constitute the tenth series of bonds issued by the District for the purpose of acquiring and constructing a waterworks, sanitary sewer and storm drainage system (the “System”) to serve the District. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. SEE “INVESTMENT CONSIDERATIONS.” Voters in the District authorized a total of \$38,200,000 principal amount of bonds for the purpose of acquiring and constructing the System, \$25,000,000 of which could also be used for refunding purposes. Following the issuance of the Bonds, \$3,155,000 principal amount of unlimited tax bonds authorized by the District’s voters for the acquisition or construction of the System or refunding purposes will remain authorized but unissued. See “THE BONDS - Issuance of Additional Debt.”

The Bonds, when issued, constitute valid and binding obligations of the District, and are 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. See “THE BONDS - Source of Payment.” Neither the State of Texas, the City of Baytown, Texas, Chambers County, Texas, nor any political subdivision other than the District shall be obligated to pay the principal of and interest on the Bonds. Neither the faith and credit nor the taxing power of the State of Texas, the City of Baytown, Texas, or Chambers County, Texas, is pledged to the payment of the principal of and interest on the Bonds.

The Bonds are offered when, as and if issued by the District, subject among other things to the approval of the Attorney General of Texas and of Young & Brooks, Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through DTC is expected to be on or about October 22, 2025.

MATURITY SCHEDULE

CUSIP Prefix^(a): 157798

<u>Maturity (Due September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Reoffering Yield^(b)</u>	<u>CUSIP Suffix^(a)</u>
2052 ^(c)	\$565,000	4.75%	4.78%	LR8
2053 ^(c)	590,000	4.75	4.79	LS6
2054 ^(c)	620,000	4.75	4.80	LT4

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

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

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

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

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net interest cost to the District, which was tendered by SAMCO Capital Markets, Inc. (referred to herein as the “Underwriter” or the “Initial Purchaser”) to purchase the Bonds bearing the interest rates shown under “MATURITY SCHEDULE” at a price of 97.118614% of the principal amount thereof, which resulted in a net effective interest rate of 4.853315%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Marketability

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

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering price, 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 WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon 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 acts of any other jurisdictions. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds should not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

BOND INSURANCE

Bond Insurance Policy

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

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

Assured Guaranty Inc.

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

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

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

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

Current Financial Strength Ratings

On August 4, 2025, KBRA announced that it had affirmed AG’s insurance financial strength rating of “AA+” (stable outlook).

On June 30, 2025, S&P announced that it had affirmed AG’s 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 June 30, 2025:

- The policyholders’ surplus of AG was approximately \$3.514 million.
- The contingency reserve of AG was approximately \$1.453 million.

- The net unearned premium reserves and net deferred ceding commission income of AG and its subsidiaries (as described below) were approximately \$2,437 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AG and (ii) the net unearned premium reserves and net deferred ceding commissions of AG's wholly owned subsidiary Assured Guaranty UK Limited ("AGUK"), and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA ("AGE").

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

Incorporation of Certain Documents by Reference

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

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2024 (filed by AGL with the SEC on February 28, 2025);
- (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); and
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2025 (filed by AGL with the SEC on August 8, 2025).

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

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

Miscellaneous Matters

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

BOND INSURANCE RISK FACTORS

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

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

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

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

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

RATINGS

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

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

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

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

The Issuer.....	Chambers County Municipal Utility District No. 1 (the “District”) is a political subdivision of the State of Texas located within Chambers County, Texas. See “THE DISTRICT - Authority.”
Description.....	\$1,775,000 Unlimited Tax Bonds, Series 2025 (the “Bonds”), are dated October 1, 2025. Interest accrues from the date of initial delivery (the “Delivery Date”), with interest payable on March 1, 2026, and on each September 1 and March 1 thereafter until maturity or prior redemption. The Bonds mature on September 1 in each of the years and in the amounts shown on the inside cover page of this Official Statement. The Bonds are subject to redemption, in whole or in part, prior to their scheduled maturities, at the option of the District, on September 1, 2030, or on any date thereafter. Upon redemption, the Bonds will be payable at a price equal to the principal amount of the Bonds, or portions thereof, so called for redemption, plus accrued interest to the date of redemption. See “THE BONDS.” The Bonds will be issued pursuant to a bond order (the “Bond Order”) adopted by the Board of Directors of the District.
Book-Entry-Only System.....	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC (defined herein), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (hereinafter defined) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “THE BONDS - Book-Entry-Only System”).
Source of Payment	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. See “THE BONDS - Source of Payment,” “TAX DATA - Tax Rate Calculations,” and “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.”
Use of Proceeds.....	Proceeds of the sale of the Bonds will be used by the District to (i) finance the acquisition and construction of water distribution, wastewater collection, and drainage facilities to serve Southwinds, Section 5; and payments to the City of Baytown related to capital buy-in and connection fees (the “Impact Fees”) for water supply and wastewater treatment capacity to serve Southwinds, Section 5, and a price change in the Impact Fees for Southwinds, Section 4; (ii) finance the payment of engineering and material testing costs associated with the design and construction of such facilities, and Storm Water Pollution Prevention; and (iii) pay for administrative

and issuance costs, legal fees, financial advisor’s fees, fees to the Texas Commission on Environmental Quality (the “TCEQ”) and the Attorney General of Texas. See “THE BONDS - Use and Distribution of Bond Proceeds.”

Payment Record

The Bonds are the tenth series of bonds issued by the District for purposes of constructing the District’s water, wastewater and drainage facilities (the “System”). The District has previously issued Unlimited Tax Bonds, Series 1998 (the “Series 1998 Bonds”), Unlimited Tax Bonds, Series 2002 (the “Series 2002 Bonds”), Unlimited Tax Bonds, Series 2004 (the “Series 2004 Bonds”), Unlimited Tax Bonds, Series 2007 (the “Series 2007 Bonds”), Unlimited Tax Bonds, Series 2011 (the “Series 2011 Bonds”), Unlimited Tax Bonds, Series 2017 (the “Series 2017 Bonds”), Unlimited Tax Bonds, Series 2021 (the “Series 2021 Bonds”), Unlimited Tax Bonds, Series 2022 (the “Series 2022 Bonds”) and Unlimited Tax Bonds, Series 2023 (the “Series 2023 Bonds”) to finance components of the System. The District also has issued its Unlimited Tax Refunding Bonds, Series 2010 (the “Series 2010 Refunding Bonds”), Unlimited Tax Refunding Bonds, Series 2012 (the “Series 2012 Refunding Bonds”), Unlimited Tax Refunding Bonds, Series 2015 (the “Series 2015 Refunding Bonds”) and Unlimited Tax Refunding Bonds, Series 2017 (the “Series 2017 Refunding Bonds”) to refund outstanding bonds of the District. All of such bonds previously issued by the District are hereinafter referred to as the “Prior Bonds.” The aggregate principal amount of the District’s bonded indebtedness that is currently outstanding consists of the maturities of the Prior Bonds that have not been retired or refunded in the principal amount of \$27,585,000 (the “Outstanding Bonds”). After issuance of the Bonds, the aggregate principal amount of the Outstanding Bonds and the Bonds will be \$29,360,000. The District has made timely payment of all debt service due on its outstanding obligations. See “THE BONDS - Authority for Issuance” and - “Issuance of Additional Debt,” “DISTRICT DEBT - Debt Service Requirement Schedule” and “INVESTMENT CONSIDERATIONS - Future Debt.”

Authorized But Unissued Bonds

\$3,155,000 bonds for water, sewer and drainage facilities and for refunding purposes will remain authorized but unissued after issuance of the Bonds. See “THE BONDS - Authority for Issuance” and - “Issuance of Additional Debt.” In addition to the components of the System and Impact Fees that the District has financed with the proceeds of the Prior Bonds and that the District is financing with the proceeds of the Bonds, the District expects to finance the acquisition or construction of additional components of the System and Impact Fees with the proceeds of bonds, if any, to be issued by the District in the future. The District’s Engineer estimates that the currently authorized but unissued bonds for water, sewer, and drainage facilities will be sufficient to finance all such facilities needed to serve the entire District. See “THE BONDS - Issuance of Additional Debt” and - “ Use and Distribution of Bond Proceeds,” “FUTURE DEVELOPMENT,” “THE SYSTEM,” and “INVESTMENT CONSIDERATIONS - Future Debt.”

Municipal Bond Insurance

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

Municipal Bond Ratings	S&P Global Ratings (AG Insured) “AA” (stable outlook). S&P Global Ratings (Underlying) “BBB+” (stable outlook). See “BOND INSURANCE,” “BOND INSURANCE RISK FACTORS” and “RATINGS.”
Bond Counsel.....	Young & Brooks, Bond Counsel, Houston, Texas. See “LEGAL MATTERS” and “TAX MATTERS.”
Disclosure Counsel	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
Qualified Tax-Exempt Obligations	The District has designated the Bonds as “qualified tax-exempt obligations” pursuant to Section 265 (b) of the Internal Revenue Code of 1986, as amended. See “TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions.”

THE DISTRICT

Description	The District was created by the Texas Water Commission (the “TWC”), now known as the Texas Commission on Environmental Quality (the “TCEQ”) on March 17, 1981. The District contains approximately 616.47 acres of land. The District is located entirely within Chambers County, Texas, and is located approximately 35 miles east of the central business district of the City of Houston, and approximately 6 miles east of the City of Baytown. Access to the District is provided by Interstate Highway 10 and State Highway 146. Interstate Highway 10 is adjacent to the District on the north. State Highway 146 traverses a portion of the District and is adjacent to other portions of the District on the west. The District is located entirely within the exclusive extraterritorial jurisdiction of the City of Baytown. See “THE DISTRICT - Description” and “APPENDIX A - LOCATION MAP.” Approximately 59.5 acres of land have been annexed into the District, approximately 56 acres of which are intended to be used for future industrial/warehouse development, and on approximately 3.5 acres of which a warehouse and beauty salon have been constructed.
Development of the District	The District contains approximately 616.47 acres of land, of which approximately 311.29 acres have been developed as the residential subdivisions of Country Meadows, Sections 1 through 7, Hunters Chase, Sections 1 through 4, Pine Meadows, Sections 1 and 2, and Southwinds, Sections 1 through 5, which contain an aggregate of 1,346 fully developed single-family residential lots as is delineated in this Official Statement under the caption “DEVELOPMENT OF THE DISTRICT.” As of August 1, 2025, homes had been constructed on all of such 1,346 fully developed single-family residential lots and all have been relayed to home purchasers. In addition, the 265-unit Vic at Southwinds Apartments have been constructed on approximately 12.26 acres located within the District and the 279-unit Ninety-Nine at Southwinds Apartments have been constructed on approximately 12.13 acres located within the District. See “INVESTMENT CONSIDERATIONS – Certain Tax Exemptions Provided for Affordable Housing.”

In addition to the aforementioned completed residential development and home construction, and completed apartments, above-ground commercial improvements totaling approximately 477,101 square feet of building area have been completed within the District. Such improvements include stand-alone businesses and restaurants aggregating approximately 128,549 square feet of building area that have been constructed on a total of approximately 26.77 acres at various locations within the District. In addition, the Chambers Town Center consists of approximately 77.2 acres of land located within the District, of which approximately 44.96 acres have been developed that contain a total of approximately 348,552 square feet of completed building area. Completed commercial buildings in the Chambers Town Center include an approximately 185,989 square foot super Wal-Mart with fuel center; an approximately 58,493 square foot ShowBiz Cinema; an approximately 17,782 square foot retail center containing the Methodist Hospital, an approximately 22,000 square foot Ross Dress For Less, and approximately 64,288 square feet of retail, fast food and other commercial improvements. Approximately 13.82 acres of the Chambers Town Center are being marketed for additional commercial development.

Approximately 59.5 acres of land have been annexed into the District, approximately 56 acres of which are intended to be used for future industrial/warehouse development, and on approximately 3.5 acres of which a warehouse and beauty salon have been constructed.

The District cannot predict the pace or magnitude of any future residential or commercial development or the construction of any future homes or above-ground commercial improvements in the District. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

The District financed the acquisition of the components of the District's System which serve Country Meadows, Sections 1 through 7, the Country Meadows, Sections 4 and 5 Block Additions, Hunters Chase, Sections 1 through 4, Pine Meadows, Sections 1 and 2, Southwinds, Sections 1 through 4, The Vic at Southwinds Apartments, Ninety-Nine at Southwinds Apartments, the commercial improvements that have been developed within the District, including the Chambers Town Center, and other facilities, with portions of the proceeds of the sale of the Prior Bonds. See "THE SYSTEM." The District is financing the acquisition of the components of the District's System which serve Southwinds, Section 5, and other facilities, with portions of the proceeds of the sale of the Bonds. In addition to the components of the System and Impact Fees that the District has financed with the proceeds of the sale of the Prior Bonds, and is financing with the proceeds of the sale of the Bonds (see "THE BONDS - Use and Distribution of Bond Proceeds"), the District expects to finance the acquisition or construction of additional components of the System and Impact Fees with portions of the proceeds of the sale of bonds, if any, in the future. See "THE BONDS - Authority for Issuance" and "Issuance of Additional Debt," and "INVESTMENT CONSIDERATIONS - Future Debt."

Approximately 16 acres located within the District are owned by Goose Creek Consolidated Independent School District, on which it expects to build an elementary school.

Approximately 53.61 undeveloped acres located within the District are owned by Kilgore Park L.L.C. (“Kilgore Park”). Such 53.61 acres are expected to be utilized for future commercial purposes. However, the District cannot predict when or whether the development of such currently undeveloped land might occur. Approximately 33 additional undeveloped acres located in the District are owned by multiple parties. No owner of any of such approximately 33 additional undeveloped acres has reported any definitive development plan covering any of such acres to the District, and no party is obligated to the District to undertake the development of any of such acres. Therefore, the District cannot predict when, or whether the development of any of such currently undeveloped land might occur. See “FUTURE DEVELOPMENT.” The balance of land located within the District consists of easements, rights-of way and other acreage not available for development.

Developers

The developer of approximately 48.01 acres of land located within the District into 208 single-family residential lots known as Southwinds, Sections 1 and 2, is Southwinds Residential, L.P. (“SR”). An entity related to SR, Baytown - 45 Residential Development L.P. (“B-45RD”), has developed approximately 20.44 acres of land located within the District into 80 single-family residential lots known as Southwinds, Section 3, approximately 18.73 acres of land located within the District into 81 single-family residential lots known as Southwinds, Section 4, and approximately 14.31 acres of land located within the District into 68 single-family residential lots known as Southwinds, Section 5. SR and B-45RD conveyed approximately 379 single family residential lots in Southwinds, Sections 1 through 5, to Beazer Homes and M/I Homes of Houston LLC (collectively, “the Builders”) for home construction, on all of such lots homes have been constructed and conveyed to home purchasers. B-45RD also owns a 1.5-acre future commercial site at the entry of Southwinds, Section 3. Since B-45RD has no obligation to the District to develop any of such acres according to any timetable or at all, the District cannot represent whether or when the development of any of such acres might be undertaken.

The developer of approximately 78 acres of land located within the District that have been developed and are expected to be developed for multifamily and commercial purposes is Kilgore Park L.L.C. (“Kilgore Park”). The 265-unit Vic at Southwinds Apartments have been constructed on approximately 12.26 of such acres and the 279-unit Ninety-Nine at Southwinds Apartments have been constructed on approximately 12.13 acres of such acres. Kilgore Park owns the remaining 53.61 currently undeveloped acres that are expected to be utilized for future commercial purposes. However, the District cannot predict when or whether the development of such currently undeveloped land might occur.

SR, B-45RD and Kilgore Park are collectively referred herein to as the “Developers.”

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION
(Unaudited)

2024 Assessed Valuation	\$	429,271,439 (a)
(As of January 1, 2024)		
See "TAX DATA" and "TAXING PROCEDURES"		
2025 Assessed Valuation	\$	488,665,071 (b)
(As of January 1, 2025)		
See "TAX DATA" and "TAXING PROCEDURES"		
Direct Debt:		
Outstanding Bonds.....	\$	27,585,000
The Bonds.....		<u>1,775,000</u>
Total.....	\$	29,360,000 (c)
Estimated Overlapping Debt	\$	<u>16,729,774</u>
Total Direct and Estimated Overlapping Debt	\$	<u>46,089,774</u>
Direct Debt Ratios		
: as a percentage of 2024 Assessed Valuation		6.84 %
: as a percentage of 2025 Assessed Valuation		6.01 %
Direct and Overlapping Debt Ratios		
: as a percentage of 2024 Assessed Valuation		10.74 %
: as a percentage of 2025 Assessed Valuation		9.43 %
Debt Service Fund Balance Estimated as of Delivery of the Bonds	\$	1,654,931 (d)
General Fund Balance as of July 16, 2025	\$	2,502,990
2025 Tax Rate per \$100 of Assessed Valuation		
Debt Service Tax	\$	0.34
Maintenance Tax.....		<u>0.22</u>
Total.....	\$	0.56 (e)
Average Percentage of Total Tax Collections (2014-2023) as of June 30, 2025		99.90 %
Percentage of Tax Collections 2024 Levy as of June 30, 2025		98.69 %
(In process of collection.)		
Average Annual Debt Service Requirements on the Bonds and the		
Outstanding Bonds (2026-2051).....	\$	1,586,713
Maximum Annual Debt Service Requirements on the Bonds and the		
Outstanding Bonds (2050).....	\$	1,591,575
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual		
Debt Service Requirements on the Bonds and the Outstanding Bonds		
(2026-2051) at 95% Tax Collections		
Based Upon 2024 Assessed Valuation.....	\$	0.39
Based Upon 2025 Assessed Valuation.....	\$	0.35

Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual
Debt Service Requirements on the Bonds and the Outstanding Bonds
(2050) at 95% Tax Collections

Based Upon 2024 Assessed Valuation.....	\$	0.40
Based Upon 2025 Assessed Valuation.....	\$	0.35

Number of Single Family Residences 1,346

Completed Commercial Improvements - Approximately 477,101 Total Square Feet of Building Area, Including:

Chambers Town Center - Approximately 348,552 total square feet of building area, including: Wal-Mart, Ross Dress for Less, ShowBiz Cinema, retail strip centers, freestanding commercial buildings including restaurants and medical facilities

Additional Commercial Development - Approximately 128,549 total square feet of building area, including restaurants, retail establishments, auto parts stores, an animal hospital, a gas stations/convenience store and a car wash. Approximately 3.5 acres on which a warehouse and beauty salon have been constructed.

Completed Multifamily Improvements

The Vic at Southwinds Apartments - 265 units
Ninety-Nine at Southwinds Apartments - 279 units

- (a) As of January 1, 2024, and comprises the District's 2024 tax roll. All property located in the District is valued on the tax rolls by the Chambers County Appraisal District (the "Appraisal District") at 100% of assessed value as of January 1 of each year. The District's tax roll is certified by the Chambers County Appraisal Review Board (the "Appraisal Review Board"). See "TAXING PROCEDURES" and "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."
- (b) As of January 1, 2025, and comprises the District's 2025 tax roll. See "TAXING PROCEDURES" and "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."
- (c) In addition to the components of the System and Impact Fees that the District has financed with the proceeds of the Prior Bonds and is financing with the proceeds of the Bonds, the District expects to finance the acquisition or construction of additional components of the System and Impact Fees with the proceeds of bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt" and - "Use and Distribution of Bond Proceeds," "FUTURE DEVELOPMENT," "THE SYSTEM" and "INVESTMENT CONSIDERATIONS - Future Debt."
- (d) Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the Debt Service Fund. Such fund balance reflects the timely payment by the District of its debt service requirements on the Outstanding Bonds that were due for 2025. The District's initial payment on the Bonds, consisting of an interest payment thereon, is due on March 1, 2026.
- (e) The District has levied a debt service tax in the amount of \$0.34 per \$100 of Assessed Valuation, plus a maintenance tax of \$0.22 per \$100 of Assessed Valuation for 2025. As is described in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2024 tax levies of all units of government which levy taxes against the property located within the District, plus the 2025 tax of the District is \$2.2431 per \$100 of Assessed Valuation. Such aggregate levy is higher than the aggregate of the tax levies of some municipal utility districts located in the greater Houston metropolitan area, but is within the range of the aggregate tax levies of municipal utility districts in the Houston metropolitan area which are in stages of development comparable with the District. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

\$1,775,000
CHAMBERS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
UNLIMITED TAX BONDS
SERIES 2025

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Chambers County Municipal Utility District No. 1 (the “District”) of its Unlimited Tax Bonds, Series 2025 (the “Bonds”). The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including particularly Chapters 49 and 54, Texas Water Code, as amended, an Order of the Texas Commission on Environmental Quality (the “TCEQ”), elections held within the District (see “THE BONDS - Authority for Issuance”), and an order authorizing issuance of the Bonds (the “Bond Order”) adopted by the Board of Directors of the District (the “Board”).

Included in this Official Statement are descriptions of the Bonds, the plan of financing, and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Young & Brooks, 10000 Memorial Drive, Suite 260, Houston, Texas 77024, upon payment of duplication costs. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Order, except as otherwise indicated herein.

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 Order of the Board of Directors of the District (the “Board”) authorizing the issuance of the Bonds.

The Bonds are dated October 1, 2025. Interest accrues from the date of initial delivery (the “Delivery Date”), at the rates shown on the inside cover hereof, with interest payable on March 1, 2026, and on each September 1 and March 1 thereafter until maturity or prior redemption. The Bonds are fully registered bonds maturing on September 1 of the years shown under “MATURITY SCHEDULE” on the inside cover page of this Official Statement. Principal of the Bonds will be payable by the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, or any successor paying agent/registrar (the “Paying Agent/Registrar,” “Paying Agent” or “Registrar”).

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 below under “Book-Entry-Only System.”

Payment Record

The Bonds are the tenth series of bonds issued by the District for purposes of constructing the District’s water, wastewater and drainage facilities (the “System”). The District has previously issued Unlimited Tax Bonds, Series 1998 (the “Series 1998 Bonds”), Unlimited Tax Bonds, Series 2002 (the “Series 2002 Bonds”), Unlimited Tax Bonds, Series 2004 (the “Series 2004 Bonds”), Unlimited Tax Bonds, Series 2007 (the “Series 2007 Bonds”), Unlimited Tax Bonds, Series 2011 (the “Series 2011 Bonds”), Unlimited Tax Bonds, Series 2017 (the “Series 2017 Bonds”), Unlimited Tax Bonds, Series 2021 (the “Series 2021 Bonds”), Unlimited Tax Bonds, Series 2022 (the “Series 2022 Bonds”) and Unlimited Tax Bonds, Series 2023 (the “Series 2023 Bonds”) to finance components of the System. The District also has issued its Unlimited Tax Refunding Bonds, Series 2010 (the “Series 2010 Refunding Bonds”), Unlimited Tax Refunding Bonds, Series 2012 (the “Series 2012 Refunding Bonds”), Unlimited Tax Refunding Bonds, Series 2015 (the “Series 2015 Refunding Bonds”)

and Unlimited Tax Refunding Bonds, Series 2017 (the “Series 2017 Refunding Bonds”) to refund outstanding bonds of the District. All of such bonds previously issued by the District are hereinafter referred to as the “Prior Bonds.” The aggregate principal amount of the District’s bonded indebtedness that is currently outstanding consists of the maturities of the Prior Bonds that have not been retired or refunded in the principal amount of \$27,585,000 (the “Outstanding Bonds”). After issuance of the Bonds, the aggregate principal amount of the Outstanding Bonds and the Bonds will be \$29,360,000. The District has made timely payment of all debt service due on its outstanding obligations. See “Authority for Issuance” and “Issuance of Additional Debt” below, “DISTRICT DEBT - Debt Service Requirement Schedule” and “INVESTMENT CONSIDERATIONS - Future Debt.”

Book-Entry-Only System

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

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

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

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

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction as well as periodic statements of their holdings, from the Direct or Indirect Participant through which

the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

Record Date

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

Assignments, Transfers and Exchanges

In the event the book-entry-only system is discontinued, the Bonds may be transferred, registered, and assigned only on the registration books of the Registrar, and such registration and transfer shall be without expense or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Registrar. At any time after the date of delivery of the Bonds to the Initial Purchaser, any Bond may be transferred or exchanged upon its presentment and surrender at the office of the Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the owner in not more than three business days after the receipt of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in denominations of \$5,000 or any integral multiple thereof for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. Neither the District nor the Registrar is required (1) to transfer or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding interest payment date, or (2) to transfer or exchange any Bond selected for redemption in whole or in part within forty-five (45) calendar days of the redemption date. The District has agreed to replace mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds, on receipt of satisfactory evidence of such destruction, loss, or theft and receipt by the District and the Registrar of security or indemnity to keep them harmless. The District will require payment of taxes, governmental charges, and other expenses in connection with any such replacement.

Redemption Provisions

The Bonds are subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2030, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date in the manner specified in the Bond Order. If fewer than all of the Bonds are redeemed at any time, the particular maturity or maturities and amounts to be redeemed shall be selected by the District. If fewer than all of the Bonds within a maturity are to be redeemed, the Registrar shall designate by method of random selection the Bonds within such maturity to be redeemed (or such Bonds shall be designated by DTC or any successor securities depository in accordance with their procedures while the Bonds are in book-entry-only form). The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Replacement of Registrar

Provision is made in the Bond Order for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar shall act in the same capacity as the previous Paying Agent/Registrar. In order to act as Paying Agent/Registrar for the Bonds, any paying agent/registrar selected by the District shall be a national or state banking institution, 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.

Authority for Issuance

At elections held within the District on April 4, 1981 and May 12, 2012, the voters of the District authorized the issuance of \$38,200,000 in unlimited tax bonds. The Bonds are issued pursuant to the Bond Order; Article XVI, Section 59 of the Texas Constitution; and Chapters 49 and 54 of the Texas Water Code, as amended. The issuance of the Bonds has been approved by the Texas Commission on Environmental Quality (the "TCEQ"). After issuance of the Bonds, \$3,155,000 in bonds for waterworks, sanitary sewer and drainage facilities and refunding purposes will remain authorized but unissued. See "Issuance of Additional Debt" below.

Source of Payment

The Outstanding Bonds and the Bonds are 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. In the Bond Order, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, Registrar fees, and Appraisal District fees. Tax proceeds, after deduction for collection costs, will be placed in the Debt Service Fund and used solely to pay principal of and interest on the Bonds, the Outstanding Bonds, and on additional bonds payable from taxes which may hereafter be issued, and Registrar fees.

The Bonds are obligations of the District and are not the obligations of the State of Texas, Chambers County, the City of Baytown, or any entity other than the District.

Issuance of Additional Debt

The District's voters have authorized the issuance of \$38,200,000 bonds for construction of waterworks, wastewater, and drainage facilities, \$25,000,000 of which can also be issued for refunding purposes, and could authorize additional amounts. After issuance of the Bonds, the District will be authorized to issue \$3,155,000 bonds for construction of waterworks, wastewater and drainage facilities or refunding purposes. The Bond Order imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and approved by the Board and, in the case of bonds for construction of facilities, by the TCEQ, if applicable). The District may issue additional unlimited tax bonds, with the approval of the TCEQ (as applicable), necessary to provide improvements and facilities consistent with the purposes for which the District was created.

The District has the right to issue the aforementioned bonds without the necessity of further voter authorization. Before issuing any additional bonds for waterworks, sanitary sewer, and drainage facilities, the District would have to obtain approval of the TCEQ for the issuance of such bonds and the projects to be financed thereby. Since the District has not financed all components of its System necessary to complete construction of the System, the District anticipates issuing additional bonds for such purposes as future development in the District necessitates. In addition to the above-mentioned bonds, the District has the right to issue such additional tax bonds, revenue bonds, or combination tax and revenue bonds as may be hereafter approved by the voters of the District. The District also has the right to issue revenue notes, bond anticipation notes, and tax anticipation notes without the necessity of voter approval. In addition, the District has the right to enter into contracts and to pledge its taxing power to secure any payments the District is required to make under such a contract, provided the provisions of the contract are approved by the voters of the District. The District further has the right to issue refunding bonds, in addition to the refunding bonds described above, with additional voter approval.

Based on present engineering cost estimates and on development plans supplied by the Developers (hereinafter defined), in the opinion of the District's consulting engineer, Cobb, Fendley & Associates, Inc. (the "Engineer"), the \$3,155,000 authorized but unissued bonds that will remain after the issuance of the Bonds will be adequate to finance the extension of water supply and distribution, wastewater collection and treatment, storm drainage facilities and Impact Fees to serve all of the remaining undeveloped portions of the District. In addition to the components of the System and Impact Fees that the District has financed with the proceeds of the Prior Bonds and is financing with the proceeds of the Bonds, the District expects to finance the acquisition or construction of additional components of the System and Impact Fees with the proceeds of bonds, if any, to be issued by the District in the future. See "Use and Distribution of Bond Proceeds" below, "FUTURE DEVELOPMENT," "THE SYSTEM," and "INVESTMENT CONSIDERATIONS - Future Debt."

The District also is authorized by law to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue such bonds, the following actions would be required: (1) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (2) amendment of the existing City ordinance specifying the purposes for which the District may issue bonds; (3) approval of the master plan and bonds by the TCEQ; and (4) approval of bonds by the Attorney General of Texas. The Board has not considered calling an election at this time for such purposes. The District has no information concerning any determination by the City concerning modification of its ordinances.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) amendments to existing city ordinances specifying the purposes for which the District may issue bonds; (b) preparation of a detailed park plan; (c) authorization of park bonds by the qualified voters in the District; (d) approval of the park project and bonds by the TCEQ; and (e) 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 of the value of the taxable property in the District, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds may not exceed an amount equal to three percent of the value of taxable property in the District. The Board has not considered authorizing the preparation of a park plan or calling a park bond election at this time.

Issuance of additional bonds or other subsequently authorized bonds could affect the investment quality or security of the Bonds and the Outstanding Bonds. See “INVESTMENT CONSIDERATIONS - Future Debt.”

No Arbitrage

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

Annexation

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

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

Strategic Partnership Agreement

Effective June 27, 2005, the District entered into a first Strategic Partnership Agreement (“SPA No. 1”) with the City of Baytown as authorized by Texas Local Government Code Section 43.0751. Effective January 28, 2008, the District entered into a second Strategic Partnership Agreement (“SPA No. 2”) with the City of Baytown as authorized by Texas Local Government Code Section 43.0751. SPA No. 1 and SPA No. 2 (together, “the SPAs”) shall remain in effect until June 14, 2044, unless earlier terminated, and shall be automatically extended for additional five (5) year terms unless either party gives written notice of termination three months prior to the date of any such automatic extension. During the term of the SPAs (i) certain commercial property within the District is annexed by the City for the limited purposes of extending the City sales tax, zoning, and certain other City ordinances to the areas made subject to the SPAs, (ii) the City has agreed to not annex the District for full purposes without the District’s consent, (iii) 50% of the City sales tax revenues generated within the area made subject to SPA No. 1 will be distributed to the District, and (iv) the areas made subject to the SPAs will continue to receive water and wastewater treatment service from the District and will remain subject to District taxing authority. Funds received by the District under the SPAs are not pledged to the payment of 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.

Registered Owners’ Remedies

Pursuant to Texas law, the Bond Order provides that, in the event the District defaults in the payment of the principal of or interest on any of the Bonds when due, fails to make payments required by the Bond Order into the Debt Service Fund, or defaults in the observance or performance of any of the other covenants, conditions or obligations set forth in the Bond Order, any Registered Owner shall be entitled to seek a writ of mandamus from a court of competent jurisdiction compelling and requiring the District to make such payments or to observe and perform such covenants, obligations or conditions. Such right is in addition to other rights the Registered Owners may be provided by the laws of the State of Texas.

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the District to observe and perform its covenants and obligations to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Order does not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Even if the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District’s property. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay the principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners. See “Bankruptcy Limitation to Registered Owners’ Rights” below.

Bankruptcy Limitation to Registered Owners’ Rights

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. 901-946, if the District: (1) is generally authorized to file for federal bankruptcy protection by State law; (2) is insolvent or unable to meet its debts as they mature; (3) desires to effect a plan to adjust

such debts; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, a municipal utility district such as the District must obtain the approval of the TCEQ prior to filing for bankruptcy. The TCEQ must investigate the financial condition of the District and will authorize the District to proceed only if the TCEQ determines that the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

If the District decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the District would develop and file a plan for the adjustment of its debts and the Bankruptcy Court would confirm the District's plan if: (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code; (2) all payments to be made in connection with the plan are fully disclosed and reasonable; (3) the District is not prohibited by law from taking any action necessary to carry out the plan; (4) administrative expenses are paid in full; and (5) the plan is in the best interests of creditors and is feasible. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a Registered Owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Registered Owner's claim against the District.

The District may not be placed into bankruptcy involuntarily.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

The Bond Order provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) 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 non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, non-callable 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) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book entry form and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Order.

Upon such deposit as described above, such Bonds shall no longer be regarded 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. Because the Bond Order does not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality of those currently permitted under Texas law.

Use and Distribution of Bond Proceeds

Proceeds of the sale of the Bonds will be used by the District to (i) finance the acquisition and construction of water distribution, wastewater collection, and drainage facilities to serve Southwinds, Section 5; and payments to the City of Baytown related to capital buy-in and connection fees (the "Impact Fees") for water supply and wastewater treatment capacity to serve Southwinds, Section 5, and a price change in the Impact Fees for Southwinds, Section 4; (ii) finance the payment of engineering and material testing costs associated with the design and construction of such facilities, and Storm Water Pollution Prevention; and (iii) pay for administrative and issuance costs, legal fees, financial advisor's fees, fees to the TCEQ and the Attorney General of Texas.

I. Construction Costs	<u>District's Share</u>
A. Developer Contribution Items ^(a)	
1. Southwinds, Section 5 - Water, Wastewater & Drainage	\$917,904
2. Engineering and Materials Testing	177,743
3. Storm Water Pollution Prevention	<u>16,187</u>
Total Developer Contribution Items	\$1,111,834
B. District Items	
1. Southwinds, Section 4 - Water & Wastewater Impact Fees Price Change	\$52,488
2. Southwinds, Section 5 - Water & Wastewater Impact Fees	<u>283,696</u>
Total District Items	<u>\$336,184</u>
TOTAL CONSTRUCTION COSTS	\$1,448,018

II. Non-Construction Costs

A. Legal Fees	\$64,250
B. Financial Advisor Fees	35,500
C. Developer Interest ^(b)	110,303
D. Bond Discount	51,145
E. Bond Issuance Expenses	33,591
F. Bond Application Report Costs	23,875
G. Attorney General Fee	1,775
H. TCEQ Bond Issuance Fee	4,438
I. Contingency ^(c)	<u>2,105</u>

TOTAL NON-CONSTRUCTION COSTS	<u>\$326,982</u>
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TOTAL BOND ISSUE REQUIREMENT	<u>\$1,775,000</u>
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- (a) The rules of the TCEQ require in certain instances that developers within a district subject to the jurisdiction of the TCEQ contribute to the construction program of such district an amount of money equal to thirty percent (30%) of the construction costs of certain water, sewer and drainage facilities in that district. The District requested an exemption from such developer participation requirement with respect to certain facilities being financed with portions of the proceeds of the sale of the Bonds on the basis of one of the criteria under TCEQ rules for such exemption. The TCEQ granted the request for such exemption in its Order authorizing the District to issue the Bonds.
- (b) Represents interest owed to the Developers on advances they have made on the District's behalf. The actual amount of interest owed will be calculated at the lesser of (i) the net effective interest rate borne by the Bonds or (ii) the interest rate at which the Developers have borrowed funds.
- (c) The TCEQ directed that any surplus funds resulting from the sale of bonds at a lower interest rate than proposed shall be shown as a contingency line item. The use of these funds is subject to approval by the TCEQ.

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

THE DISTRICT

Authority

The District is a municipal utility district created by an order of the Texas Water Rights Commission, predecessor of the TCEQ, dated March 17, 1981. The creation of the District was confirmed at an election held within the District on April 4, 1981. The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54, Texas Water Code, Vernon's Texas Code Annotated. The District is subject to the continuing supervision of the TCEQ.

The District is empowered, among other things, to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water.

Under certain limited circumstances the District also is authorized to construct, develop and maintain park and recreational facilities and to construct roads, if additional approvals are obtained. In addition, the District is authorized, after approval by the voters of the District and the TCEQ, to establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, and provide such facilities and services to the customers of the District.

The TCEQ exercises continuing supervisory jurisdiction over the District. The City of Baytown, Texas (the “City”), within whose extraterritorial jurisdiction the District lies, consented to creation of the District. The City imposes certain requirements which limit the purposes for which the District may sell bonds to the acquisition and improvement of waterworks, wastewater, and drainage facilities, firefighting facilities, roads, and recreational facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; and require certain approvals by the City of the District’s construction plans and specifications.

Description

The District contains approximately 616.47 acres of land. The District is located entirely within Chambers County, Texas, and is located approximately 35 miles east of the central business district of the City of Houston, and approximately 6 miles east of the City of Baytown. Access to the District is provided by Interstate Highway 10 and State Highway 146. Interstate Highway 10 is adjacent to the District on the north. State Highway 146 traverses a portion of the District and is adjacent to other portions of the District on the west. The District is located entirely within the exclusive extraterritorial jurisdiction of the City of Baytown. See “APPENDIX A - LOCATION MAP.”

Management of the District

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

<u>Name</u>	<u>Position</u>	<u>Term Expires in May</u>
Kelly Riggs	President	2028
David Dion	Vice President	2026
Brenda Medina	Secretary	2026
Justin Meyers	Assistant Secretary	2028
Elizabeth Gilbert	Director	2026

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

Tax Assessor/Collector

The District’s Tax Assessor/Collector is San Jacinto Tax Service. According to San Jacinto Tax Service, its employees serve as tax assessor/collector for approximately 8 taxing jurisdictions. The Tax Assessor/Collector applies the District’s tax levy to tax rolls prepared by the Chambers County Appraisal District and bills and collects such levy.

Bookkeeper

The District’s bookkeeper is Myrtle Cruz, Inc. Such firm acts as bookkeeper for approximately 359 utility districts.

Utility System Operator

The District’s operator is Inframark LLC, which serves as operator for approximately 125 utility districts.

Auditor

As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. The District's current auditor is Mark C. Eyring, CPA, PLLC. A copy of the District's audit for the fiscal year ended October 31, 2024, which was prepared by Mark C. Eyring, CPA, PLLC, is included as "APPENDIX B" to this Official Statement.

Engineer

The consulting engineer for the District is Cobb, Fendley & Associates, Inc. (the "Engineer").

Disclosure Counsel

McCall, Parkhurst & Horton L.L.P., Houston, Texas, serves as Disclosure Counsel to the District. The fee to be paid Disclosure Counsel for services rendered in connection with the issuance of the Bonds is contingent on the issuance, sale and delivery of the Bonds.

Bond Counsel

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

Financial Advisor

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

DEVELOPMENT OF THE DISTRICT

The District contains approximately 616.47 acres of land, of which approximately 311.29 acres have been developed as the residential subdivisions of Country Meadows, Sections 1 through 7, Hunters Chase, Sections 1 through 4, Pine Meadows, Sections 1 and 2, and Southwinds, Sections 1 through 5, which contain an aggregate of 1,346 fully developed single-family residential lots as is delineated in this Official Statement under the caption "DEVELOPMENT OF THE DISTRICT." As of August 1, 2025, homes had been constructed on all of such 1,346 fully developed single-family residential lots and all have been relayed to home purchasers. In addition, the 265-unit Vic at Southwinds Apartments have been constructed on approximately 12.26 acres located within the District and the 279-unit Ninety-Nine at Southwinds Apartments have been constructed on approximately 12.13 acres located within the District.

In addition to the aforementioned completed residential development and home construction, and completed apartments, above-ground commercial improvements totaling approximately 477,101 square feet of building area have been completed within the District. Such improvements include stand-alone businesses and restaurants aggregating approximately 128,549 square feet of building area that have been constructed on a total of approximately 26.77 acres at various locations within the District. In addition, the Chambers Town Center consists of approximately 77.2 acres of land located within the District, of which approximately 44.96 acres have been developed that contain a total of approximately 348,552 square feet of completed building area. Completed commercial buildings in the Chambers Town Center include an approximately 185,989 square foot super Wal-Mart with fuel center; an approximately 58,493 square foot ShowBiz Cinema; an

approximately 17,782 square foot retail center containing the Methodist Hospital, an approximately 22,000 square foot Ross Dress For Less, and approximately 64,288 square feet of retail, fast food and other commercial improvements. Approximately 13.82 acres of the Chambers Town Center are being marketed for additional commercial development.

Approximately 59.5 acres of land have been annexed into the District, approximately 56 acres of which are intended to be used for future industrial/warehouse development, and on approximately 3.5 acres of which a warehouse and beauty salon have been constructed.

The District cannot predict the pace or magnitude of any future residential or commercial development or the construction of any future homes or above-ground commercial improvements in the District. See “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.”

The District financed the acquisition of the components of the District’s System which serve Country Meadows, Sections 1 through 7, the Country Meadows, Sections 4 and 5 Block Additions, Hunters Chase, Sections 1 through 4, Pine Meadows, Sections 1 and 2, Southwinds, Sections 1 through 4, The Vic at Southwinds Apartments, Ninety-Nine at Southwinds Apartments, the commercial improvements that have been developed within the District, including the Chambers Town Center, and other facilities, with portions of the proceeds of the sale of the Prior Bonds. See “THE SYSTEM.” The District is financing the acquisition of the components of the District’s System which serve Southwinds, Section 5, and other facilities, with portions of the proceeds of the sale of the Bonds. In addition to the components of the System and Impact Fees that the District has financed with the proceeds of the sale of the Prior Bonds, and is financing with the proceeds of the sale of the Bonds (see “THE BONDS - Use and Distribution of Bond Proceeds”), the District expects to finance the acquisition or construction of additional components of the System and Impact Fees with portions of the proceeds of the sale of bonds, if any, in the future. See “THE BONDS - Authority for Issuance” and - “Issuance of Additional Debt,” and “INVESTMENT CONSIDERATIONS - Future Debt.”

Approximately 16 acres located within the District are owned by Goose Creek Consolidated Independent School District, on which it expects to build an elementary school.

Approximately 53.61 undeveloped acres located within the District are owned by Kilgore Park L.L.C. (“Kilgore Park”). Such 53.61 acres are expected to be utilized for future commercial purposes. However, the District cannot predict when or whether the development of such currently undeveloped land might occur. Approximately 33 additional undeveloped acres located in the District are owned by multiple parties. No owner of any of such approximately 33 additional undeveloped acres has reported any definitive development plan covering any of such acres to the District, and no party is obligated to the District to undertake the development of any of such acres. Therefore, the District cannot predict when, or whether the development of any of such currently undeveloped land might occur. See “FUTURE DEVELOPMENT.” The balance of land located within the District consists of easements, rights-of way and other acreage not available for development.

Land Development and Home Construction Summary

The residential lot development and home construction activity which has been undertaken within the District as of August 1, 2025, is illustrated below.

<u>Subdivision</u>	<u>LOTS</u>				<u>HOMES</u>				<u>Totals</u>
	<u>Developed</u>	<u>Acres</u>	<u>Under Development</u>	<u>Acres</u>	<u>Under Construction Sold</u>	<u>Under Construction Unsold</u>	<u>Completed Sold</u>	<u>Completed Unsold</u>	
Country Meadows									
Section 1	50	20.53			0	0	50	0	50
Section 2	50	12.16			0	0	50	0	50
Section 3	53	11.65			0	0	53	0	53
Section 4	56	12.76			0	0	56	0	56
Section 5	54	15.19			0	0	54	0	54
Sections 4 & 5									
Block Additions	18	5.64			0	0	18	0	18
Section 6	65	12.29			0	0	65	0	65
Section 7	52	9.28			0	0	52	0	52
Hunters Chase									
Section 1	79	21.8			0	0	79	0	79
Section 2	92	18.12			0	0	92	0	92
Section 3	81	15.61			0	0	81	0	81
Section 4	68	12.46			0	0	68	0	68
Pine Meadows									
Section 1	100	24.68			0	0	100	0	100
Section 2	91	17.63			0	0	91	0	91
Southwinds									
Section 1	100	23.85			0	0	100	0	100
Section 2	108	24.16			0	0	108	0	108
Section 3	80	20.44			0	0	80	0	80
Section 4	81	18.73			0	0	81	0	81
Section 5	68	14.31			0	0	68	0	68
Totals	1,346	311.29	0	0	0	0	1,346	0	1,346

DEVELOPERS

Role of the Developer

In general, the activities of a developer in a municipal utility district such as the District include purchasing the land within the District, designing the subdivision, designing the utilities and streets to be constructed in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, wastewater, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone, and electric service), and selling improved lots and commercial reserves to builders, developers, or other third parties. In most instances, the developer will be required to pay up to thirty percent of the cost of constructing certain of the water, wastewater, and drainage facilities in a utility district pursuant to the rules of the TCEQ. The District requested an exemption from such developer participation requirement with respect to the Prior Bonds and the Bonds on the basis of one of the criteria under TCEQ rules for such exemption. The TCEQ granted the request for such exemption in its Orders authorizing the District to issue the Prior Bonds and the Bonds. The relative success or failure of a developer to perform such activities in development of the property within a utility district may have a profound effect on the security of the unlimited tax bonds issued by a district. A developer is generally under no obligation to a district to develop the property which it owns in a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which it owns within a district. In addition, a developer is ordinarily a major taxpayer within a municipal utility district during the development phase of the property.

The Developers

The developer of approximately 48.01 acres of land located within the District into 208 single-family residential lots known as Southwinds, Sections 1 and 2, is Southwinds Residential, L.P. (“SR”). An entity related to SR, Baytown - 45 Residential Development L.P. (“B-45RD”), has developed approximately 20.44 acres of land located within the District into 80 single-family residential lots known as Southwinds, Section 3, approximately 18.73 acres of land located within the District into 81 single-family residential lots known as Southwinds, Section 4, and approximately 14.31 acres of land located within the District into 68 single-family residential lots known as Southwinds, Section 5. SR and B-45RD conveyed approximately 379 single family residential lots in Southwinds, Sections 1 through 5, to Beazer Homes and M/I Homes of Houston LLC (collectively, “the Builders”) for home construction, on all of such lots homes have been constructed and conveyed to home purchasers. B-45RD also owns a 1.5-acre future commercial site at the entry of Southwinds, Section 3. Since B-45RD has no obligation to the District to develop any of such acres according to any timetable or at all, the District cannot represent whether or when the development of any of such acres might be undertaken.

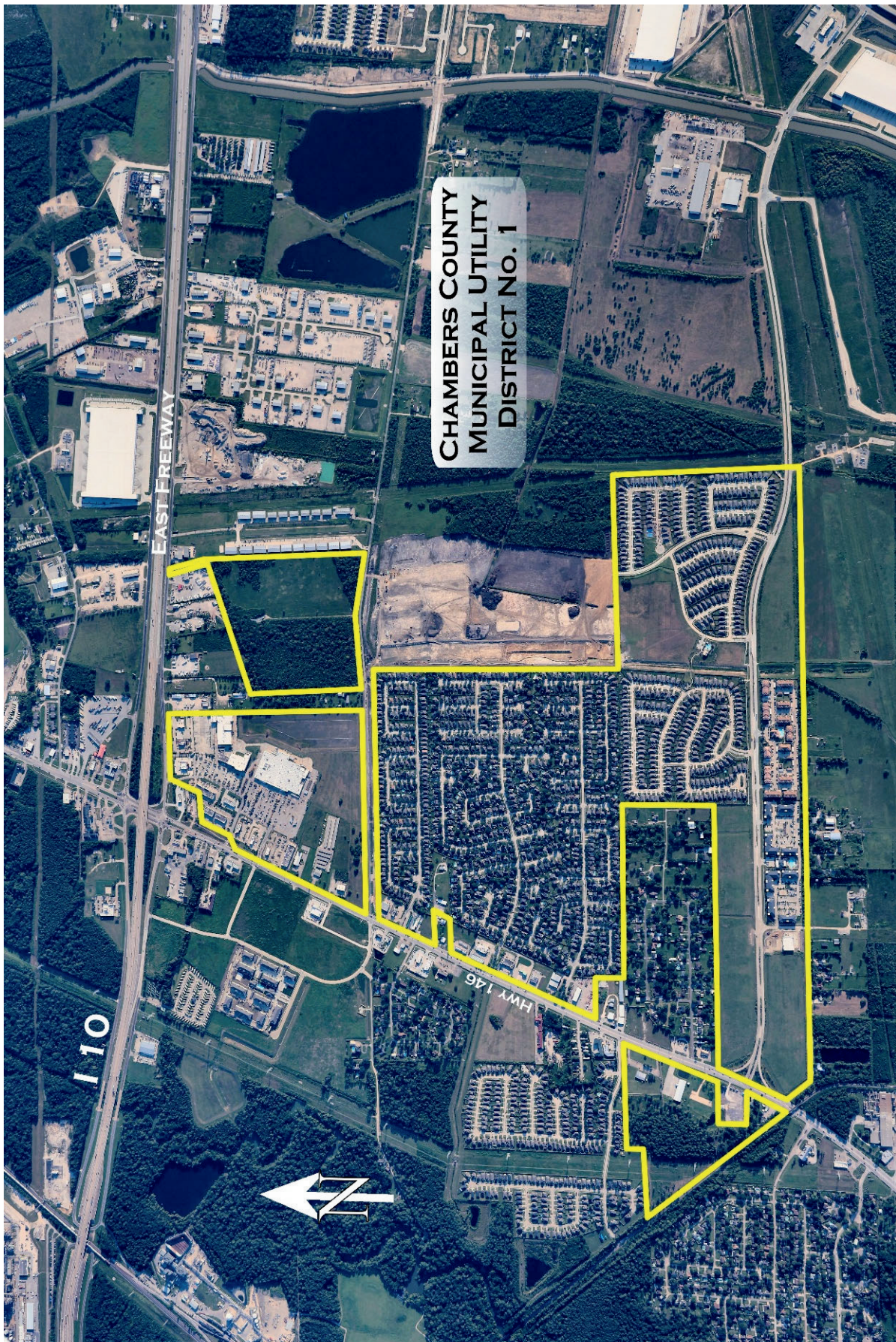
The developer of approximately 78 acres of land located within the District that have been developed and are expected to be developed for multifamily and commercial purposes is Kilgore Park L.L.C. (“Kilgore Park”). The 265-unit Vic at Southwinds Apartments have been constructed on approximately 12.26 of such acres and the 279-unit Ninety-Nine at Southwinds Apartments have been constructed on approximately 12.13 acres of such acres. Kilgore Park owns the remaining 53.61 currently undeveloped acres that are expected to be utilized for future commercial purposes. However, the District cannot predict when or whether the development of such currently undeveloped land might occur.

SR, B-45RD and Kilgore Park are collectively referred herein to as “the Developers.”

FUTURE DEVELOPMENT

The District has annexed an approximately 56 acre vacant tract of land intended to be used for future industrial/warehouse development, and an approximately 3.5 acre tract of land on which a warehouse and beauty salon have been constructed. B-45RD owns a 1.5-acre future commercial site at the entry of Southwinds, Section 3. Approximately 53.61 additional undeveloped acres located within the District are owned by Kilgore Park and are expected to be utilized for future commercial purposes. Approximately 16 acres located within the District are owned by Goose Creek Consolidated Independent School District, on which it expects to build an elementary school. However, the District cannot predict when or whether the development of such currently undeveloped land might occur. Approximately 33 additional undeveloped acres located in the District are owned by multiple parties. No owner of any of such approximately 33 additional undeveloped acres has reported any definitive development plan covering any of such acres to the District, and no party is obligated to the District to undertake the development of any of such acres. Therefore, the District cannot predict when, or whether the development of any of such currently undeveloped land might occur. The balance of the land located within the District consists of easements, rights-of-way and other acreage not available for development.

AERIAL PHOTOGRAPH OF THE DISTRICT
(taken August 2025)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken August 2025)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken August 2025)



DISTRICT DEBT

Debt Service Requirement Schedule

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

Year Ending December 31	Current Total Debt Service	Plus: The Bonds		New Total Debt Service
		Principal	Interest	
2025	\$1,489,069			\$1,489,069
2026	1,499,644		\$72,368	1,572,012
2027	1,499,132		84,313	1,583,444
2028	1,499,369		84,313	1,583,681
2029	1,503,757		84,313	1,588,069
2030	1,501,869		84,313	1,586,181
2031	1,503,957		84,313	1,588,269
2032	1,501,469		84,313	1,585,781
2033	1,500,532		84,313	1,584,844
2034	1,502,919		84,313	1,587,231
2035	1,503,656		84,313	1,587,969
2036	1,503,494		84,313	1,587,806
2037	1,502,431		84,313	1,586,744
2038	1,499,981		84,313	1,584,294
2039	1,502,456		84,313	1,586,769
2040	1,503,744		84,313	1,588,056
2041	1,503,832		84,313	1,588,144
2042	1,502,869		84,313	1,587,181
2043	1,505,844		84,313	1,590,156
2044	1,503,906		84,313	1,588,219
2045	1,505,450		84,313	1,589,763
2046	1,506,500		84,313	1,590,813
2047	1,502,119		84,313	1,586,431
2048	1,502,550		84,313	1,586,863
2049	1,502,619		84,313	1,586,931
2050	1,507,263		84,313	1,591,575
2051	1,503,000		84,313	1,587,313
2052		\$565,000	84,313	649,313
2053		590,000	57,475	647,475
2054		620,000	29,450	649,450
	\$40,563,431	\$1,775,000	\$2,351,431	\$44,689,846

Average Annual Requirements: (2026-2051)	\$1,586,713
Maximum Annual Requirement: (2050)	\$1,591,575

Bonded Indebtedness

2024 Assessed Valuation..... (As of January 1, 2024) See "TAX DATA" and "TAXING PROCEDURES"	\$ 429,271,439 (a)
2025 Assessed Valuation..... (As of January 1, 2025) See "TAX DATA" and "TAXING PROCEDURES"	\$ 488,665,071 (b)
Direct Debt:	
Outstanding Bonds.....	\$ 27,585,000
The Bonds.....	<u>1,775,000</u>
Total.....	\$ 29,360,000 (c)
Estimated Overlapping Debt.....	\$ <u>16,729,774</u>
Total Direct and Estimated Overlapping Debt.....	\$ <u>46,089,774</u>
Direct Debt Ratios	
: as a percentage of 2024 Assessed Valuation.....	6.84 %
: as a percentage of 2025 Assessed Valuation.....	6.01 %
Direct and Overlapping Debt Ratios	
: as a percentage of 2024 Assessed Valuation.....	10.74 %
: as a percentage of 2025 Assessed Valuation.....	9.43 %
Debt Service Fund Balance Estimated as of Delivery of the Bonds.....	\$ 1,654,931 (d)
General Fund Balance as of July 16, 2025	\$ 2,502,990
2025 Tax Rate per \$100 of Assessed Valuation	
Debt Service Tax	\$ 0.34
Maintenance Tax.....	<u>0.22</u>
Total.....	\$ 0.56 (e)

-
- (a) As of January 1, 2024, and comprises the District's 2024 tax roll. All property located in the District is valued on the tax rolls by the Chambers County Appraisal District (the "Appraisal District") at 100% of assessed value as of January 1 of each year. The District's tax roll is certified by the Chambers County Appraisal Review Board (the "Appraisal Review Board"). See "TAXING PROCEDURES" and "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."
- (b) As of January 1, 2025, and comprises the District's 2025 tax roll. See "TAXING PROCEDURES" and "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."
- (c) In addition to the components of the System and Impact Fees that the District has financed with the proceeds of the Prior Bonds and is financing with the proceeds of the Bonds, the District expects to finance the acquisition or construction of additional components of the System and Impact Fees with the proceeds of bonds, if any, to be issued by the District in the future. See "THE BONDS - Issuance of Additional Debt" and - "Use and Distribution of Bond Proceeds," "FUTURE DEVELOPMENT," "THE SYSTEM" and "INVESTMENT CONSIDERATIONS - Future Debt."
- (d) Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the Debt Service Fund. Such fund balance reflects the timely payment by the District of its debt service requirements on the Outstanding Bonds that were due for 2025. The District's initial payment on the Bonds, consisting of an interest payment thereon, is due on March 1, 2026.

- (e) The District has levied a debt service tax in the amount of \$0.34 per \$100 of Assessed Valuation, plus a maintenance tax of \$0.22 per \$100 of Assessed Valuation for 2025. As is described in this Official Statement under the caption “TAX DATA - Estimated Overlapping Taxes,” the aggregate of the 2024 tax levies of all units of government which levy taxes against the property located within the District, plus the 2025 tax of the District is \$2.2431 per \$100 of Assessed Valuation. Such aggregate levy is higher than the aggregate of the tax levies of some municipal utility districts located in the greater Houston metropolitan area, but is within the range of the aggregate tax levies of municipal utility districts in the Houston metropolitan area which are in stages of development comparable with the District. See “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.”

Estimated Direct and Overlapping Debt Statement

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

<u>Taxing Jurisdiction</u>	<u>Debt as of August 2, 2025</u>	<u>Estimated Overlapping Percent</u>	<u>Amount</u>
Chambers County	\$169,280,000	2.41885%	\$4,094,632
Goose Creek Consolidated Independent School District	573,205,572	2.10417%	12,061,196
Lee College District	26,025,000	2.20537%	<u>573,946</u>
Total Estimated Overlapping Debt			\$16,729,774
Total Direct Debt (the Bonds and the Outstanding Bonds)			<u>29,360,000</u>
Total Direct and Estimated Overlapping Debt			\$46,089,774

Debt Ratios

	<u>% of 2024 Assessed Valuation</u>	<u>% of 2025 Assessed Valuation</u>
Direct Debt.....	6.84%	6.01%
Direct and Estimated Overlapping Debt	10.74%	9.43%

TAX DATA

Debt Service Tax

All taxable property located within the District is subject to the assessment, levy, and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, sufficient to pay principal of and interest on the Outstanding Bonds, the Bonds, and any future tax-supported bonds which may be issued from time to time as authorized. The Board covenants in the Bond Order to assess and levy, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds when due. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements, and available funds. The District has levied a debt service tax of \$0.34 per \$100 of Assessed Valuation for 2025, as is described below under the caption "Tax Rate Distribution."

Tax Rate Limitation

Debt Service: Unlimited (no legal limit as to rate or amount).
Maintenance: \$0.75 per \$100 Assessed Valuation.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance tax is authorized by vote of the District's electors. The District's voters have authorized the levy of such maintenance tax in an amount not to exceed \$0.75 per \$100 of assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, the Outstanding Bonds, and any tax bonds which may be issued in the future. The District has levied a maintenance tax of \$0.22 per \$100 of Assessed Valuation for 2025, as is described below under the caption "Tax Rate Distribution."

Historical Values and Tax Collection History

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

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate^(a)</u>	<u>Tax Levy</u>	<u>% Collections</u>	
				<u>Current & Prior Years^(b)</u>	<u>Year Ended 09/30</u>
2014	\$123,809,939	\$0.89	\$1,101,903	99.91%	2015
2015	149,095,710	0.79	1,176,773	99.94	2016
2016	161,553,086	0.79	1,276,269	99.95	2017
2017	170,223,326	0.79	1,344,764	99.94	2018
2018	156,713,127	0.81	1,269,376	99.96	2019
2019	178,474,557	0.81	1,445,644	100.00	2020
2020	230,146,405	0.75	1,726,098	99.89	2021
2021	267,828,709	0.75	2,008,715	99.87	2022
2022	315,488,713	0.70	2,208,421	98.79	2023
2023	378,305,090	0.58	2,194,169	99.76	2024
2024	429,271,439	0.56	2,403,920	98.69 ^(c)	2025

(a) Per \$100 of Assessed Valuation.

(b) Such percentages reflect cumulative total collections for each year from the time each respective annual tax was levied through June 30, 2025. The amount of tax collected for each levy on a current basis (by September 30 of the year following each respective annual levy) is not reflected in this statement.

(c) As of June 30, 2025. In process of collection.

Tax Rate Distribution

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Debt Service	\$0.34	\$0.37	\$0.39	\$0.42	\$0.47
Maintenance & Operations	<u>0.22</u>	<u>0.19</u>	<u>0.19</u>	<u>0.28</u>	<u>0.28</u>
Total	\$0.56	\$0.56	\$0.58	\$0.70	\$0.75

Analysis of Tax Base

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

<u>Type of Property</u>	<u>2024</u>		<u>2023</u>		<u>2022</u>	
	<u>Assessed Valuation</u>	<u>%</u>	<u>Assessed Valuation</u>	<u>%</u>	<u>Assessed Valuation</u>	<u>%</u>
Land	\$61,082,090	14.23%	\$50,945,700	13.47%	\$47,722,670	15.13%
Improvements	417,075,970	97.16%	380,727,150	100.64%	293,234,860	92.95%
Personal Property	17,223,327	4.01%	19,580,150	5.18%	19,204,630	6.09%
Agriculture	3,390	0.00%	0	0.00%	0	0.00%
10% Cap Loss						
Adjustment	(29,123,819)	(6.78)	(41,168,242)	(10.88)	(18,440,687)	(5.85)
Exemptions	<u>(36,989,519)</u>	<u>(8.62)</u>	<u>(31,779,668)</u>	<u>(8.40)</u>	<u>(26,232,760)</u>	<u>(8.31)</u>
TOTAL	\$429,271,439	100.00%	\$378,305,090	100.00%	\$315,488,713	100.00%

<u>Type of Property</u>	<u>2021</u>		<u>2020</u>	
	<u>Assessed Valuation</u>	<u>%</u>	<u>Assessed Valuation</u>	<u>%</u>
Land	\$32,170,670	12.01%	\$27,637,840	12.01%
Improvements	256,917,150	95.93%	229,917,640	99.90%
Personal Property	18,346,070	6.85%	20,172,807	8.77%
Agriculture	6,810	0.00%	9,380	0.00%
10% Cap Loss				
Adjustment	(19,063,302)	(7.12)	(29,627,328)	(12.87)
Exemptions	<u>(20,548,689)</u>	<u>(7.67)</u>	<u>(17,963,934)</u>	<u>(7.81)</u>
TOTAL	\$267,828,709	100.00%	\$230,146,405	100.00%

Tax Exemption

The District has adopted a residential homestead exemption for persons 65 or older or disabled persons in the amount of \$10,000 of appraised value, and has granted a 10% general residential homestead exemption for 2025. See "TAXING PROCEDURES."

Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District can establish 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 Tax Code.

Principal 2024 Taxpayers

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

<u>Taxpayer</u>	<u>Type of Property</u>	<u>Assessed Valuation 2024 Tax Roll</u>	<u>% of 2024 Tax Roll</u>
Chambers Town Center Partnership A, L.P.	Land and Improvements	\$35,904,920	8.36%
Kilgore Southwinds LLC	Land, Improvements, and Personal Property	32,183,660	7.50%
The Vic at Southwinds LLC	Land and Improvements	29,000,000	6.76%
Wal-Mart Real Estate Business Trust	Land, Improvements, and Personal Property	17,367,630	4.05%
Kilgore Park LLC	Land	4,820,760	1.12%
CAF Real Estate - Baytown LLC	Land and Improvements	2,552,260	0.59%
RASD LLC	Land and Improvements	2,178,090	0.51%
United Rentals (North America) Inc.	Personal Property	2,090,320	0.49%
QQ Operating Holding Company LLC	Land, Improvements, and Personal Property	1,396,630	0.33%
Meritage Homes of Texas LLC	Land	<u>1,363,060</u>	<u>0.32%</u>
		\$128,857,330	30.02%

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Assessed Valuation which would be required to meet certain debt service requirements if no growth in the District's tax base occurs beyond the 2024 Assessed Valuation or the 2025 Assessed Valuation. The calculations assume collection of 95% of taxes levied, no use of District funds on hand other than tax collections, and the sale of no bonds by the District except the Prior Bonds and the Bonds.

Average Annual Debt Service Requirements (2026-2051).....	\$1,586,713
Tax Rate of \$0.39 on the 2024 Assessed Valuation (\$429,271,439) produces.....	\$1,590,451
Tax Rate of \$0.35 on the 2025 Assessed Valuation (\$488,665,071) produces.....	\$1,624,811
Maximum Annual Debt Service Requirement (2050)	\$1,591,575
Tax Rate of \$0.40 on the 2024 Assessed Valuation (\$429,271,439) produces.....	\$1,631,231
Tax Rate of \$0.35 on the 2025 Assessed Valuation (\$488,665,071) produces.....	\$1,624,811

The District has levied a debt service tax in the amount of \$0.34 per \$100 of Assessed Valuation, plus a maintenance tax of \$0.22 per \$100 of Assessed Valuation for 2025. As the above table indicates, the 2025 debt service tax rate will not be sufficient to pay the average annual and the maximum annual debt service requirement on the Bonds and the Outstanding Bonds given taxable values in the District at the level of the 2025 Assessed Valuation, assuming the District will have a tax collection rate of 95%, no use of District funds on hand other than tax collections for such purpose, and the issuance of no additional bonds by the District other than the Bonds and the Prior Bonds. See "TAXING PROCEDURES" and "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments." However, as is illustrated above under the caption "Historical Values and Tax Collection History," the District had collected an average of 99.90% of its 2014 through 2023 tax levies as of June 30, 2025, and its 2024 levy was 98.69% collected as of such date. Moreover, the District's Debt Service Fund balance is estimated to be \$1,654,931 as of the date of delivery of the Bonds. Although neither Texas law nor the Bond Order requires that any specific amount be retained in the Debt Service Fund at any time,

the District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Prior Bonds (see “APPENDIX B - ANNUAL AUDIT REPORT”). Therefore, the District anticipates that it will be able to meet the debt service requirements on the Bonds and the Outstanding Bonds without increasing the tax rate for debt service above the debt service rate which the District has levied for 2025 - \$0.34 per \$100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. See “TAXING PROCEDURES” and “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.” In addition to the components of the System and Impact Fees that the District has financed with the proceeds of the Prior Bonds and is financing with the proceeds of the Bonds, the District expects to finance the acquisition or construction of additional components of the System and Impact Fees with the proceeds of bonds, if any, to be issued by the District in the future. See “THE BONDS - Issuance of Additional Debt” and - “Use and Distribution of Bond Proceeds,” “FUTURE DEVELOPMENT,” “THE SYSTEM,” and “INVESTMENT CONSIDERATIONS - Future Debt.”

Estimated Overlapping Taxes

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

Set forth below is an estimation of all taxes per \$100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. The following chart includes the 2024 taxes per \$100 of assessed valuation levied by all such taxing jurisdictions.

<u>Taxing Jurisdiction</u>	<u>2024 Tax Rate Per \$100 of A.V.</u>
The District*	\$0.5600
Chambers County	0.4155
Goose Creek Consolidated Independent School District	1.0725
Lee College District	<u>0.1951</u>
Total Tax Rate	\$2.2431

* The District has levied a total tax rate of \$0.56 per \$100 of Assessed Valuation for 2025, consisting of a debt service tax in the amount of \$0.34 per \$100 of Assessed Valuation, plus a maintenance tax of \$0.22 per \$100 of Assessed Valuation.

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

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, the Outstanding 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 Order to levy such a tax from year to year as described more fully above under “THE BONDS - Source of Payment.” Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District and the System and for the payment of certain contractual obligations. See “TAX DATA - Maintenance Tax” and - “Tax Rate Distribution.”

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 the responsibility for reviewing and equalizing the values established by the appraisal district. The Chambers County Appraisal District (the “Appraisal District”) has the responsibility of appraising property for all taxing units within Chambers County, including the District. Such appraisal values will be subject to review and change by the Chambers County Appraisal Review Board (the “Appraisal Review Board”).

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

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 real property include: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; nonprofit cemeteries; and certain property owned by qualified charitable, religious, veterans, fraternal, or educational organizations. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. In addition, the District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the District’s preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2025 tax year, the District has granted an exemption in the amount of \$10,000 for residential homesteads of persons 65 years of age and older and individuals who are under disability for purpose of payment of disability insurance benefits under Federal Old-Age Survivors and Disability Insurance Act. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, to between \$5,000 and \$12,000 of assessed valuation depending upon the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran’s residence homestead. Additionally, and 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 (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or, (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of (i) a member of the armed forces or, (ii) a first responder as defined under Texas law, who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the spouse.

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 market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. The District has granted a 10% general residential homestead exemption for 2025. See “TAX DATA - Exemptions.”

Freeport Goods and Goods-in-Transit Exemptions: A “Freeport Exemption” applies to goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining oil 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 certain tangible personal property, as defined by the Property Tax Code, acquired in or imported into Texas for storage purposes and which 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. The exemption excludes oil, natural gas, petroleum products, aircraft and certain special inventory including dealer’s motor vehicles, dealer’s vessel and outboard motor vehicle, dealer’s heavy equipment and retail manufactured housing inventory. The exemption applies to covered property if it 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. 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. However, taxing units who took official action as allowed by prior law before October 1, 2011, to tax goods-in-transit property, and who pledged such taxes for the payment of debt, may continue to impose taxes against the goods-in-transit property until the debt is discharged without further action, if cessation of the imposition would impair the obligations of the contract by which the debt was created. The District has taken official action to allow taxation of all such goods-in-transit personal property but may choose to exempt same in the future by further official action.

Tax Exemption Provided to Public Facility Corporations and Certain Lessees: Chapter 303 of the Texas Local Government Code (the “PFC Act”) authorizes cities, counties, school districts, housing authorities and special districts (a “Sponsor”) to create a sponsored Public Facility Corporation (“PFC”) to acquire, construct, rehabilitate, renovate, repair, equip, furnish and place in service public facilities. These activities may be financed through certain obligations of either the Sponsor or the PFC. Under the PFC Act, a “public facility” includes any real, personal, or mixed property, or an interest in property devoted or to be devoted to public use and authorized to be financed under the PFC Act. A public facility, including a leasehold estate in a public facility, that is owned by a PFC is exempt from taxation by the State or a municipality or other political subdivision of the State, including the District. This exemption applies to both ad valorem and sales taxes levied by such taxing authorities. Subject to certain restrictions, a leasehold or other possessory interest granted by the PFC to the user of a PFC-owned multifamily residential development entitles that user to this same exemption. The 88th Texas Legislature passed H.B. 2071, which became effective June 18, 2023, to amend the PFC Act. H.B. 2071 significantly revised the PFC Act’s requirements for the lessee of a multifamily residential development to qualify for this exemption and provides that the exemption for such projects does not apply to taxes imposed by a conservation and reclamation district such as the District providing water, sewer or drainage services to the development, unless an agreement is entered into with the district concerning payments in lieu of taxation. Projects for which PFC or Sponsor approval was received prior to the effective date of H. B. 2071 are governed by the prior law and are not subject to the same requirements. The District is not aware of any public facilities located within the boundaries of the District that are either owned or leased by a PFC.

Tax Abatement

Chambers County may designate all or part of the area within the District as a reinvestment zone. Thereafter, the City of Baytown (after annexation of the land within the District), Chambers County, and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine the 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 Boards, 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. In determining market value, either the replacement cost or the income or the market data method of valuation may be used, whichever is appropriate. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of residence homesteads are limited by the Texas Constitution to 10 percent annually regardless of the market value of the property.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (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 reappraisals will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense, has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses to formally include such values on its appraisal roll.

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

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Boards 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 Districts to compel compliance with the Property Tax Code.

The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

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

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

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 "Low Tax Rate Districts." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed are classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

Low Tax Rate Districts

Low Tax Rate Districts 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 a rollback election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Low Tax Rate District is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a resident homestead in the district in that year, subject to certain homestead exemptions.

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

Developing Districts

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

The District

A determination as to a district's status as a Low Tax Rate District, Developed District or Developing District will be made on an annual basis, at the time a district sets its tax rate. 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 rollback election calculation. For the 2025 tax rate year, a determination has been made by the District's Board of Directors that the District's status is a Developing District.

Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District can establish 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 Tax Code.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the person who owns or acquires the property on January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year upon the property. The District's tax lien is on a parity with the tax liens of the other jurisdictions levying taxes on property within the District. Whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. In the absence of such federal law, the District's tax lien takes priority over a lien of the United States. In the event a taxpayer fails to make timely payment of taxes due to the District, the District may file suit at any time after taxes become delinquent to foreclose its lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may also be adversely affected by the amount of taxes owed to other federal, state and local taxing jurisdictions, by the effects of market conditions on the foreclosure sales price, by the taxpayer's right to redeem the property within six months of foreclosure (unless the property is his residence homestead or designated for agricultural use, in which case the taxpayer may redeem the property within two years of foreclosure), or by bankruptcy proceedings which restrain or stay the collection of a taxpayer's debts. Further, the District's ability to foreclose its tax lien or collect penalties and interest may be limited on property owned by a financial institution which is under conservatorship or receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 United States Code Section 1825, as amended. See "INVESTMENT CONSIDERATIONS - Tax Collection Limitations."

THE SYSTEM

Regulation

According to the Engineer, the District's water supply and distribution, wastewater collection and treatment and storm drainage facilities (collectively, the "System") have been designed in accordance with the criteria of various regulatory agencies including the City of Baytown, Texas, Chambers County, Texas, and the TCEQ. The construction and installation of the facilities must be made in accordance with the standards and specifications of such entities and are subject to inspection by each such entity. Construction and operation of the District's System as it now exists or as it may be expanded from time to time is subject to the regulatory jurisdiction of several Federal, State and local authorities. The TCEQ exercises continuing supervisory authority over the District. Discharge of treated sewage is subject to the regulatory authority of the TCEQ and the U.S. Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of Chambers County, and, in some instances, the TCEQ and the U.S. Army Corps of Engineers.

According to the District's Engineer, the total number of connections currently estimated for the District upon the full development of its 616.47 acres is 3,195 with a total estimated population of 8,163 people. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision.

Description

Certain components of the District's System are described below, based upon information obtained from the District's Engineer. The System presently serves Country Meadows, Sections 1 through 7, Hunters Chase, Sections 1 through 4, Pine Meadows, Sections 1 and 2 and Southwinds, Sections 1 through 5, which contain a total of 1,346 fully developed single-family residential lots, and includes underground water distribution, wastewater collection and storm drainage lines to serve such lots, a total of 544 completed apartment units, the Chambers Town Center and other commercial improvements. The District financed such facilities to serve the 1,197 fully developed single-family residential lots located in Country Meadows, Sections 1 through 7, Country Meadows, Sections 4 and 5 Block Additions, Hunters Chase, Sections 1 through 4, Pine Meadows, Sections 1 and 2, and Southwinds, Sections 1 through 3, The Vic at Southwinds Apartments, Ninety-Nine at Southwinds Apartments, the Chambers Town Center, and certain other facilities with a portion of the proceeds of the sale of the Prior Bonds. The District is financing the acquisition and construction of water distribution, wastewater collection, and drainage facilities to serve Southwind, Section 5; and payments to the City of Baytown related to capital buy-in and connection fees (the "Impact Fees") for water supply and wastewater treatment capacities with portions of the proceeds of the sale of the Bonds as is enumerated in this Official Statement under the caption "THE BONDS - Use and Distribution of Bond Proceeds." In addition to the components of the System and Impact Fees that the District has financed with the proceeds of the sale of the Prior Bonds, and is financing with the proceeds of the sale of the Bonds, the District

expects to finance the acquisition or construction of additional components of the System and Impact Fees with portions of the proceeds of the sale of bonds, if any, in the future.

- Water Supply -

The District receives water through a master metered connection from the City of Baytown. The City of Baytown purchases treated surface water from the Baytown Area Water Authority ("BAWA") supply. BAWA receives raw water from the City of Houston. Pursuant to the Water and Waste Disposal Agreement between the District and the City of Baytown dated March 4, 1996, as amended (the "Agreement"), the City will provide sufficient water to serve the 2005 equivalent single-family connections ("ESFCs") in Country Meadows, Sections 1 through 7, Country Meadows, Sections 4 and 5 Block Additions, Hunters Chase, Sections 1 through 4, Pine Meadows, Sections 1 and 2, Southwinds, Sections 1 through 4, The Vic at Southwinds Apartments, Ninety-Nine at Southwinds Apartments, Chambers Town Center, and other connections that have been developed within the District. The Agreement had an initial term of twenty-five years, but is subject to automatic extensions for additional five-year terms unless either party gives written notice of termination two (2) years prior to the date of any such automatic extension, provided that (i) the City's contract with BAWA for the purchase of treated water in sufficient quantities to supply the District under the terms and conditions in effect at the time of the execution of the Agreement remains unchanged, and (ii) BAWA's contract with the City of Houston for the purchase of raw water in sufficient quantities to supply BAWA under the terms and conditions in effect at the time of the execution of the Agreement remains unchanged. The District does not use groundwater. The District does not have any interconnect, except the delivery point from the City of Baytown.

The water supply capacity available to the District under the terms of the Agreement as amended is sufficient to serve 4,009 ESFCs, which, according to the District's Engineer, is the projected total of the existing and future ESFCs within the District as the District is currently configured. The City of Baytown now charges an Impact Fee for water supply services of \$857 per service unit for new development. This rate may be adjusted from time to time by the City and new development is required to pay the rate in effect at the time payment is due. The District is financing such Impact Fees for Southwinds, Section 5, and a price change to such Impact Fees for Southwinds, Section 4 with a portion of the proceeds of the sale of the Bonds as is enumerated in this Official Statement under the caption "THE BONDS - Use and Distribution of Bond Proceeds." The District cannot represent that the City will be able to provide service to future connections within the District when required to do so under the terms of the Agreement.

- Wastewater Treatment -

The wastewater collected from the District is treated by a City of Baytown wastewater treatment plant. Pursuant to the Agreement, the District can discharge wastewater to flow to the City's plant sufficient to serve the ESFCs that are enumerated in the Agreement, which include the 2,005 ESFCs in Country Meadows, Sections 1 through 7, Country Meadows, Sections 4 and 5 Block Additions, Hunters Chase, Sections 1 through 4, Pine Meadows, Sections 1 and 2, Southwinds, Sections 1 through 5, The Vic at Southwinds Apartments, Ninety-Nine at Southwinds Apartments, Chambers Town Center, and other connections that have been developed within the District.

Pursuant to the Agreement, the City of Baytown charged "Impact Fees" (the "Wastewater Impact Fees") for wastewater treatment capacity for the 2,005 ESFCs located in the subdivisions and developments that are identified above. The wastewater treatment capacity available to the District under the terms of the Agreement as amended is sufficient to serve 4,010 ESFCs, which, according to the District's Engineer, is the projected total existing and future ESFCs within the District as the District is currently configured. The City of Baytown now charges an Impact Fee for wastewater services of \$3,315 per service unit for new development. This rate may be adjusted from time to time by the City and new development is required to pay the rate in effect at the time payment is due. The District is financing such Impact Fees for Southwinds, Section 5 with a portion of the proceeds of the sale of the Bonds as is enumerated in this Official Statement under the caption "THE BONDS - Use and Distribution of Bond Proceeds." The District cannot represent that the City will be able to provide service to future connections within the District when required to do so under the terms of the Agreement.

- Drainage Facilities -

The District's drainage facilities consist of internal underground storm drainage lines which drain ultimately into Cedar Bayou. According to the District's Engineer, no portion of the District lies within the 100-year flood plain of Cedar Bayou as determined by the applicable flood hazard boundary map of the Federal Emergency Management Agency.

100-Year Flood Plain

According to the District's Engineer, based on the most current FIRM Map (6-15-1983) there are no areas within the District that are located within the 100-year flood plain and elevations established as the 100-year flood plain.

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

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.

INVESTMENT CONSIDERATIONS

General

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

Factors Affecting Taxable Values and Tax Payments

Economic Factors: A substantial proportion of the assessed valuation of the property located within the District is attributable to the current market value of (i) single-family residences that have been constructed within the District, and (ii) apartments and commercial buildings that have been constructed within the District. The market value of such residences is related to general economic conditions affecting the demand for residences. Demand for residences of this type and the construction of apartments and commercial buildings can be significantly affected by factors such as interest rates, credit availability, construction costs, energy costs and availability and the prosperity and demographic characteristics of the urban center toward which the marketing of homes and commercial enterprises is directed. Recent changes in federal tax law limiting deductions for ad valorem taxes may adversely affect the demand for housing and the prices thereof. Fluctuations in the price of oil could adversely affect job stability, wages, and salaries, thereby negatively affecting the demand for housing and the values of existing homes (see "Potential Effects of Oil Price Volatility on the Houston Area" below). Were the District to experience a significant number of residential foreclosures, the value of all homes within the District could be adversely affected. Decreased levels of home construction activity would restrict the growth of property values in the District. Although development of the

District has occurred to date as described in this Official Statement under the captions “DEVELOPMENT OF THE DISTRICT,” and “DEVELOPERS,” the District cannot predict the pace or magnitude of any future land development, home or apartment construction, or the construction of future commercial buildings in the District other than that which has occurred to date, and the District cannot predict the level of occupancy of the homes, apartments or commercial buildings that have been or may be constructed within the District.

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

Credit Markets and Liquidity in the Financial Markets: Interest rates and the availability of mortgage and development funding have a direct impact on development and homebuilding activity and the construction of commercial buildings, particularly short-term interest rates at which developers are able to obtain financing for development costs and at which homebuilders are able to finance the construction of new homes for sale and at which the construction of commercial buildings might be undertaken. Interest rate levels may affect the ability of a developer with undeveloped property to undertake and complete development activities within the District, of homebuilders to initiate the construction of new homes for sale, or the construction of future commercial buildings. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued development and/or home construction or construction of future commercial buildings within the District. In addition, since the District is located approximately 35 miles east of the central downtown business district of the City of Houston, and is located in the extraterritorial jurisdiction of the City of Baytown, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston and Baytown metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston and Baytown and decline in real estate and financial markets in the United States could adversely affect development and homebuilding plans or construction of future commercial buildings in the District and restrain the growth of the District’s property tax base.

Principal Land Owners’ Obligations to the District: The ability of any principal land owner 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. See “TAX DATA - Principal 2024 Taxpayers.” The District’s largest taxpayer in 2024, as reflected on the District’s 2024 tax roll, is Chambers Town Center Partnership A, L.P. The 2024 Assessed Valuation of the property owned by Chambers Town Center Partnership A, L.P. comprised approximately 8.36% of the District’s total 2024 taxable Assessed Valuation. The District’s second largest taxpayer in 2024, as reflected on the District’s 2024 tax roll, is Kilgore Southwinds LLC, the owner of the Ninety-Nine at Southwinds Apartments. The 2024 Assessed Valuation of the property owned by Kilgore Southwinds LLC comprised approximately 7.50% of the District’s total 2024 taxable Assessed Valuation. The District’s third largest taxpayer in 2024, as reflected on the District’s 2024 tax roll, is The Vic at Southwinds, LLC, the owner of The Vic at Southwinds Apartments. The 2024 Assessed Valuation of the property owned by The Vic at Southwinds, LLC comprised approximately 6.76% of the District’s total 2024 taxable Assessed Valuation. See “TAX DATA - Principal 2024 Taxpayers.” No other party owns property the 2024 Assessed Valuation of which exceeds 4.05% of the District’s total 2024 Assessed Valuation. The ten largest taxpayers in 2024 own property that in the aggregate comprised approximately 30.02% of the District’s 2024 taxable Assessed Valuation. B-45RD owns a 1.5-acre future commercial site at the entry of Southwinds, Section 3. Approximately 53.61 additional undeveloped acres located within the District are owned by Kilgore Park and are expected to be utilized for future commercial purposes. However, the District cannot predict when or whether the development of such currently undeveloped land might occur. Approximately 33 additional undeveloped acres located in the District are owned by multiple parties. No owner of any of such approximately 33 additional currently undeveloped acres has reported any development plan covering any of such acres to the District. Therefore, the District cannot predict when or whether the development of any of

such currently undeveloped acres might occur. See “DEVELOPMENT OF THE DISTRICT” and “FUTURE DEVELOPMENT.” No home building company has any obligation to the District to construct any homes within the District, nor does any party have any obligation to the District to construct any new apartments or new commercial above-ground improvements within the District. Moreover, the owners of any property located in the District may sell their property to any party at any time. The District cannot predict the pace or magnitude of any future residential or commercial development or the construction of any future homes, apartments or above-ground commercial improvements in the District.

Maximum Impact on District Tax Rates

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 District property owners to pay their taxes. After issuance of the Bonds, the maximum annual debt service requirement on the Bonds and the Outstanding Bonds will be \$1,591,575 (2050) and the average annual debt service requirements will be \$1,586,713 (2026 through 2051, inclusive). The 2024 Assessed Valuation of property located within the District supplied by the Appraisal District is \$429,271,439. Assuming no increase to nor decrease from the 2024 Assessed Valuation, no use of funds on hand, and the issuance of no additional bonds by the District, tax rates of \$0.40 and \$0.39 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively, on the Bonds and the Outstanding Bonds. The 2025 Assessed Valuation, of property located within the District supplied by the Appraisal District is \$488,665,071. Assuming no increase to nor decrease from the 2025 Assessed Valuation, no use of funds on hand, and the issuance of no additional bonds by the District, a tax rate of \$0.35 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively, on the Bonds and the Outstanding Bonds. See “TAX DATA - Tax Rate Calculations.” The District has levied a total tax rate of \$0.56 per \$100 of Assessed Valuation for 2025, consisting of debt service and maintenance taxes of \$0.34 and \$0.22 per \$100 of Assessed Valuation, respectively. Therefore, the 2025 debt service tax rate will not be sufficient to pay the average annual and the maximum annual debt service requirement on the Bonds and the Outstanding Bonds given taxable values in the District at the level of the 2025 Assessed Valuation, assuming the District will have a tax collection rate of 95%, no use of District funds on hand other than tax collections for such purpose, and the issuance of no additional bonds by the District. See “TAXING PROCEDURES.” However, as is illustrated in “TAX DATA - Historical Values and Tax Collection History,” the District had collected an average of 99.90% of its 2014 through 2023 tax levies as of June 30, 2025, and its 2024 tax levy was 98.69% collected as of such date. Moreover, the District’s Debt Service Fund balance is estimated to be \$1,654,931 as of the date of delivery of the Bonds. Although neither Texas law nor the Bond Order requires that any specific amount be retained in the Debt Service Fund at any time, the District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Prior Bonds (see “APPENDIX B - ANNUAL AUDIT REPORT”). Therefore, the District anticipates that it will be able to meet the debt service requirements on the Bonds and the Outstanding Bonds without increasing the tax rate for debt service above the debt service rate which the District has levied for 2025 - \$0.34 per \$100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. In addition to the components of the System and Impact Fees that the District has financed with the proceeds of the Prior Bonds and is financing with the proceeds of the Bonds, the District expects to finance the acquisition or construction of additional components of the System and Impact Fees with the proceeds of bonds, if any, to be issued by the District in the future. See “Future Debt” below, “THE BONDS - Issuance of Additional Debt” and - “Use and Distribution of Bond Proceeds,” “FUTURE DEVELOPMENT,” and “THE SYSTEM.”

As is described in this Official Statement under the caption “TAX DATA - Estimated Overlapping Taxes,” the aggregate of the 2024 tax levies of all units of government which levy taxes against the property located within the District, plus the 2025 tax of the District is \$2.2431 per \$100 of Assessed Valuation. Such aggregate levy is higher than the aggregate of the tax levies of some municipal utility districts located in the greater Houston metropolitan area, but is within the range of the aggregate tax levies of municipal utility districts in the Houston metropolitan area which are in stages of development comparable with the District. To the extent that such composite tax rates are not competitive with competing developments, the growth of property tax values in the District and the investment quality or security of the Bonds could be adversely affected.

Increases in the District's tax rate to substantially higher levels than the total rate of \$0.56 per \$100 of Assessed Valuation that the District has levied for 2025 may have an adverse impact upon future development of the District, the construction of improvements within the District, and the ability of the District to collect, and the willingness of owners of property located within the District to pay, ad valorem taxes levied by the District. In addition, the collection by the District of delinquent taxes owed to it and the enforcement by a Registered Owner of the District's obligations to collect sufficient taxes may be a costly and lengthy process. See "THE BONDS - Registered Owners' Remedies," "TAX DATA - Estimated Overlapping Taxes" and "TAXING PROCEDURES."

One must consider the total tax burden of all overlapping jurisdictions imposed upon property located within the District as contrasted with property located in comparable real estate developments to gauge the relative tax burden on property within the District. The tax rate necessary to service the debt issued or to be issued by the District and the tax rates levied by other overlapping jurisdictions, are subject to numerous uncertainties and variables, and thus the District can give no assurance that the composite tax rates imposed by overlapping jurisdictions, plus the District's tax rate, will be competitive with the tax rates of competing projects. See "THE BONDS - Registered Owners' Remedies," "TAX DATA - Estimated Overlapping Taxes" and "TAXING PROCEDURES."

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 foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (i) cumbersome, time-consuming, and expensive collection procedures, (ii) a bankruptcy court's stay of tax collection procedures against a taxpayer, (iii) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (iv) the taxpayer's right to redeem the property within two years of foreclosure. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding.

Registered Owners' Remedies and Bankruptcy

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Order does not provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgement for money damages. Even if Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies.

The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, a suit seeking the remedy of mandamus would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See "THE BONDS - Registered Owners' Remedies."

The District may not be placed into bankruptcy involuntarily.

Marketability

The District has no understanding (other than the initial reoffering yields) with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made for the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the bid and asked spread of other bonds generally bought, sold, or traded in the secondary market. See "SALE AND DISTRIBUTION OF THE BONDS."

Future Debt

The District has the right to issue the remaining \$3,155,000 authorized but unissued bonds for waterworks, wastewater, and drainage facilities, or for refunding purposes, (see “THE BONDS - Issuance of Additional Debt”), and such additional bonds as may hereafter be approved by both the Board and voters of the District. The District also has the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Order. All of the remaining \$3,155,000 bonds for waterworks, wastewater, and drainage facilities which have heretofore been authorized by the voters of the District may be issued by the District from time to time as needed. The issuance of such \$3,155,000 bonds for waterworks, wastewater, and drainage facilities is also subject to TCEQ authorization.

The District’s consulting engineer, Cobb, Fendley & Associates, Inc. (the “Engineer”), currently estimates that the aforementioned \$3,155,000 authorized unlimited tax bonds which remain unissued will be adequate to finance the construction of all waterworks, wastewater, and drainage facilities that will be necessary to provide service to all of the currently undeveloped portions of the District. See “DEVELOPMENT OF THE DISTRICT,” “FUTURE DEVELOPMENT,” and “THE SYSTEM.” In addition to the components of the System and Impact Fees that the District has financed with the proceeds of the Prior Bonds and is financing with the proceeds of the Bonds, the District expects to finance the acquisition or construction of additional components of the System and Impact Fees with the proceeds of bonds, if any, to be issued by the District in the future. See “THE BONDS - Issuance of Additional Debt” and - “Use and Distribution of Bond Proceeds,” “FUTURE DEVELOPMENT” and “THE SYSTEM.” If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

Competitive Nature of Houston and Baytown Single-Family Residential, Multi-Family Residential and Commercial/Retail Development and Construction Markets

The single-family residential, multi-family residential and commercial/retail development industries in the Houston and Baytown area are very competitive, and the District can give no assurance that any development or construction programs will be initiated in the District in addition to the development and construction programs that have been undertaken in the District to date. See “DEVELOPMENT OF THE DISTRICT.” The respective competitive positions of any developer(s) or builder(s) of improvements which might attempt future development or construction programs in the District are affected by most of the factors discussed in this section, and such development projects and the construction of improvements are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

Continuing Compliance with Certain Covenants

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

Approval of the Bonds

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

Environmental Regulations

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

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

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

Air Quality Issues

Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the 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 may be required to seek independent coverage under the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. If the District's inclusion in the MS4 Permit were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

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.

Tax Payment Installments after Disaster

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

Extreme Weather Events

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

The greater Houston area, including the District, has experienced multiple storms exceeding a 0.2% probability (i.e., “500 year flood” events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. However, according to the District’s Operator and Engineer, the District’s System did not sustain any material damage and there was no interruption of water and sewer service from Hurricane Harvey. Further, according to the District’s Engineer, after investigation, approximately 250 homes located in the District experienced flood damage. According to the District’s Engineer, all of such homes have been repaired.

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

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

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

Changes in Tax Legislation

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

Certain Tax Exemptions Provided for Affordable Housing

Certain multi-family housing may be exempt from ad valorem taxation by the District pursuant to Chapter 303 of the Texas Local Government Code (the “PFC Act”), Chapter 392 of the Texas Local Government Code (the “Housing Authority Act”), or Chapter 394 of the Texas Local Government Code (the “HFC Act”), if certain conditions are met.

The PFC Act authorizes cities, counties, school districts, housing authorities and special districts (a “Sponsor”) to create a sponsored Public Facility Corporation (“PFC”) to acquire, construct, rehabilitate, renovate, repair, equip, furnish and place in service public facilities. These activities may be financed through certain obligations of either the Sponsor or the PFC. Under the PFC Act, a “public facility” includes any real, personal, or mixed property, or an interest in property devoted or

to be devoted to public use, and authorized to be financed under the PFC Act. A public facility, including a leasehold estate in a public facility, that is owned by a PFC is exempt from taxation by the State or a municipality or other political subdivision of the State, including the District. This exemption applies to both ad valorem and sales taxes levied by such taxing authorities. Subject to certain restrictions, a leasehold or other possessory interest granted by the PFC to the user of a PFC-owned multifamily residential development entitles that user to this same exemption. A PFC project approved on or after June 18, 2023, does not qualify for an exemption with respect to taxes imposed by a conservation and reclamation district providing water, sewer, or drainage services to the development, unless an agreement is entered into with the district concerning payments in lieu of taxation. Projects for which PFC or Sponsor approval was received prior to the effective date of H.B. 2071 are governed by the prior law and are not subject to the same requirements. The District is not aware of any public facilities located within the boundaries of the District that are either owned or leased by a PFC.

The HFC Act provides for the formation of housing finance corporations ("HFCs") by municipalities and counties for the purpose of providing decent, safe, and sanitary housing at affordable prices to residents of local governments. Public property owned by an HFC, including property for which an HFC holds an equitable interest, is exempt from taxes imposed by the state or any political subdivision of the state, including conservation and reclamation districts such as the District, provided certain conditions are met under the HFC Act. This exemption applies to both ad valorem and sales taxes levied by taxing authorities where the qualified project is located. Section 394.904(d) (as added by H.B. 21, 89th Texas Legislature, Regular Session) provides in part that, for property acquired by an HFC after May 28, 2025, such ad valorem tax exemptions do not apply to taxes levied by a conservation or reclamation district created under Section 52, Article III, or Section 59, Article XVI, Texas Constitution, that provides water, sewer, or drainage service to the multifamily residential development owned by the HFC, unless the applicable HFC has entered into a written agreement with the district to make a payment to the district in lieu of taxation, in the amount specified in the agreement. Further, property acquired by an HFC prior to May 28, 2025, may become subject to taxation by a conservation and reclamation district in future tax years unless certain additional requirements are met under the HFC Act. The District is not aware of any public property located within the boundaries of the District that is owned by an HFC.

The Housing Authority Act authorizes cities and counties to create housing authorities to provide safe and sanitary housing for persons of low income within the area of operation of the housing authority. Multi-family property owned by a housing authority, including property for which a housing authority holds an equitable interest, is exempt from all taxes and special assessments of a city, county, the state, or another political subdivision, including conservation and reclamation districts such as the District, if certain conditions are met under the Housing Authority Act. The District is not aware of any public property located within the boundaries of the District that is owned by a housing authority.

Potential Effects of Oil Price Volatility on the Houston Area

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

LEGAL MATTERS

Legal Opinions

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

Bond Counsel has reviewed the information appearing in this Official Statement under “THE BONDS” (except for information under the subheadings “Book-Entry-Only System” and “Use and Distribution of Bond Proceeds”), “THE DISTRICT - Authority” and - “Bond Counsel,” “TAXING PROCEDURES,” “LEGAL MATTERS,” “TAX MATTERS” and “CONTINUING DISCLOSURE OF INFORMATION” (except for the information under the subheading “Compliance with Prior Undertakings”) solely to determine whether such information, insofar as it relates to matters of law, fairly summarizes the laws and 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, other than the matters discussed immediately above.

Young & Brooks 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 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-Litigation Certificate

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

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, Young & Brooks, Houston, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”), (1) interest on the Bonds for federal income tax purposes will be excludable from the “gross income” of the holders thereof and (2) the Bonds will not be treated as “specified private activity bonds” the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the “Code”).

Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the District, including information and representations contained in the District’s federal tax certificate, and (b) covenants of the District contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to comply with the aforementioned representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance.

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

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

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

Federal Income Tax Accounting Treatment of Original Issue Discount

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

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

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

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

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

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

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

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

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

State, Local and Foreign Taxes

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

Qualified Tax-Exempt Obligations for Financial Institutions

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

The District has designated the Bonds as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the District will covenant to take such action which would assure or to refrain from such action which would adversely affect the treatment of the Bonds as "qualified tax-exempt obligations." Potential

purchasers should be aware that if the issue price to the public (or, in the case of discount bonds, the amount payable at maturity) exceeds \$10,000,000, then such obligations might fail to satisfy the \$10,000,000 limitation and the obligations would not be “qualified tax-exempt obligations.”

NO MATERIAL ADVERSE CHANGE

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

OFFICIAL STATEMENT

General

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

The District’s financial statements for the fiscal year ended October 31, 2024, were audited by Mark C. Eyring, CPA, PLLC, and have been included herein as “APPENDIX B.” Mark C. Eyring, CPA, PLLC, has agreed to the publication of such financial statements in this Official Statement.

Experts

The information contained in the Official Statement relating to engineering and to the description of the System, and, in particular, that engineering information included in the sections entitled “THE DISTRICT” and “THE SYSTEM” has been provided by Cobb, Fendley & Associates, Inc. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in the Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned “DISTRICT DEBT” and “TAX DATA” was provided by San Jacinto Tax Service and the Appraisal District. Such information has been included herein in reliance upon San Jacinto Tax Service’s authority as an expert in the field of tax collection and the Appraisal District’s authority as an expert in the field of tax assessing.

Certification as to Official Statement

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

Updating of Official Statement

If, subsequent to the date of the Official Statement, to and including the date the Underwriter is no longer required to provide an Official Statement to customers who request same pursuant to Rule 15c2-12 of the United States Securities and Exchange Commission (the “SEC”), the District learns, or is notified by the 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 so amend or supplement the Official Statement will terminate upon the earlier of (i) 90 days after the “end of the underwriting period” as defined in SEC Rule 15c2-12 or (ii) the date the Official Statement is filed with the MSRB (hereinafter defined), but in no case less than 25 days after the “end of the underwriting period.”

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

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

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

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax exempt status of the Bonds, or other material events affecting the tax exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District; (13) consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional

trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District, any of which reflect financial difficulties. With respect to the Bonds, there are no “obligated persons” within the meaning of the Rule other than the District. The terms “financial obligation” and “material” when used in this paragraph shall each have the meaning ascribed to them under federal securities laws. The term “financial obligation” does not include municipal securities for which a final official statement has been provided to the MSRB consistent with SEC Rule 15c2-12. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information

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

Limitations and Amendments

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

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

Compliance With Prior Undertakings

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

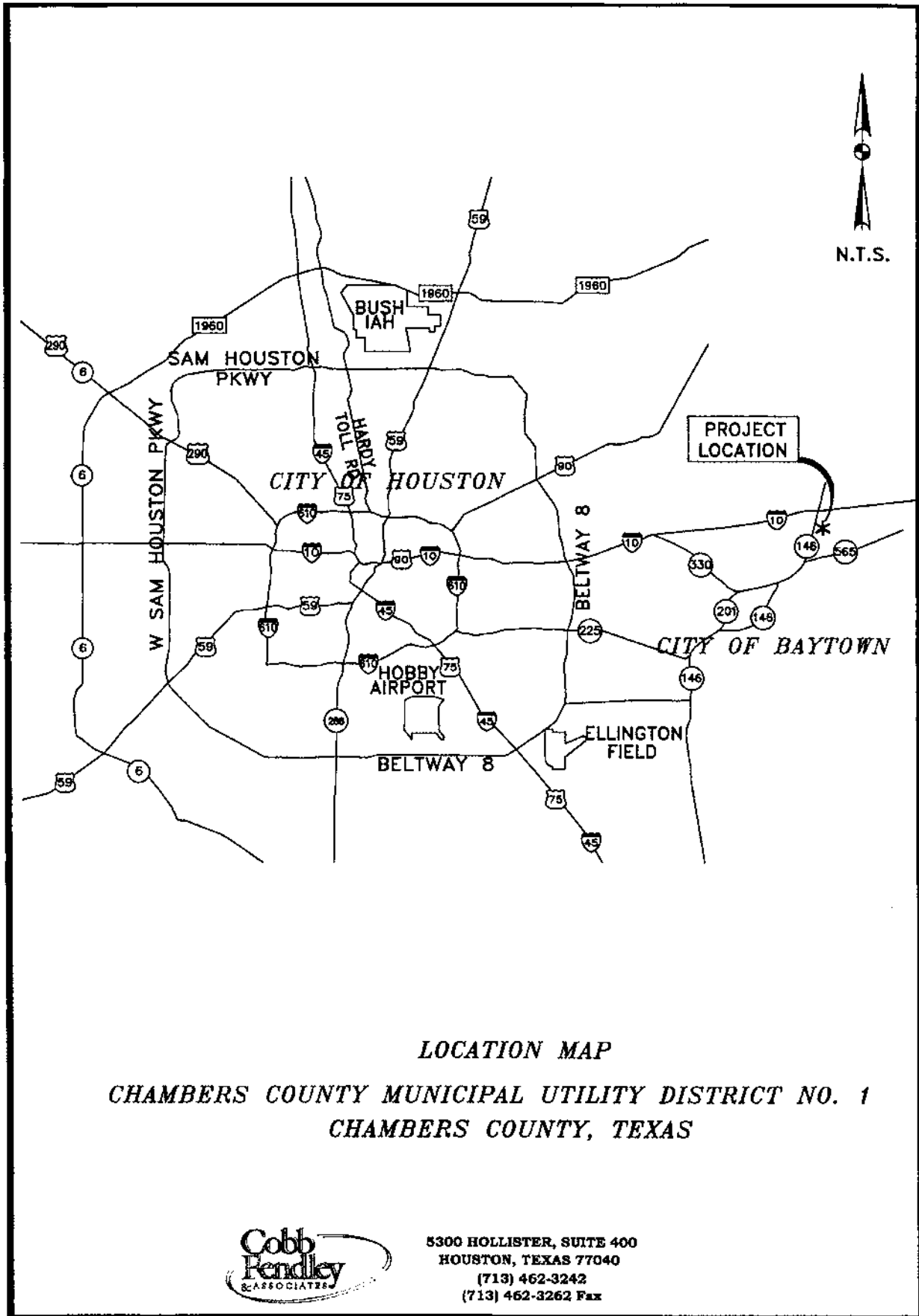
This Official Statement was approved by the Board of Directors of Chambers County Municipal Utility District No. 1 as of the date shown on the first page hereof.

/s/ Kelly Riggs
President, Board of Directors
Chambers County Municipal
Utility District No. 1

ATTEST:

/s/ Brenda Medina
Secretary, Board of Directors
Chambers County Municipal
Utility District No. 1

APPENDIX A
LOCATION MAP



LOCATION MAP
CHAMBERS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
CHAMBERS COUNTY, TEXAS



5300 HOLLISTER, SUITE 400
HOUSTON, TEXAS 77040
(713) 462-3242
(713) 462-3262 Fax

APPENDIX B

CHAMBERS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

CHAMBERS COUNTY, TEXAS

ANNUAL AUDIT REPORT

OCTOBER 31, 2024

CHAMBERS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 1
CHAMBERS COUNTY, TEXAS
ANNUAL AUDIT REPORT
OCTOBER 31, 2024

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February 19, 2025

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Chambers County Municipal
Utility District No. 1
Chambers County, Texas

Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Chambers County Municipal Utility District No. 1 as of and for the year ended October 31, 2024, and the related notes to the financial statements, which collectively comprise Chambers County Municipal Utility District No. 1's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Chambers County Municipal Utility District No. 1, as of October 31, 2024, and the respective changes in financial position and, where applicable, cash flows there of for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Chambers County Municipal Utility District No. 1, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Other Matter

Chambers County Municipal Utility District No. 1 restated the beginning of year fund balance and net position to properly state the financial position of the District as described in Note 11.

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 Chambers County Municipal Utility District No. 1'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.

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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. I 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 Chambers County Municipal Utility District No. 1's internal control. Accordingly, no such opinion is expressed. I 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. I conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Chambers County Municipal Utility District No. 1's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

INDEPENDENT AUDITOR'S REPORT (Continued)**Supplementary Information**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Chambers County Municipal Utility District No. 1's basic financial statements. The supplementary information on Pages 23 to 44 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by my firm.

A handwritten signature in dark ink, appearing to read "M. A. J.", is positioned in the lower right area of the page.

Management's Discussion and Analysis

Using this Annual Report

Within this section of the Chambers County Municipal Utility District No. 1 (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended October 31, 2024.

The annual report consists of a series of financial statements plus additional supplemental information to the financial statements as required by its state oversight agency, the Texas Commission on Environmental Quality. In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program. In the District's case, the single governmental program is provision of water and sewer services. Other activities, such as garbage collection, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements, and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-Wide Financial Statements

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

The difference between the District's total assets and total liabilities is labeled as *net position* and this difference is similar to the total owners' equity presented by a commercial enterprise.

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

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

Fund Financial Statements

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

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

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and water and sewer systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's total assets and total liabilities is labeled the fund balance, and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

Because the focus of the government-wide and fund financial statements are different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total fund balances to the amount of net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position as reported in the governmental activities column in the statement of activities.

Financial Analysis of the District as a Whole

Financial Analysis of the District as a Whole begins with an understanding of how financial resources flow through the District's funds. Resources in the Capital Projects Fund are derived principally from proceeds of the sale of bonds, and expenditures from this fund are subject to the Rules of the Texas Commission on Environmental Quality. Resources in the Debt Service Fund are derived principally from the collection of property taxes and are used for the payment of tax collection costs and bond principal and interest. Resources in the General Fund are derived principally from property taxes and billings for water and sewer services and are used to operate and maintain the system and to pay costs of administration of the District.

Management has financial objectives for each of the District's funds. The financial objective for the Capital Projects Fund is to spend the funds as necessary in accordance with the Rules of the Texas Commission on Environmental Quality. The financial objective for the Debt Service Fund is to levy the taxes necessary to pay the fiscal year debt service requirements plus the cost of levying and collecting taxes, leaving the appropriate fund balance as recommended by the District's financial advisor. The financial objective for the General Fund is to keep the fund's expenditures as low as possible while ensuring that revenues are adequate to cover expenditures and maintaining the fund balance that Management believes is prudent. Management believes that these financial objectives were met during the fiscal year.

Management believes that the required method of accounting for certain elements of the government-wide financial statements makes the government-wide financial statements as a whole not useful for financial analysis. In the government-wide financial statements, capital assets and depreciation expense have been required to be recorded at historical cost. Management's policy is to maintain the District's capital assets in a condition greater than or equal to the condition required by regulatory authorities, and management does not believe that depreciation expense is relevant to the management of the District. In the government-wide financial statements, certain non-cash costs of long-term debt are capitalized and amortized over the life of the related debt. Management believes that this required method of accounting is not useful for financial analysis of the District and prefers to consider the required cash flows of the debt as reported in the fund statements and the notes to the financial statements. In the government-wide financial statements, property tax revenues are required to be recorded in the fiscal year for which the taxes are levied, regardless of the year of collection. Management believes that the cash basis method of accounting for property taxes in the funds provides more useful financial information.

The following required summaries of the District's overall financial position and operations for the past two years are based on the information included in the government-wide financial statements. For the reasons described in the preceding paragraph, a separate analysis of the summaries is not presented.

Summary of Net Position

	<u>2024</u>	<u>2023*</u>	<u>Change</u>
Current and other assets	\$ 8,489,803	\$ 8,001,827	\$ 487,976
Capital assets	<u>20,040,795</u>	<u>19,415,424</u>	<u>625,371</u>
Total assets	<u>28,530,598</u>	<u>27,417,251</u>	<u>1,113,347</u>
Long-term liabilities	27,687,671	27,241,976	445,695
Other liabilities	<u>1,444,655</u>	<u>1,304,266</u>	<u>140,389</u>
Total liabilities	<u>29,132,326</u>	<u>28,546,242</u>	<u>586,084</u>
Total deferred inflows of resources	<u>2,433,125</u>	<u>2,212,984</u>	<u>220,141</u>
Net position:			
Invested in capital assets, net of related debt	(8,272,400)	(8,413,704)	141,304
Restricted	2,378,905	2,269,828	109,077
Unrestricted	<u>2,858,642</u>	<u>2,801,901</u>	<u>56,741</u>
Total net position	<u>\$ (3,034,853)</u>	<u>\$ (3,341,975)</u>	<u>\$ 307,122</u>

Summary of Changes in Net Position

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Revenues:			
Property taxes, including related penalty and interest	\$ 2,218,974	\$ 2,287,087	\$ (68,113)
Charges for services	2,461,215	2,224,162	237,053
Other revenues	<u>334,568</u>	<u>323,878</u>	<u>10,690</u>
Total revenues	<u>5,014,757</u>	<u>4,835,127</u>	<u>179,630</u>
Expenses:			
Service operations	3,797,173	3,327,311	469,862
Debt service	<u>910,462</u>	<u>1,068,523</u>	<u>(158,061)</u>
Total expenses	<u>4,707,635</u>	<u>4,395,834</u>	<u>311,801</u>
Change in net position	307,122	439,293	(132,171)
Net position, beginning of year	<u>(3,341,975)</u>	<u>(3,781,268)</u>	<u>439,293</u>
Net position, end of year	<u>\$ (3,034,853)</u>	<u>\$ (3,341,975)</u>	<u>\$ 307,122</u>

*Restated. See Note 11 of the notes to the financial statements.

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended October 31, 2024, were \$5,347,878, an increase of \$154,772 from the prior year.

The General Fund balance increased by \$55,692, in accordance with the District's financial plan.

The Debt Service Fund balance increased by \$59,290, in accordance with the District's financial plan.

The Capital Projects Fund balance increased by \$39,790, as interest earnings exceeded authorized expenditures.

General Fund Budgetary Highlights

The Board of Directors did not amend the budget during the fiscal year. The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 22 of this report. The budgetary fund balance as of October 31, 2024, was expected to be \$3,200,317 and the actual end of year fund balance was \$2,850,211.

Capital Asset and Debt Administration

Capital Assets

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

	<u>Capital Assets (Net of Accumulated Depreciation)</u>		
	<u>2024</u>	<u>2023</u>	<u>Change</u>
Land	\$ 211,148	\$ 211,148	\$ 0
Connection and capital buy-in fees	3,276,022	3,276,022	0
Water facilities	2,681,733	2,758,049	(76,316)
Sewer facilities	4,535,222	4,675,804	(140,582)
Drainage facilities	8,265,451	8,494,401	(228,950)
Totals	<u>\$ 18,969,576</u>	<u>\$ 19,415,424</u>	<u>\$ (445,848)</u>

Changes to capital assets during the fiscal year ended October 31, 2024, are summarized as follows:

Decreases:	
Depreciation	\$ <u>(445,848)</u>
Net change to capital assets	\$ <u>(445,848)</u>

Debt

Changes in the bonded debt position of the District during the fiscal year ended October 31, 2024, are summarized as follows:

Bonded debt payable, beginning of year	\$ 28,195,000
Bonds paid	<u>(610,000)</u>
Bonded debt payable, end of year	<u>\$ 27,585,000</u>

At October 31, 2024, the District had \$4,930,000 of bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the District.

As further described in Note 5 of the notes to the financial statements, developers within the District are constructing water, sewer and drainage facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Texas Commission on Environmental Quality. At October 31, 2024, the estimated amount due to developers was \$1,072,219.

The District's bonds have an underlying rating of BBB+ by Standard & Poor's and the Series 2021 and 2022 bonds have an underlying rating of Baa2 by Moody's. The Series 2012, 2021 and 2022 bonds are insured by Assured Guaranty Municipal Corp., the Series 2017 bonds are insured by National Public Finance Guarantee Corporation (NPFGE) and the Series 2015, 2017 refunding and 2023 bonds are insured by Build America Mutual Assurance Company. The insured rating of the Series 2012, 2015, 2017 refunding, 2021, 2022 and 2023 bonds is AA by Standard & Poor's. There were no changes in the ratings of the District's bonds during the fiscal year ended October 31, 2024.

RELEVANT FACTORS AND WATER SUPPLY ISSUES

Property Tax Base

The District's tax base increased approximately \$55,670,000 for the 2024 tax year (approximately 15%), primarily due to the addition of new property to the tax base.

Relationship to the City of Baytown

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Baytown, the District must conform to a City of Baytown ordinance consenting to the creation of the District. In addition, the District may be annexed by the City of Baytown. If the District is annexed, the City will assume the District's assets and obligations (including the bonded indebtedness) and dissolve the District within ninety (90) days.

Utilizing a provision of Texas law, the City of Baytown ("City") and the District entered into a Strategic Partnership Agreement ("SPA") effective as of June 27, 2005 and a second a Strategic Partnership Agreement ("SPA") effective as of January 28, 2008. The SPAs provide for the limited purpose annexation of certain developed commercial tracts within the District into the City for the limited purposes of imposition of the City's Sales and Use Tax, certain municipal court jurisdictions, and health inspection services and enforcement. The properties made subject to the SPAs may not be taxed for ad valorem purposes by the City. Additional properties may become subject to the SPAs by amending the SPAs upon the consent of the City and the District. The term of the SPAs is continuous until March 3, 2021, unless earlier terminated and shall be automatically extended for additional five (5) year terms. During the term of the SPAs, the City has agreed not to annex all or part of the District or commence any action to annex all or part of the District for full purposes.

Water Supply Issues

As further described in Note 9, the District receives water through a master metered connection from the City of Baytown. The District does not use groundwater.

CHAMBERS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

OCTOBER 31, 2024

	General	Debt Service	Capital Projects	Total	Adjustments (Note 3)	Statement of Net Position
ASSETS						
Cash, including interest-bearing accounts, Note 7	\$ 575,007	\$ 124,764	\$ 51,274	\$ 751,045	\$	\$ 751,045
Temporary investments, at cost, Note 7	2,555,307	1,577,553	769,640	4,902,500		4,902,500
Receivables:						
Property taxes	822,361	1,599,556		2,421,917		2,421,917
Accrued penalty and interest on property taxes				0	9,881	9,881
Service accounts	404,460			404,460		404,460
Due from other fund	1,571			1,571	(1,571)	0
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated				0	4,558,389	4,558,389
Depreciable capital assets				0	15,482,406	15,482,406
Total assets	<u>\$4,358,706</u>	<u>\$3,301,873</u>	<u>\$ 820,914</u>	<u>\$ 8,481,493</u>	<u>20,049,105</u>	<u>28,530,598</u>
LIABILITIES						
Accounts payable	\$ 297,943	\$ 1,414	\$	\$ 299,357		299,357
Accrued interest payable				0	143,178	143,178
Due to City, Note 10	109,262			109,262		109,262
Connection fees payable, Note 9	23,003			23,003		23,003
Customer and builder deposits	244,331			244,331		244,331
Due to other fund		1,571		1,571	(1,571)	0
Long-term liabilities, Note 5:						
Due within one year				0	625,524	625,524
Due in more than one year				0	27,687,671	27,687,671
Total liabilities	<u>674,539</u>	<u>2,985</u>	<u>0</u>	<u>677,524</u>	<u>28,454,802</u>	<u>29,132,326</u>
DEFERRED INFLOWS OF RESOURCES						
Property tax revenues	<u>833,956</u>	<u>1,622,135</u>	<u>0</u>	<u>2,456,091</u>	<u>(22,966)</u>	<u>2,433,125</u>
FUND BALANCES / NET POSITION						
Fund balances:						
Assigned to:						
Debt service		1,676,753		1,676,753	(1,676,753)	0
Capital projects			820,914	820,914	(820,914)	0
Unassigned	<u>2,850,211</u>			<u>2,850,211</u>	<u>(2,850,211)</u>	<u>0</u>
Total fund balances	<u>2,850,211</u>	<u>1,676,753</u>	<u>820,914</u>	<u>5,347,878</u>	<u>(5,347,878)</u>	<u>0</u>
Total liabilities, deferred inflows, and fund balances	<u>\$4,358,706</u>	<u>\$3,301,873</u>	<u>\$ 820,914</u>	<u>\$ 8,481,493</u>		
Net position:						
Invested in capital assets, net of related debt, Note 4					(8,272,400)	(8,272,400)
Restricted for debt service					1,557,991	1,557,991
Restricted for capital projects					820,914	820,914
Unrestricted					2,858,642	2,858,642
Total net position					<u>\$ (3,034,853)</u>	<u>\$ (3,034,853)</u>

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

CHAMBERS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

FOR THE YEAR ENDED OCTOBER 31, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
REVENUES						
Property taxes	\$ 717,948	\$ 1,473,878	\$	\$ 2,191,826	\$ 3,554	\$ 2,195,380
Water service	942,362			942,362		942,362
Sewer service	1,127,343			1,127,343		1,127,343
Penalty, interest and other	156,355	22,237		178,592	1,357	179,949
Tap connection and sewer inspection fees	235,155			235,155		235,155
Sales and Use Taxes, Note 10	41,357			41,357		41,357
Interest on deposits and investments	138,920	112,531	41,760	293,211		293,211
Total revenues	<u>3,359,440</u>	<u>1,608,646</u>	<u>41,760</u>	<u>5,009,846</u>	<u>4,911</u>	<u>5,014,757</u>
EXPENDITURES / EXPENSES						
Service operations:						
Purchased services, Note 9	1,924,101			1,924,101		1,924,101
Professional fees	166,320	4,675	1,970	172,965		172,965
Contracted services	143,471	39,111		182,582		182,582
Repairs, maintenance and other operating expenditures	623,800			623,800		623,800
Garbage disposal	249,497			249,497		249,497
Administrative expenditures	87,510	1,821		89,331		89,331
Depreciation				0	445,848	445,848
Capital outlay / non-capital outlay	109,049			109,049		109,049
Debt service:						
Principal retirement		610,000		610,000	(610,000)	0
Interest and fees		893,749		893,749	16,713	910,462
Total expenditures / expenses	<u>3,303,748</u>	<u>1,549,356</u>	<u>1,970</u>	<u>4,855,074</u>	<u>(147,439)</u>	<u>4,707,635</u>
Excess (deficiency) of revenues over expenditures	<u>55,692</u>	<u>59,290</u>	<u>39,790</u>	<u>154,772</u>	<u>152,350</u>	<u>307,122</u>
Net change in fund balances / net position	55,692	59,290	39,790	154,772	152,350	307,122
Beginning of year, Restated, Note 11	<u>2,794,519</u>	<u>1,617,463</u>	<u>781,124</u>	<u>5,193,106</u>	<u>(8,535,081)</u>	<u>(3,341,975)</u>
End of year	<u>\$ 2,850,211</u>	<u>\$ 1,676,753</u>	<u>\$ 820,914</u>	<u>\$ 5,347,878</u>	<u>\$ (8,382,731)</u>	<u>\$ (3,034,853)</u>

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

CHAMBERS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1NOTES TO THE FINANCIAL STATEMENTSOCTOBER 31, 2024

NOTE 1: REPORTING ENTITY

Chambers County Municipal Utility District No. 1 (the "District") was created by an order of the Texas Water Commission (now the Texas Commission on Environmental Quality) effective March 17, 1981, and operates in accordance with Texas Water Code Chapters 49 and 54. The District is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Board of Directors held its first meeting on March 18, 1981, and the first bonds were sold on November 17, 1998. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may provide garbage disposal and collection services. In addition, the District is empowered, if approved by the electorate, the Texas Commission on Environmental Quality and other governmental entities having jurisdiction, to establish, operate and maintain a fire department, either independently or jointly with certain other districts.

In evaluating how to define the District for financial reporting purposes, the Board of Directors of the District has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there were no other entities which were included as a component unit in the District's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board (the "GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989 (when applicable), that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

Basic Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and governmental fund financial statements (reporting the District's funds). Because the District is a single-program government as defined by the GASB, the District has combined the government-wide statements and the fund financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements. An additional reconciliation between the fund and the government-wide financial data is presented in Note 3.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. The District's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The government-wide statement of activities reports the components of the changes in net position during the reporting period.

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for in a separate set of self-balancing accounts that comprises its assets, liabilities, fund balances, revenues and expenditures and changes in fund balances. The District's fund balances are reported as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balances are either not in spendable form or are contractually required to remain intact. Restricted fund balances include amounts that can only be used for the specific purposes stipulated by constitutional provisions, external resource providers or enabling legislation. Committed fund balances include amounts that can only be used for the specific purposes determined by formal action of the District's Board of Directors. Assigned fund balances are intended for a specific purpose but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. The transactions of the District are accounted for in the following funds:

General Fund -- To account for all revenues and expenditures not required to be accounted for in other funds.

Debt Service Fund -- To account for the accumulation of financial resources for, and the payment of, bond principal and interest, paid principally from property taxes levied by the District.

Capital Projects Fund -- To account for financial resources designated to construct or acquire capital assets. Such resources are derived principally from proceeds of the sale of bonds.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Basis of Accounting

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting which recognizes all long-term assets and receivables as well as long-term debt and obligations. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Ad valorem property taxes are recognized as revenues in the fiscal year for which they have been levied and related penalties and interest are recognized in the fiscal year in which they are imposed. An allowance for uncollectibles is estimated for delinquent property taxes and reported separately in the financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred except for principal and interest on bonds payable which are recorded only when payment is due.

Interfund Activity

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is reported as interfund receivables or payables, as appropriate, as are all other outstanding balances between funds. Operating transfers between funds represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Receivables

Service accounts receivable as reported are considered collectible. The District uses the direct write off method for uncollectible service accounts. Unbilled water and sewer revenues are not material and are not recorded at year end. The District considers service accounts revenues to be available if they are to be collected within 60 days after the end of the fiscal year.

In the fund financial statements, ad valorem taxes and penalties and interest are reported as revenues in the fiscal year in which they become available to finance expenditures of the fiscal year for which they have been levied. Property taxes which have been levied and are not yet collected (or have been collected in advance of the fiscal year for which they have been levied) are recorded as deferred inflow of resources. Property taxes collected after the end of the fiscal year are not included in revenues.

Capital Assets

Capital assets, which include property, plant, equipment, and immovable public domain or "infrastructure" assets are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 (including installation costs, if any, and associated professional fees) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed by the District. Donated capital assets are recorded at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset or increase the value of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

Plant and equipment	10-45 years
Underground lines	45 years

Long-term Liabilities

Long-term debt and other long-term obligations are reported in the government-wide financial statements. Bond premiums and discounts, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable premium or discount. If bonds are refunded and the carrying amount of the new debt is different than the net carrying amount of the old debt, the difference is netted against the new debt and amortized using the effective interest method over the shorter of the remaining life of the refunded debt or the life of the new debt issued.

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

NOTE 3: RECONCILIATION OF FUND TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		\$ 5,347,878
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Total capital assets, net		20,040,795
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	\$ (27,585,000)	
Deferred charge on refunding (to be amortized as interest expense)	101,212	
Issuance discount, net of premium (to be amortized as interest expense)	241,812	
Due to developer for construction	<u>(1,071,219)</u>	(28,313,195)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Accrued penalty and interest on property taxes receivable	9,881	
Uncollected property taxes	<u>22,966</u>	32,847
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		<u>(143,178)</u>
Net position, end of year		<u>\$ (3,034,853)</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Reconciliation of net change in fund balances to change in net position:

Total net change in fund balances		\$ 154,772
The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Depreciation		(445,848)
The issuance of long-term debt (bonds payable) provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:		
Principal reduction		610,000
The funds report the effect of bond issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:		
Refunding charges	\$ (12,193)	
Issuance discount, net of premium	<u>(10,655)</u>	(22,848)
Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:		
Accrued penalty and interest on property taxes receivable	1,357	
Uncollected property taxes	<u>3,554</u>	4,911
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:		
Accrued interest		<u>6,135</u>
Change in net position		<u><u>\$ 307,122</u></u>

NOTE 4: CAPITAL ASSETS

At October 31, 2024, "Invested in capital assets, net of related debt" was \$(8,272,400). This amount was negative primarily because not all expenditures from bond proceeds (such as bond issuance costs) were for the acquisition of capital assets. In addition, some expenditures from bond proceeds were for the acquisition of capital assets beneath the capitalization threshold of \$5,000 (see Note 2) and some authorized expenditures were not for capital assets.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Capital asset activity for the fiscal year ended October 31, 2024, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 211,148	\$	\$	\$ 211,148
Connection and Capital Buy-In Fees	3,276,022			3,276,022
Construction in progress		1,071,219		1,071,219
Total capital assets not being depreciated	<u>3,487,170</u>	<u>1,071,219</u>	<u>0</u>	<u>4,558,389</u>
Depreciable capital assets:				
Water system	3,434,216			3,434,216
Sewer system	5,969,708			5,969,708
Drainage system	10,302,746			10,302,746
Total depreciable capital assets	<u>19,706,670</u>	<u>0</u>	<u>0</u>	<u>19,706,670</u>
Less accumulated depreciation for:				
Water system	(676,167)	(76,316)		(752,483)
Sewer system	(1,293,904)	(140,582)		(1,434,486)
Drainage system	(1,808,345)	(228,950)		(2,037,295)
Total accumulated depreciation	<u>(3,778,416)</u>	<u>(445,848)</u>	<u>0</u>	<u>(4,224,264)</u>
Total depreciable capital assets, net	<u>15,928,254</u>	<u>(445,848)</u>	<u>0</u>	<u>15,482,406</u>
Total capital assets, net	<u>\$ 19,415,424</u>	<u>\$ 625,371</u>	<u>\$ 0</u>	<u>\$ 20,040,795</u>
Changes to capital assets:				
Increase in estimated value of developer construction		\$ 1,071,219	\$	
Less depreciation expense for the fiscal year		<u>(445,848)</u>		
Net increases / decreases to capital assets		<u>\$ 625,371</u>	<u>\$ 0</u>	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended October 31, 2024, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Bonds payable	\$ 28,195,000	\$	\$ 610,000	\$ 27,585,000	\$ 630,000
Deferred amounts:					
For issuance premiums (discounts)	(252,467)		(10,655)	(241,812)	6,966
For refunding	<u>(113,405)</u>		<u>(12,193)</u>	<u>(101,212)</u>	<u>(11,442)</u>
Total bonds payable	<u>27,829,128</u>	<u>0</u>	<u>587,152</u>	<u>27,241,976</u>	<u>625,524</u>
Due to developers (see below)	<u>0</u>	<u>1,071,219</u>	<u>0</u>	<u>1,071,219</u>	<u>-----</u>
Total long-term liabilities	<u>\$ 27,829,128</u>	<u>\$ 1,071,219</u>	<u>\$ 587,152</u>	<u>\$ 28,313,195</u>	<u>\$ 625,524</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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Developer Construction Commitments and Liabilities

Developers within the District are constructing water, sewer and drainage facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Texas Commission on Environmental Quality. At October 31, 2024, the estimated amount due to developers was \$1,071,219.

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 630,000	\$ 859,069	\$ 1,489,069
2026	665,000	834,643	1,499,643
2027	690,000	809,132	1,499,132
2028	715,000	784,369	1,499,369
2029	745,000	758,756	1,503,756
2030 - 2034	4,140,000	3,370,746	7,510,746
2035 - 2039	4,905,000	2,607,020	7,512,020
2040 - 2044	5,750,000	1,770,199	7,520,199
2045 - 2049	6,510,000	1,009,229	7,519,229
2050 - 2051	<u>2,835,000</u>	<u>175,263</u>	<u>3,010,263</u>
	<u>\$ 27,585,000</u>	<u>\$ 12,978,426</u>	<u>\$ 40,563,426</u>

Bonds voted	\$ 38,200,000
Bonds approved for sale and sold	33,270,000
Bonds approved for sale and not issued	4,930,000

The bond issues payable at October 31, 2024, were as follows:

	<u>Refunding Series 2012</u>	<u>Refunding Series 2015</u>	<u>Series 2017</u>
Amounts outstanding, October 31, 2024	\$2,300,000	\$2,140,000	\$3,000,000
Interest rates	3.00% to 3.50%	4.00%	3.75% to 4.00%
Maturity dates, serially beginning/ending	September 1, 2025/2031	September 1, 2025/2033	September 1, 2034/2042
Interest payment dates	March 1/September 1	March 1/September 1	March 1/September 1
Callable dates	September 1, 2019*	September 1, 2022*	September 1, 2024*

*Or any date thereafter, callable at par plus accrued interest in whole or in part at the option of the District.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	<u>Refunding Series 2017</u>	<u>Series 2021</u>	<u>Series 2022</u>
Amounts outstanding, October 31, 2024	\$2,080,000	\$11,380,000	\$4,550,000
Interest rates	3.375% to 4.00%	2.00% to 4.50%	3.00% to 4.00%
Maturity dates, serially beginning/ending	September 1, 2025/2037	September 1, 2025/2049	September 1, 2025/2050
Interest payment dates	March 1/September 1	March 1/September 1	March 1/September 1
Callable dates	September 1, 2024*	September 1, 2026*	September 1, 2027*
	<u>Series 2023</u>		
Amounts outstanding, October 31, 2024	\$2,135,000		
Interest rates	4.375% to 6.50%		
Maturity dates, serially beginning/ending	September 1, 2026/2051		
Interest payment dates	March 1/September 1		
Callable dates	September 1, 2029*		

*Or any date thereafter, callable at par plus accrued interest in whole or in part at the option of the District.

NOTE 6: PROPERTY TAXES

The Chambers County Central Appraisal District has the responsibility for appraising property for all taxing units within the county as of January 1 of each year, subject to review and change by the county Appraisal Review Board. The appraisal roll, as approved by the Appraisal Review Board, must be used by the District in establishing its tax roll and tax rate. The District's taxes are usually levied in the fall, are due when billed and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later. On January 1 of each year, a statutory tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property.

The Bond Orders require that 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.

At an election held April 4, 1981, the voters within the District authorized a maintenance tax not to exceed \$0.75 per \$100 valuation on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

On October 16, 2024, the District levied the following ad valorem taxes for the 2024 tax year and the 2025 fiscal year on the adjusted taxable valuation of \$434,486,592:

	<u>Rate</u>	<u>Amount</u>
Debt service	\$ 0.3700	\$ 1,607,600
Maintenance	<u>0.1900</u>	<u>825,525</u>
	<u>\$ 0.5600</u>	<u>\$ 2,433,125</u>

A reconciliation of the tax levy to property tax revenues on the Statement of Activities is as follows:

2024 tax year total property tax levy	\$ 2,433,125
2024 tax year total property tax levy deferred to 2025 fiscal year	(2,433,125)
2023 tax year total property tax levy deferred to 2024 fiscal year	2,212,983
Appraisal district adjustments to prior year taxes	<u>(17,603)</u>
Statement of Activities property tax revenues	<u>\$ 2,195,380</u>

NOTE 7: DEPOSITS AND TEMPORARY INVESTMENTS

The District complied with the requirements of the Public Funds Investment Act during the current fiscal year including the preparation of quarterly investment reports required by the Act.

State statutes authorize the District to invest and reinvest in direct or indirect obligations of the United States, the State of Texas, any county, city, school district, or other political subdivision of the state, or in local government investment pools authorized under the Public Funds Investment Act. Funds of the District may be placed in certificates of deposit of state or national banks or savings and loan associations within the state provided that they are secured in the manner provided for the security of the funds under the laws of the State of Texas. In accordance with the District's investment policies, during the current year the District's funds were invested in interest bearing accounts at authorized financial institutions and in TexPool, a local government investment pool sponsored by the State Comptroller. TexPool is rated AAAm by Standard & Poor's.

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the carrying amount of the District's deposits was \$751,045 and the bank balance was \$774,912. Of the bank balance, \$595,930 was covered by federal insurance and \$178,982 was covered by the market value of collateral held by the District's custodial bank in the District's name. The market value of collateral was reported to the District by the depository.

At the balance sheet date the carrying value and market value of the investments in TexPool was \$4,902,500.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Deposits and temporary investments restricted by state statutes and the Bond Orders:

Debt Service Fund

For payment of debt principal and interest,
paying agent fees and costs of assessing and
collecting taxes:

Cash	\$ 124,764
Temporary investments	<u>1,577,553</u>
	<u>\$ 1,702,317</u>

Capital Projects Fund

For construction of capital assets:

Cash	\$ 51,274
Temporary investments	<u>769,640</u>
	<u>\$ 820,914</u>

NOTE 8: RISK MANAGEMENT

The District is exposed to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; personal injuries and natural disasters. Significant losses are covered by insurance as described below. There were no significant reductions in insurance coverage from the prior fiscal year. There have been no settlements which have exceeded the insurance coverage for each of the past three fiscal years.

At October 31, 2024, the District had physical damage and boiler and machinery coverage of \$1,998,750, comprehensive general liability coverage with a per occurrence limit of \$1,000,000 and \$3,000,000 general aggregate, auto liability coverage of \$1,000,000, consultant's crime coverage of \$100,000 and a tax assessor-collector bond of \$100,000.

NOTE 9: CONTRACT WITH CITY OF BAYTOWN

On March 4, 1996 (as last amended June 14, 2020), the District and the City of Baytown (the "City") entered into a twenty-five year agreement. Under the terms of the agreement the City agreed to sell and deliver to the District potable water and sewer treatment services to the Service Area within the District. The Service Area within the District is defined by the contract as amended. The District is required to pay to the City Capital Buy-In Fees and Connection Fees for water and sewer services for each service connection within the subdivisions included in the Service Area. At October 31, 2024, the District or its developer had paid all fees related to the active subdivisions in the District. The District received connection fees totaling \$23,003 from its developer during the year ended October 31, 2024. This amount was payable to the City at that date.

The District also is to pay to the City monthly water and sewer service charges. Water and sewer service charges accrued during the fiscal year ended October 31, 2024, were \$1,924,101.

NOTES TO THE FINANCIAL STATEMENTS (Continued)**NOTE 10: STRATEGIC PARTNERSHIP AGREEMENTS**

Utilizing a provision of Texas law, the City of Baytown ("City") and the District entered into a Strategic Partnership Agreement effective as of June 27, 2005 and a second Strategic Partnership Agreement effective as of January 28, 2008 (the "SPAs"). The SPAs provide for the limited purpose annexation of certain developed commercial tracts within the District into the City for the limited purposes of imposition of the City's Sales and Use Tax, certain municipal court jurisdictions, and health inspection services and enforcement. The properties made subject to the SPAs may not be taxed for ad valorem purposes by the City. Additional properties may become subject to the SPAs by amending the SPAs upon the consent of the City and the District. The term of the SPAs is continuous until March 3, 2021, unless earlier terminated and shall be automatically extended for additional five (5) year terms. During the term of the SPAs, the City has agreed not to annex all or part of the District or commence any action to annex all or part of the District for full purposes. The District accrued Sales and Use Tax revenues of \$41,357 from the City for the fiscal year ended October 31, 2024.

The City overpaid Sales and Use Tax revenues totaling \$109,262 to the District during fiscal years 2023 and 2024. This amount was payable to the City at October 31, 2024.

NOTE 11: RESTATED BEGINNING OF YEAR BALANCES

During the fiscal year ended October 31, 2024, the District adjusted the beginning of year fund balance and net position to properly state the financial position of the District. The City overpaid Sales and Use Tax revenues totaling \$109,262 to the District during fiscal years 2023 and 2024. Of that amount, \$86,373 was recorded as Sales and Use Tax revenue in error in fiscal year 2023. Accordingly, the District's beginning of year fund balance and net position were adjusted to correct the error. The effect of these adjustments was to decrease the General Fund balance and net position of the District by \$86,373.

CHAMBERS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND

FOR THE YEAR ENDED OCTOBER 31, 2024

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Property taxes	\$ 740,798	\$ 740,798	\$ 717,948	\$ (22,850)
Water service	1,130,000	1,130,000	942,362	(187,638)
Sewer service	1,218,000	1,218,000	1,127,343	(90,657)
Penalty and other	54,500	54,500	156,355	101,855
Tap connection and sewer inspection fees	0	0	235,155	235,155
Sales and Use Taxes	125,000	125,000	41,357	(83,643)
Interest on deposits	75,000	75,000	138,920	63,920
TOTAL REVENUES	<u>3,343,298</u>	<u>3,343,298</u>	<u>3,359,440</u>	<u>16,142</u>
EXPENDITURES				
Service operations:				
Purchased services	1,835,000	1,835,000	1,924,101	89,101
Professional fees	234,500	234,500	166,320	(68,180)
Contracted services	152,000	152,000	143,471	(8,529)
Repairs, maintenance and other operating expenditures	382,500	382,500	623,800	241,300
Garbage disposal	235,000	235,000	249,497	14,497
Administrative expenditures	98,500	98,500	87,510	(10,990)
Capital outlay	0	0	109,049	109,049
TOTAL EXPENDITURES	<u>2,937,500</u>	<u>2,937,500</u>	<u>3,303,748</u>	<u>366,248</u>
EXCESS REVENUES (EXPENDITURES)	<u>405,798</u>	<u>405,798</u>	<u>55,692</u>	<u>(350,106)</u>
FUND BALANCE, BEGINNING OF YEAR	<u>2,794,519</u>	<u>2,794,519</u>	<u>2,794,519</u>	<u>0</u>
FUND BALANCE, END OF YEAR	<u>\$ 3,200,317</u>	<u>\$ 3,200,317</u>	<u>\$ 2,850,211</u>	<u>\$ (350,106)</u>

The District's Board of Directors adopts an annual nonappropriated budget. This budget may be amended throughout the fiscal year and is prepared on a basis consistent with generally accepted accounting principles.

See accompanying independent auditor's report.

CHAMBERS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITYOCTOBER 31, 2024

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

- [X] TSI-1. Services and Rates
- [X] TSI-2. General Fund Expenditures
- [X] TSI-3. Temporary Investments
- [X] TSI-4. Taxes Levied and Receivable
- [X] TSI-5. Long-Term Debt Service Requirements by Years
- [X] TSI-6. Changes in Long-Term Bonded Debt
- [X] TSI-7. Comparative Schedule of Revenues and Expenditures -
General Fund and Debt Service Fund - Five Year
- [X] TSI-8. Board Members, Key Personnel and Consultants

CHAMBERS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

SCHEDULE OF SERVICES AND RATES

OCTOBER 31, 2024

1. Services Provided by the District during the Fiscal Year:

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

2. Retail Service Providers

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1000 Gallons Over Minimum</u>	<u>Usage Levels</u>
WATER:	\$35.00	6,000	N	\$2.50 3.50	6,001 to 15,000 Over 15,000
WASTEWATER:	\$43.26	6,000	N	\$2.50 3.50	6,001 to 15,000 Over 15,000

SURCHARGE: 0.50 % of monthly billing -- TCEQ assessment fees.

District employs winter averaging for wastewater usage: Yes ☐ No ☒

Total charges per 10,000 gallons usage: Water: \$45.00 Wastewater: \$53.26 Surcharge: \$0.49

CHAMBERS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

SCHEDULE OF SERVICES AND RATES (Continued)

OCTOBER 31, 2024

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	0	0	1.0	0
< or = 3/4"	1,059	1,053	1.0	1,053
1"	267	265	2.5	663
1-1/2"	14	14	5.0	70
2"	20	20	8.0	160
3"	4	4	15.0	60
4"	0	0	25.0	0
6"	2	2	50.0	100
8"	2	2	80.0	160
10"	0	0	115.0	0
Total Water	<u>1,368</u>	<u>1,360</u>		<u>2,266</u>
Total Wastewater	<u>1,339</u>	<u>1,331</u>	1.0	<u>1,331</u>

*Single family equivalents

3. Total Water Consumption during the Fiscal Year (rounded to thousands):

Gallons pumped into system (unaudited): Water purchased from the City of Baytown
Gallons billed to customers (unaudited): 137,026

Water Accountability Ratio
(Gallons billed/ gallons pumped): Not Applicable

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

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

If yes, date of the most recent Commission Order: _____

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

If yes, date of the most recent Commission Order: _____

CHAMBERS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

EXPENDITURES

FOR THE YEAR ENDED OCTOBER 31, 2024

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CURRENT				
Purchased services	\$ 1,924,101	\$ 0	\$ 0	\$ 1,924,101
Professional fees:				
Auditing	10,950			10,950
Legal	135,869	4,675	1,970	142,514
Engineering	19,501			19,501
	<u>166,320</u>	<u>4,675</u>	<u>1,970</u>	<u>172,965</u>
Contracted services:				
Bookkeeping	26,363			26,363
Operation and billing	117,108			117,108
Tax assessor-collector		16,188		16,188
Central appraisal district		22,923		22,923
	<u>143,471</u>	<u>39,111</u>	<u>0</u>	<u>182,582</u>
Repairs, maintenance and other operating expenditures:				
Repairs and maintenance	551,481			551,481
Sewer inspection fees	39,674			39,674
Laboratory costs	11,199			11,199
Utilities	11,249			11,249
TCEQ assessment	10,197			10,197
	<u>623,800</u>	<u>0</u>	<u>0</u>	<u>623,800</u>
Garbage disposal	<u>249,497</u>	<u>0</u>	<u>0</u>	<u>249,497</u>
Administrative expenditures:				
Director's fees	19,227			19,227
Office supplies and postage	43,380			43,380
Insurance	15,597	500		16,097
Permit fees	3,820			3,820
Other	5,486	1,321		6,807
	<u>87,510</u>	<u>1,821</u>	<u>0</u>	<u>89,331</u>

See accompanying independent auditor's report.

CHAMBERS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1EXPENDITURES (Continued)FOR THE YEAR ENDED OCTOBER 31, 2024

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CAPITAL OUTLAY				
Tap connection costs	<u>\$ 109,049</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 109,049</u>
DEBT SERVICE				
Principal retirement	<u>0</u>	<u>610,000</u>	<u>0</u>	<u>610,000</u>
Interest and fees:				
Interest		888,274		888,274
Paying agent fees		5,475		5,475
	<u>0</u>	<u>893,749</u>	<u>0</u>	<u>893,749</u>
TOTAL EXPENDITURES	<u>\$ 3,303,748</u>	<u>\$ 1,549,356</u>	<u>\$ 1,970</u>	<u>\$ 4,855,074</u>

See accompanying independent auditor's report.

CHAMBERS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

ANALYSIS OF CHANGES IN DEPOSITS AND TEMPORARY INVESTMENTS
ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED OCTOBER 31, 2024

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
SOURCES OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash receipts from revenues excluding maintenance taxes	\$ 2,700,197	\$ 1,625,706	\$ 41,760	\$ 4,367,663
Maintenance tax receipts		726,855		726,855
Transfer of maintenance taxes	714,533			714,533
Reimbursement from other fund	<u>116,142</u>			<u>116,142</u>
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS PROVIDED	<u>3,530,872</u>	<u>2,352,561</u>	<u>41,760</u>	<u>5,925,193</u>
APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash disbursements for:				
Current expenditures	2,970,531	44,193	5,470	3,020,194
Capital outlay	225,191			225,191
Debt service		1,503,749		1,503,749
Reimbursement to other fund			116,142	116,142
Decrease in customer and builder deposits	6,695			6,695
Transfer of maintenance taxes		<u>714,533</u>		<u>714,533</u>
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS APPLIED	<u>3,202,417</u>	<u>2,262,475</u>	<u>121,612</u>	<u>5,586,504</u>
INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS	328,455	90,086	(79,852)	338,689
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR	<u>2,801,859</u>	<u>1,612,231</u>	<u>900,766</u>	<u>5,314,856</u>
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR	<u>\$ 3,130,314</u>	<u>\$ 1,702,317</u>	<u>\$ 820,914</u>	<u>\$ 5,653,545</u>

See accompanying independent auditor's report.

CHAMBERS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1SCHEDULE OF CERTIFICATES OF DEPOSIT AND TEMPORARY INVESTMENTSOCTOBER 31, 2024

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Year End Balance</u>	<u>Accrued Interest Receivable</u>
GENERAL FUND				
TexPool				
No. 4497913900003	Market	On demand	<u>\$ 2,555,307</u>	<u>\$ 0</u>
DEBT SERVICE FUND				
TexPool				
No. 4497913900001	Market	On demand	<u>\$ 1,577,553</u>	<u>\$ 0</u>
CAPITAL PROJECTS FUND				
TexPool				
No. 4497913900004	Market	On demand	<u>\$ 769,640</u>	<u>\$ 0</u>
Total – All Funds			<u>\$ 4,902,500</u>	<u>\$ 0</u>

See accompanying independent auditor's report.

CHAMBERS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1TAXES LEVIED AND RECEIVABLEFOR THE YEAR ENDED OCTOBER 31, 2024

	Maintenance Taxes	Debt Service Taxes
RECEIVABLE, BEGINNING OF YEAR	\$ 729,637	\$ 1,494,552
Additions and corrections to prior year taxes	<u>(5,946)</u>	<u>(11,657)</u>
Adjusted receivable, beginning of year	723,691	1,482,895
2024 ADJUSTED TAX ROLL	<u>825,525</u>	<u>1,607,600</u>
Total to be accounted for	1,549,216	3,090,495
Tax collections: Current tax year	(11,595)	(22,579)
Prior tax years	<u>(715,260)</u>	<u>(1,468,360)</u>
RECEIVABLE, END OF YEAR	<u>\$ 822,361</u>	<u>\$ 1,599,556</u>
RECEIVABLE, BY TAX YEAR		
2014 and prior	\$ 2,818	\$ 4,882
2015	243	445
2016	255	438
2017	311	433
2018	214	311
2019	23	34
2020	437	733
2021	765	1,284
2022	1,687	2,531
2023	1,678	3,444
2024	<u>813,930</u>	<u>1,585,021</u>
RECEIVABLE, END OF YEAR	<u>\$ 822,361</u>	<u>\$ 1,599,556</u>

Fiscal year 2024 General Fund property tax revenue of \$717,948 under the modified accrual basis of accounting is comprised of prior tax year collections of \$715,260 during fiscal year 2024 and 2023 tax year collections of \$2,688 during fiscal year 2023.

Fiscal year 2024 Debt Service Fund property tax revenue of \$1,473,878 under the modified accrual basis of accounting is comprised of prior tax year collections of \$1,468,360 during fiscal year 2024 and 2023 tax year collections of \$5,518 during fiscal year 2023.

See accompanying independent auditor's report.

CHAMBERS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

TAXES LEVIED AND RECEIVABLE (Continued)

FOR THE YEAR ENDED OCTOBER 31, 2024

ADJUSTED PROPERTY VALUATIONS
AS OF JANUARY 1 OF TAX YEAR

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Land	\$ 61,050,140	\$ 50,945,700	\$ 47,722,670	\$ 32,170,670
Improvements	420,838,640	380,699,460	299,733,260	256,917,150
Personal property	17,505,730	19,580,150	19,204,630	18,346,070
Less exemptions	<u>(64,907,918)</u>	<u>(72,405,830)</u>	<u>(44,683,447)</u>	<u>(39,695,361)</u>
 TOTAL PROPERTY VALUATIONS	 <u>\$ 434,486,592</u>	 <u>\$ 378,819,480</u>	 <u>\$ 321,977,113</u>	 <u>\$ 267,738,529</u>

TAX RATES PER \$100 VALUATION

Debt service tax rates	\$ 0.37000	\$ 0.39000	\$ 0.42000	\$ 0.47000
Maintenance tax rates*	<u>0.19000</u>	<u>0.19000</u>	<u>0.28000</u>	<u>0.28000</u>
 TOTAL TAX RATES PER \$100 VALUATION	 <u>\$ 0.56000</u>	 <u>\$ 0.58000</u>	 <u>\$ 0.70000</u>	 <u>\$ 0.75000</u>

TAX ROLLS	<u>\$ 2,433,125</u>	<u>\$ 2,197,842</u>	<u>\$ 2,254,000</u>	<u>\$ 2,007,979</u>
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PERCENT OF TAXES COLLECTED
TO TAXES LEVIED

<u>1.4%**</u>	<u>99.8 %</u>	<u>99.8 %</u>	<u>99.9 %</u>
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*Maximum tax rate approved by voters on April 4, 1981: \$0.75

**The District's taxes are usually levied in the fall and are not delinquent until after the following January 31.

CHAMBERS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS

OCTOBER 31, 2024

<u>Series 2012</u>			
<u>Due During Fiscal Years Ending October 31</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2025	\$ 115,000	\$ 79,925	\$ 194,925
2026	330,000	76,475	406,475
2027	345,000	64,925	409,925
2028	355,000	52,850	407,850
2029	370,000	40,425	410,425
2030	385,000	27,475	412,475
2031	400,000	14,000	414,000
TOTALS	<u>\$ 2,300,000</u>	<u>\$ 356,075</u>	<u>\$ 2,656,075</u>

<u>Series 2015</u>			
<u>Due During Fiscal Years Ending October 31</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2025	\$ 115,000	\$ 85,600	\$ 200,600
2026	115,000	81,000	196,000
2027	125,000	76,400	201,400
2028	130,000	71,400	201,400
2029	135,000	66,200	201,200
2030	145,000	60,800	205,800
2031	150,000	55,000	205,000
2032	595,000	49,000	644,000
2033	630,000	25,200	655,200
TOTALS	<u>\$ 2,140,000</u>	<u>\$ 570,600</u>	<u>\$ 2,710,600</u>

See accompanying independent auditor's report.

CHAMBERS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)
OCTOBER 31, 2024

Due During Fiscal Years Ending October 31	Series 2017		
	Principal Due September 1	Interest Due March 1, September 1	Total
2025	\$	\$ 112,700	\$ 112,700
2026		112,700	112,700
2027		112,700	112,700
2028		112,700	112,700
2029		112,700	112,700
2030		112,700	112,700
2031		112,700	112,700
2032		112,700	112,700
2033		112,700	112,700
2034	20,000	112,700	132,700
2035	20,000	111,900	131,900
2036	20,000	111,100	131,100
2037	20,000	110,300	130,300
2038	540,000	109,500	649,500
2039	560,000	89,250	649,250
2040	585,000	68,250	653,250
2041	605,000	46,312	651,312
2042	630,000	23,625	653,625
TOTALS	<u>\$ 3,000,000</u>	<u>\$ 1,797,237</u>	<u>\$ 4,797,237</u>

See accompanying independent auditor's report.

CHAMBERS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)
OCTOBER 31, 2024

<u>Series 2017 Refunding</u>			
<u>Due During Fiscal Years Ending October 31</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2025	\$ 205,000	\$ 82,700	\$ 287,700
2026	10,000	74,500	84,500
2027	10,000	74,163	84,163
2028	10,000	73,825	83,825
2029	10,000	73,487	83,487
2030	10,000	73,150	83,150
2031	10,000	72,813	82,813
2032	10,000	72,475	82,475
2033	10,000	72,137	82,137
2034	425,000	71,800	496,800
2035	440,000	54,800	494,800
2036	455,000	37,200	492,200
2037	475,000	19,000	494,000
TOTALS	<u>\$ 2,080,000</u>	<u>\$ 852,050</u>	<u>\$ 2,932,050</u>

See accompanying independent auditor's report.

CHAMBERS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

OCTOBER 31, 2024

<u>Due During Fiscal Years Ending October 31</u>	<u>Series 2021</u>		
	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2025	\$ 75,000	\$ 240,144	\$ 315,144
2026	75,000	236,768	311,768
2027	65,000	233,394	298,394
2028	70,000	232,094	302,094
2029	75,000	230,694	305,694
2030	70,000	229,194	299,194
2031	75,000	227,794	302,794
2032	50,000	226,294	276,294
2033	45,000	225,294	270,294
2034	265,000	224,394	489,394
2035	280,000	219,094	499,094
2036	295,000	213,494	508,494
2037	305,000	207,594	512,594
2038	295,000	201,494	496,494
2039	305,000	195,594	500,594
2040	315,000	189,494	504,494
2041	330,000	183,194	513,194
2042	345,000	176,594	521,594
2043	1,010,000	169,694	1,179,694
2044	1,055,000	149,494	1,204,494
2045	1,100,000	127,074	1,227,074
2046	1,145,000	103,700	1,248,700
2047	1,195,000	79,368	1,274,368
2048	1,245,000	53,974	1,298,974
2049	1,295,000	27,518	1,322,518
TOTALS	<u>\$ 11,380,000</u>	<u>\$ 4,603,438</u>	<u>\$ 15,983,438</u>

See accompanying independent auditor's report.

CHAMBERS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)
OCTOBER 31, 2024

<u>Due During Fiscal Years Ending October 31</u>	<u>Series 2022</u>		
	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2025	\$ 120,000	\$ 160,212	\$ 280,212
2026	125,000	155,412	280,412
2027	135,000	150,412	285,412
2028	140,000	145,012	285,012
2029	135,000	139,412	274,412
2030	140,000	134,012	274,012
2031	145,000	128,412	273,412
2032	150,000	124,062	274,062
2033	150,000	119,562	269,562
2034	155,000	114,688	269,688
2035	155,000	109,650	264,650
2036	155,000	104,612	259,612
2037	155,000	99,576	254,576
2038	150,000	94,150	244,150
2039	155,000	88,900	243,900
2040	150,000	83,476	233,476
2041	150,000	78,226	228,226
2042	145,000	72,976	217,976
2043	145,000	67,900	212,900
2044	125,000	62,826	187,826
2045	105,000	58,450	163,450
2046	90,000	54,775	144,775
2047	65,000	51,625	116,625
2048	45,000	49,350	94,350
2049	20,000	47,775	67,775
2050	1,345,000	47,075	1,392,075
TOTALS	<u>\$ 4,550,000</u>	<u>\$ 2,542,538</u>	<u>\$ 7,092,538</u>

See accompanying independent auditor's report.

CHAMBERS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)
OCTOBER 31, 2024

<u>Due During Fiscal Years Ending October 31</u>	<u>Series 2023</u>		
	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2025	\$	\$ 97,788	\$ 97,788
2026	10,000	97,788	107,788
2027	10,000	97,138	107,138
2028	10,000	96,488	106,488
2029	20,000	95,838	115,838
2030	20,000	94,538	114,538
2031	20,000	93,238	113,238
2032	20,000	91,938	111,938
2033	20,000	90,638	110,638
2034	25,000	89,338	114,338
2035	25,000	88,212	113,212
2036	25,000	87,088	112,088
2037	25,000	85,962	110,962
2038	25,000	84,838	109,838
2039	25,000	83,712	108,712
2040	30,000	82,525	112,525
2041	30,000	81,100	111,100
2042	30,000	79,675	109,675
2043	35,000	78,250	113,250
2044	35,000	76,588	111,588
2045	40,000	74,924	114,924
2046	40,000	73,024	113,024
2047	40,000	71,124	111,124
2048	40,000	69,224	109,224
2049	45,000	67,324	112,324
2050	50,000	65,188	115,188
2051	1,440,000	63,000	1,503,000
TOTALS	<u>\$ 2,135,000</u>	<u>\$ 2,256,488</u>	<u>\$ 4,391,488</u>

See accompanying independent auditor's report.

CHAMBERS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

OCTOBER 31, 2024

Due During Fiscal Years Ending October 31	Annual Requirements for All Series		
	Total Principal Due	Total Interest Due	Total
2025	\$ 630,000	\$ 859,069	\$ 1,489,069
2026	665,000	834,643	1,499,643
2027	690,000	809,132	1,499,132
2028	715,000	784,369	1,499,369
2029	745,000	758,756	1,503,756
2030	770,000	731,869	1,501,869
2031	800,000	703,957	1,503,957
2032	825,000	676,469	1,501,469
2033	855,000	645,531	1,500,531
2034	890,000	612,920	1,502,920
2035	920,000	583,656	1,503,656
2036	950,000	553,494	1,503,494
2037	980,000	522,432	1,502,432
2038	1,010,000	489,982	1,499,982
2039	1,045,000	457,456	1,502,456
2040	1,080,000	423,745	1,503,745
2041	1,115,000	388,832	1,503,832
2042	1,150,000	352,870	1,502,870
2043	1,190,000	315,844	1,505,844
2044	1,215,000	288,908	1,503,908
2045	1,245,000	260,448	1,505,448
2046	1,275,000	231,499	1,506,499
2047	1,300,000	202,117	1,502,117
2048	1,330,000	172,548	1,502,548
2049	1,360,000	142,617	1,502,617
2050	1,395,000	112,263	1,507,263
2051	1,440,000	63,000	1,503,000
TOTALS	<u>\$ 27,585,000</u>	<u>\$ 12,978,426</u>	<u>\$ 40,563,426</u>

See accompanying independent auditor's report.

CHAMBERS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT
FOR THE YEAR ENDED OCTOBER 31, 2024

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>(4)</u>
Bond Series:	2012	2015	2017	2017 Ref.
Interest Rate:	3.00% to 3.50%	4.00%	3.75% to 4.00%	3.375% to 4.00%
Dates Interest Payable:	March 1/ September 1	March 1/ September 1	March 1/ September 1	March 1/ September 1
Maturity Dates:	September 1, 2025/2031	September 1, 2025/2033	September 1, 2034/2042	September 1, 2025/2037
Bonds Outstanding at Beginning of Current Year	\$ 2,410,000	\$ 2,245,000	\$ 3,000,000	\$ 2,285,000
Less Retirements	<u>(110,000)</u>	<u>(105,000)</u>	<u>0</u>	<u>(205,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 2,300,000</u>	<u>\$ 2,140,000</u>	<u>\$ 3,000,000</u>	<u>\$ 2,080,000</u>
Current Year Interest Paid	<u>\$ 83,225</u>	<u>\$ 89,800</u>	<u>\$ 112,700</u>	<u>\$ 88,850</u>

Bond Descriptions and Original Amount of Issue

- (1) Chambers County Municipal Utility District No. 1 Unlimited Tax Refunding Bonds, Series 2012 (\$3,130,000)
- (2) Chambers County Municipal Utility District No. 1 Unlimited Tax Refunding Bonds, Series 2015 (\$3,015,000)
- (3) Chambers County Municipal Utility District No. 1 Unlimited Tax Bonds, Series 2017 (\$3,000,000)
- (4) Chambers County Municipal Utility District No. 1 Unlimited Tax Refunding Bonds, Series 2017 (\$3,205,000)

Paying Agent/Registrar

- (1) (2) (3) (4) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

CHAMBERS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT (Continued)
FOR THE YEAR ENDED OCTOBER 31, 2024

	<u>(5)</u>	<u>(6)</u>	<u>(7)</u>	<u>Totals</u>
Bond Series:	2021	2022	2023	
Interest Rate:	2.00% to 4.50%	3.00% to 4.00%	4.375% to 6.50%	
Dates Interest Payable:	March 1/ September 1	March 1/ September 1	March 1/ September 1	
Maturity Dates:	September 1, 2025/2049	September 1, 2025/2050	September 1, 2026/2051	
Bonds Outstanding at Beginning of Current Year	\$ 11,450,000	\$ 4,670,000	\$ 2,135,000	\$ 28,195,000
Less Retirements	<u>(70,000)</u>	<u>(120,000)</u>	<u> </u>	<u>(610,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 11,380,000</u>	<u>\$ 4,550,000</u>	<u>\$ 2,135,000</u>	<u>\$ 27,585,000</u>
Current Year Interest Paid	<u>\$ 243,294</u>	<u>\$ 165,012</u>	<u>\$ 105,393</u>	<u>\$ 888,274</u>

Bond Descriptions and Original Amount of Issue

(5) Chambers County Municipal Utility District No. 1 Unlimited Tax Bonds, Series 2021 (\$11,650,000)

(6) Chambers County Municipal Utility District No. 1 Unlimited Tax Bonds, Series 2022 (\$4,670,000)

(7) Chambers County Municipal Utility District No. 1 Unlimited Tax Bonds, Series 2023 (\$2,135,000)

Paying Agent/Registrar

(5) (6) (7) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

<u>Bond Authority</u>	<u>Tax Bonds</u>	<u>Other Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters:	\$ 38,200,000	\$ 0	\$ 25,000,000
Amount Issued:	33,270,000		
Remaining to be Issued:	4,930,000		Same as tax bonds

Net Debt Service Fund deposits balances as of October 31, 2024:	\$1,676,753
Average annual debt service payment for remaining term of all debt:	1,502,349

See accompanying independent auditor's report.

CHAMBERS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
GENERAL FUND

FOR YEARS ENDED OCTOBER 31

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2024	2023	2022	2021	2020	2024	2023	2022	2021	2020
REVENUES										
Property taxes	\$ 717,948	\$ 899,731	\$ 750,603	\$ 652,530	\$ 580,140	21.4 %	27.1 %	24.7 %	24.2 %	27.8 %
Water service	942,362	958,548	889,736	817,130	573,870	28.1	28.9	29.2	30.3	27.5
Sewer service	1,127,343	1,125,657	1,059,212	1,001,862	677,068	33.6	33.9	34.8	37.1	32.4
Penalty and other	156,355	122,357	85,143	74,882	49,010	4.6	3.7	2.8	2.8	2.3
Tap connection and sewer inspection fees	235,155	17,600	153,555	73,927	88,485	7.0	0.5	5.1	2.7	4.2
Sales and Use Taxes	41,357	73,899	82,142	75,717	102,854	1.2	2.2	2.7	2.8	4.9
Interest on deposits	138,920	121,366	20,121	1,980	18,881	4.1	3.7	0.7	0.1	0.9
TOTAL REVENUES	3,359,440	3,319,158	3,040,512	2,698,028	2,090,308	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Current:										
Purchased services	1,924,101	1,738,249	1,367,265	1,266,440	1,511,216	57.2	52.3	45.0	46.8	72.2
Professional fees	166,320	206,297	192,915	174,832	232,496	5.0	6.2	6.3	6.5	11.1
Contracted services	143,471	139,004	130,040	104,700	102,591	4.3	4.2	4.3	3.9	4.9
Repairs, maintenance and other operating expenditures	623,800	370,029	279,551	296,003	326,277	18.6	11.2	9.2	11.0	15.7
Garbage disposal	249,497	233,636	208,322	188,451	173,752	7.4	7.0	6.9	7.0	8.3
Administrative expenditures	87,510	78,630	85,768	85,141	70,089	2.6	2.4	2.8	3.2	3.4
Capital outlay	109,049	13,050	83,320	70,220	43,318	3.2	0.4	2.7	2.6	2.1
TOTAL EXPENDITURES	3,303,748	2,778,895	2,347,181	2,185,787	2,459,739	98.3	83.7	77.2	81.0	117.7
EXCESS REVENUES (EXPENDITURES)	\$ 55,692	\$ 540,263	\$ 693,331	\$ 512,241	\$ (369,431)	1.7 %	16.3 %	22.8 %	19.0 %	(17.7) %
TOTAL ACTIVE RETAIL WATER CONNECTIONS	1,360	1,253	1,234	1,144	1,061					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	1,331	1,225	1,234	1,119	1,036					

See accompanying independent auditor's report.

CHAMBERS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES.
DEBT SERVICE FUND

FOR YEARS ENDED OCTOBER 31

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2024	2023	2022	2021	2020	2024	2023	2022	2021	2020
REVENUES										
Property taxes	\$ 1,473,878	\$ 1,349,425	\$ 1,260,056	\$ 1,093,481	\$ 843,875	91.6 %	91.7 %	97.3 %	96.0 %	97.3 %
Penalty and interest	22,237	32,403	23,716	32,530	16,715	1.4	2.2	1.8	2.9	1.9
Accrued interest on bonds received at date of sale	0	0	0	11,213	0	0.0	0.0	0.0	1.0	0.0
Interest on deposits	112,531	89,316	11,832	662	7,076	7.0	6.1	0.9	0.1	0.8
TOTAL REVENUES	1,608,646	1,471,144	1,295,604	1,137,886	867,666	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Current:										
Professional fees	4,675	9,230	7,276	9,026	5,141	0.3	0.6	0.6	0.8	0.6
Contracted services	39,111	33,526	31,015	22,964	22,588	2.4	2.3	2.4	2.0	2.6
Other expenditures	1,821	694	3,144	1,205	2,065	0.1	0.0	0.2	0.1	0.2
Debt service:										
Principal retirement	610,000	475,000	460,000	450,000	370,000	37.9	32.3	35.5	39.5	42.6
Interest and fees	893,749	858,811	650,694	559,296	423,525	55.6	58.4	50.2	49.2	48.9
TOTAL EXPENDITURES	1,549,356	1,377,261	1,152,129	1,042,491	823,319	96.3	93.6	88.9	91.6	94.9
EXCESS REVENUES (EXPENDITURES)	\$ 59,290	\$ 93,883	\$ 143,475	\$ 95,395	\$ 44,347	3.7 %	6.4 %	11.1 %	8.4 %	5.1 %

See accompanying independent auditor's report.

CHAMBERS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTSOCTOBER 31, 2024

Complete District Mailing Address: Chambers County Municipal Utility District No. 1
c/o Young & Brooks
10000 Memorial Drive, Suite 260
Houston, Texas 77024

District Business Telephone No.: 713-951-0800

Submission date of the most recent District Registration Form: May 15, 2024

Limit on Fees of Office that a Director may receive during a fiscal year: \$7,200

BOARD MEMBERS

<u>Name and Address</u>	<u>Term of Office (Elected/ Appointed)</u>	<u>Fees of Office Paid</u>	<u>Expense Reimb.</u>	<u>Title at Year End</u>
Kelly Riggs 8019 Citrus Court Baytown, Texas 77523	Elected 5/04/24- 5/06/28	\$ 6,188	\$ 0	President
David Dion 2214 Levant Lane Baytown, Texas 77523	Elected 5/07/22- 5/02/26	4,420	27	Vice President
Justin Meyers 21195 Englin Road Winnie, Texas 77665	Elected 5/04/24- 5/06/28	1,768	149	Secretary
Brenda Medina 8319 White Willow Lane Baytown, Texas 77523	Elected 5/07/22- 5/02/26	4,199	1,803	Asst. Secretary
Elizabeth Gilbert 10606 Redwood Drive Baytown, Texas 77523	Elected 5/07/22- 5/02/26	2,652	0	Director

CHAMBERS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)OCTOBER 31, 2024CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>
Young & Brooks 10000 Memorial Drive, Suite 260 Houston, Texas 77024	3/04/96	\$ 142,515	Attorney
Myrtle Cruz, Inc. 3401 Louisiana, Suite 400 Houston, Texas 77002	3/04/96	28,940	Bookkeeper
Inframark, LLC 2002 Grand Parkway North Suite 100 Katy, Texas 77449	4/24/96	839,846	Operator
Cobb, Fendley & Associates , Inc. 5300 Hollister, Suite 400 Houston, Texas 77040	1/21/04	19,501	Engineer
San Jacinto Tax Service, LLC 103 Kerry Road Highlands, Texas 77562	6/07/89	16,904	Tax Assessor- Collector
Chambers County Central Appraisal District 1222 South Ross Sterling Avenue Anahuac, Texas 77514	Legislative Action	22,923	Central Appraisal District
Rathmann & Associates, L.P. 8584 Katy Freeway, Suite 250 Houston, Texas 77024	5/29/03	0	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	11/25/97	10,950	Independent Auditor

See accompanying independent auditor's report.

APPENDIX C

SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

ASSURED GUARANTY INC.

By _____
Authorized Officer

1633 Broadway, New York, N.Y. 10019

(212) 974-0100

Form 500 (8/24)

