

OFFICIAL STATEMENT DATED AUGUST 21, 2025

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 536, AND INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME 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 "LEGAL MATTERS" HEREIN, INCLUDING THE ALTERNATIVE MINIMUM TAX ON CERTAIN CORPORATIONS. SEE "LEGAL MATTERS" HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

THE BONDS HAVE NOT BEEN DESIGNATED "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "LEGAL MATTERS—Not Qualified Tax-Exempt Obligations."

BOOK-ENTRY-ONLY

Insured Rating (BAM): S&P "AA" (stable outlook)
 Underlying Rating: Moody's "Baa1"
 See "MUNICIPAL BOND RATING" and
 "MUNICIPAL BOND INSURANCE" herein.

\$6,000,000
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 536
(A political subdivision of the State of Texas located within Harris County)
UNLIMITED TAX BONDS
SERIES 2025A

Dated Date: September 1, 2025

Due: September 1, as shown below

Interest Accrual Date: Date of Delivery

Principal of the bonds described above (the "Bonds") will be payable at maturity or earlier redemption at the principal payment office of the Paying Agent/Registrar, initially The Bank of New York Mellon Trust Co., N.A., Dallas, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will accrue from the date of initial delivery (expected to be on or about September 23, 2025) (the "Date of Delivery") and will be payable on March 1 and September 1 of each year, commencing March 1, 2026, until maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued in fully registered form only in denominations of \$5,000 each or integral multiples thereof. The Bonds will be subject to redemption prior to their maturity, as shown below.

The Bonds will be registered and delivered only 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 (as defined herein under "BOOK-ENTRY-ONLY SYSTEM") of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the DTC participants. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent/Registrar, as herein defined, directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the Beneficial Owners. See "BOOK-ENTRY-ONLY SYSTEM."



The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company ("BAM" or the "Insurer"). See "MUNICIPAL BOND INSURANCE" herein.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

| Due (Sept. 1) | Principal Amount | Interest Rate | Initial Reoffering Yield (a) | CUSIP Number (c) | Due (Sept. 1) | Principal Amount | Interest Rate | Initial Reoffering Yield (a) | CUSIP Number (c) |
|---------------|------------------|---------------|------------------------------|------------------|---------------|------------------|---------------|------------------------------|------------------|
| 2026 | \$ 600,000 | 6.500 % | 2.800 % | 41428T PJ7 | 2038 | \$ 200,000 (b) | 4.000 % | 4.370 % | 41428T PW8 |
| 2027 | 200,000 | 6.500 | 2.850 | 41428T PK4 | 2039 | 200,000 (b) | 4.000 | 4.500 | 41428T PX6 |
| 2028 | 200,000 | 6.500 | 2.900 | 41428T PL2 | 2040 | 200,000 (b) | 4.000 | 4.650 | 41428T PY4 |
| 2029 | 200,000 | 6.500 | 2.950 | 41428T PM0 | 2041 | 200,000 (b) | 4.000 | 4.800 | 41428T PZ1 |
| 2030 | 200,000 | 6.500 | 3.000 | 41428T PN8 | 2042 | 200,000 (b) | 4.000 | 4.900 | 41428T QA5 |
| 2031 | 200,000 | 6.500 | 3.150 | 41428T PP3 | 2043 | 200,000 (b) | 4.000 | 5.000 | 41428T QB3 |
| 2032 | 200,000 (b) | 6.500 | 3.300 | 41428T PQ1 | 2044 | 200,000 (b) | 4.000 | 5.050 | 41428T QC1 |
| 2033 | 200,000 (b) | 6.500 | 3.450 | 41428T PR9 | 2045 | 200,000 (b) | 4.000 | 5.100 | 41428T QD9 |
| 2034 | 200,000 (b) | 6.250 | 3.600 | 41428T PS7 | 2046 | 200,000 (b) | 4.000 | 5.150 | 41428T QE7 |
| 2035 | 200,000 (b) | 4.000 | 4.020 | 41428T PT5 | 2047 | 350,000 (b) | 4.000 | 5.200 | 41428T QF4 |
| 2036 | 200,000 (b) | 4.000 | 4.120 | 41428T PU2 | 2048 | 350,000 (b) | 4.125 | 5.250 | 41428T QG2 |
| 2037 | 200,000 (b) | 4.000 | 4.270 | 41428T PV0 | | | | | |

\$700,000 Term Bonds due September 1, 2050 (b), 41428T QJ6 (c), 5.000% Interest Rate, 5.020% Yield (a)

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

The Bonds, when issued, will constitute valid and legally binding obligations of Harris County Municipal Utility District No. 536 (the "District") and will be 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, as further described herein. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston or any entity other than the District. Investment in the Bonds is subject to special investment considerations described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about September 23, 2025.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

This Official Statement is not to be used in an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Schwartz, Page & Harding, L.L.P., 1300 Post Oak Boulevard, Suite 2400, Houston, Texas, 77056 upon payment of the costs of duplication.

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

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

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

OFFICIAL STATEMENT SUMMARY

The following information is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. The summary should not be detached and should be used in conjunction with more complete information contained herein. A full review should be made of the entire OFFICIAL STATEMENT and of the documents summarized or described therein.

THE FINANCING

- The Issuer* Harris County Municipal Utility District No. 536 (the “District”), a political subdivision of the State of Texas, is located in Harris County, Texas. See “THE DISTRICT.”
- The Issue* \$6,000,000 Harris County Municipal Utility District No. 536 Unlimited Tax Bonds, Series 2025A, dated September 1, 2025 (the “Bonds”). The Bonds mature serially on September 1 in each year from 2026 through 2048, both inclusive, and as term bonds maturing on September 1, 2050 (the “Term Bonds”) in the respective amounts and bearing interest at the rates for each maturity shown on the cover page hereof. Interest on the Bonds will accrue from the Date of Delivery and will be payable March 1 and September 1 of each year, commencing March 1, 2026, until maturity or prior redemption and will be calculated on the basis of 360-day year consisting of twelve 30-day months. The Bonds maturing on or after September 1, 2032 are subject to optional redemption, in whole or, from time to time, in part, on September 1, 2031, or on any date thereafter, at a price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption. If less than all the Bonds are redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be selected by the District in integral multiples of \$5,000 in any one maturity. If less than all the Bonds within a maturity are redeemed, the Bonds to be redeemed shall be selected by DTC in accordance with its procedures. The Term Bonds are also subject to mandatory sinking fund redemption as more fully described herein. See “BOOK-ENTRY-ONLY SYSTEM.” The Bonds will be issued in fully registered form only, in denominations of \$5,000 or any integral multiple thereof. See “THE BONDS.”
- Book-Entry-Only*..... The Bonds will be registered in the name of, and delivered only to, Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC, which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See “BOOK-ENTRY- ONLY SYSTEM.”
- Authority for Issuance* At an election held within the District on May 9, 2015, voters authorized a total of \$125,000,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities. The Bonds constitute the eighth issuance of bonds from such authorization. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; the general laws of the State of Texas and an order of the Texas Commission on Environmental Quality (the “Commission”). After the sale of the Bonds, the District will have \$58,060,000 principal amount of unlimited tax bonds authorized and unissued for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities. See “THE BONDS—Authority for Issuance.”
- Source of Payment* The Bonds are payable from a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston or any entity other than the District. See “THE BONDS—Source and Security for Payment.”
- Use of Proceeds* Proceeds from the Bonds will be used to reimburse the Developers (hereinafter defined) for: (i) Market at Katy Park – mass grading, drainage and utilities (partial); (ii) Market at Katy Park –storm water pump station (partial); (iii) initial capital contribution for water and wastewater service capacity to serve Market at Katy Park; and (iv) geotechnical reports. Bond proceeds will also be used to pay certain costs associated with the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

Payment Record.....The District has previously issued \$60,940,000 principal amount of unlimited tax bonds in seven series and \$29,630,000 principal amount of unlimited tax road bonds in six series (collectively the “Previously Issued Bonds”), of which \$80,595,000 principal amount will be outstanding as of September 2, 2025 (the “Outstanding Bonds”). The District has timely paid its debt service on the Previously Issued Bonds.

Not Qualified Tax-Exempt ObligationsThe District has not designated the Bonds as “qualified tax-exempt obligations” pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See “LEGAL MATTERS—Not Qualified Tax-Exempt Obligations.”

Legal OpinionSchwartz, Page & Harding, L.L.P., Bond Counsel, Houston, Texas.

EngineerEdminster, Hinshaw, Russ & Associates, Inc., Houston, Texas.

Disclosure Counsel.....McCall, Parkhurst & Horton L.L.P, Houston, Texas.

Financial AdvisorMasterson Advisors LLC, Houston, Texas.

Paying Agent/Registrar ... The Bank of New York Mellon Trust Co., N.A., Dallas, Texas.

Municipal Bond Insurance and Municipal Bond Rating.....S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, (“S&P”) has assigned a municipal bond insured rating of “AA” (stable outlook) to the Bonds with the understanding that, upon issuance and delivery of the Bonds, a municipal bond insurance policy ensuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company (“BAM” or the “Insurer”). Moody’s Investors Service (“Moody’s”) has assigned an underlying rating of “Baa1” to the Bonds. An explanation of the ratings may be obtained from S&P and Moody’s. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance,” “MUNICIPAL BOND RATING,” “MUNICIPAL BOND INSURANCE” and “APPENDIX B.”

Investment Considerations.....The purchase and ownership of the Bonds are subject to special investment considerations, and all prospective purchasers are urged to examine carefully the entire Official Statement with respect to the investment security of the Bonds, including particularly the section captioned “INVESTMENT CONSIDERATIONS.”

THE DISTRICT

Description.....The District is a municipal utility district created by an act of the Texas Legislature (Senate Bill No. 564, Regular Session, dated May 20, 2013), under Article XVI, Section 59 of the Texas Constitution, and operates under the provisions of Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District, which lies wholly within the extraterritorial jurisdiction of the City of Houston, is subject to the continuing supervisory jurisdiction of the Texas Commission on Environmental Quality (the “Commission”). The District contains approximately 610 acres of land. See “THE DISTRICT.”

LocationThe District is located approximately 30 miles northwest of downtown Houston, north of Clay Road and west of US Highway 99. Access to the District is provided by US Highway 99 and west on Clay Road. Major thoroughfares to the community include Clay Road, Morton Ranch Road, Katy Hockley Cut-off Road, Stockdick School Road and Porter Road. The District is located entirely within the extraterritorial jurisdiction of the City of Houston and within the boundaries of the Katy Independent School District. See “THE DISTRICT” and “AERIAL PHOTOGRAPH.”

Status of Development.....Approximately 351 acres in the District have been developed as Marcello Lakes, Sections 1 through 3, Treviso Gardens, Sections 1 through 5 and Camillo Lakes, Sections 1 through 7, which encompass 2,065 single family lots. Treviso Gardens has been developed as a rental home community consisting of 645 single-family residential homes. See “INVESTMENT CONSIDERATIONS—Rental Homes.” As of June 15, 2025, there were 2,065 completed homes (2,039 occupied) in the District.

The Oak at Katy Park, a 348-unit apartment complex, has recently been constructed on approximately 11 acres in the District.

The Houston Housing Authority is currently constructing a 340-unit apartment complex on approximately 11 acres in the District and completion is expected in the first quarter of 2026. Such complex will be exempt from ad valorem taxation. See “TAX PROCEDURES—Tax Exemption Provided to Public Facility Corporations and Certain Lessees” and “INVESTMENT CONSIDERATIONS—Tax Exempt Property.”

A gas station and convenience store have been constructed on approximately one acre within the District. An approximately 123,000 square-foot H-E-B and fuel station have been constructed on approximately 13 acres. An approximately 18,400 square foot retail building has been constructed on approximately 2 acres and an approximately 17,475 square foot retail building has been constructed on approximately 2 acres. A McDonald’s restaurant and a Chase Bank have been constructed on approximately 3 acres. An approximately 10,000 square foot retail building is currently under construction on approximately one acre and is expected to be completed in the third quarter of 2025. A Whataburger and a Mavis are currently under construction on approximately 3 acres and are expected to be completed by the end of 2025. Approximately 8 acres in the District are served with trunk facilities for commercial development but do not yet have vertical improvements.

The District also includes approximately 21 developable acres that remain to be developed and approximately 183 acres that are undevelopable. See “THE DISTRICT.”

The Developers.....The developer of Marcello Lakes, Sections One through Three is Marcello Lakes Ltd. (“Marcello”), a Texas limited partnership. Marcello does not own any remaining developable land in the District.

The developer of Camillo Lakes, Sections One through Seven is Camillo Lakes Ltd. (“Camillo”), a Texas limited partnership. Camillo does not own any remaining developable land in the District.

The developer of Treviso Gardens, Sections One through Five is Treviso Gardens Ltd. (“Treviso”), a Texas limited partnership. Treviso does not own any remaining developable land in the District.

The developer of approximately 14 acres of commercial tracts within the District is Benchmark Acquisitions, LLC (“Benchmark”). A gas station and convenience store have been constructed on approximately one of such acres and approximately 11 acres were sold to the Houston Housing Authority. The Houston Housing Authority is currently constructing a 340 unit apartment complex on such 11 acres and completion is expected in the first quarter of 2026. Such complex will be exempt from ad valorem taxation. See “TAX PROCEDURES—Tax Exemption Provided to Public Facility Corporations and Certain Lessees” and “INVESTMENT CONSIDERATIONS—Tax Exempt Property.” Benchmark continues to own approximately 2 acres in the District which are served with utility facilities extended to the boundary.

The general partner of Marcello, Camillo and Treviso is C.I.L Holdings LLC and the limited partner is Camcorp Interests LLC, formerly known as Camcorp Interests, Ltd. Legend Classic Homes LLC (formerly known as Legend Classic Homes, Ltd.) (the builder in Camillo Lakes) is a wholly owned subsidiary of Camcorp Interests LLC, formerly known as Camcorp Interests, Ltd. Camillo Properties LLC (formerly known as Camillo Properties Ltd.) (the builder in Treviso Gardens) has common ownership with Camcorp Interests LLC. Camcorp Interests LLC is also the sole member of Benchmark. All of the above-mentioned entities have direct or indirect common ownership.

RK Katy Park LLC (“RK Katy Park”) is the developer of approximately 38 commercial acres in the District. An approximately 123,000 square-foot H-E-B and fuel station have been constructed on approximately 13 acres. An approximately 18,400 square foot retail building has been constructed on approximately 2 acres and an approximately 17,475 square foot retail building has been constructed on approximately 2 acres. A McDonald’s restaurant and a Chase Bank have been constructed on approximately 3 acres. An approximately 10,000 square foot retail building is currently under construction on approximately one acre and is expected to be completed in the third quarter of 2025. A Whataburger and a Mavis are currently under construction on approximately 3 acres and are expected to be completed by the end of 2025. RK Katy Park sold approximately 11 acres to Katy Park Apartments, LP, who constructed The Oak at Katy Park, a 348-unit apartment complex. RK Katy Park continues to own approximately 3 acres that are served with trunk facilities for commercial development. RK Katy Park does not own any additional developable land in the District.

Marcello, Camillo, Treviso, Benchmark and RK Katy Park are collectively referred to herein as the “Developers.” See “THE DEVELOPERS.”

SELECTED FINANCIAL INFORMATION

| | | |
|---|-------------------|--------|
| 2024 Taxable Assessed Valuation | \$617,658,183 | (a) |
| 2025 Preliminary Taxable Assessed Valuation | \$691,719,693 | (b) |
| Estimated Taxable Assessed Valuation as of May 15, 2025 | \$698,381,123 | (c) |
| | | |
| Gross Direct Debt Outstanding..... | \$ 86,595,000 | (d) |
| Estimated Overlapping Debt | <u>27,495,018</u> | |
| Total Gross Direct Debt and Estimated Overlapping Debt | \$114,090,018 | |
| | | |
| Ratios of Gross Direct Debt to: | | |
| 2024 Taxable Assessed Valuation..... | 14.02% | |
| Estimated Taxable Assessed Valuation as of May 15, 2025 | 12.40% | |
| | | |
| Ratios of Gross Direct and Estimated Overlapping Debt to: | | |
| 2024 Taxable Assessed Valuation..... | 18.47% | |
| Estimated Taxable Assessed Valuation as of May 15, 2025 | 16.34% | |
| | | |
| Operating Funds Available as of July 17, 2025..... | \$9,326,537 | (e) |
| | | |
| WSD Debt Service Funds Available as of July 17, 2025 | \$5,841,614 | (f)(g) |
| Road Debt Service Funds Available as of July 17, 2025..... | \$2,589,882 | (f)(h) |
| | | |
| WSD Capital Project Funds Available as of July 17, 2025 | \$239,082 | (i) |
| Road Capital Project Funds Available as of July 17, 2025..... | \$19,090 | |
| | | |
| 2024 Debt Service Tax Rate | \$0.99 | |
| 2024 Maintenance Tax Rate..... | <u>0.36</u> | |
| Total..... | \$1.35 | |
| | | |
| Average Annual Debt Service Requirement (2026-2050)..... | \$5,064,726 | (j) |
| Maximum Annual Debt Service Requirement (2026)..... | \$7,281,853 | (j) |
| | | |
| Tax Rate Required to Pay Average Annual Debt Service (2026-2050) at a 95% Collection Rate | | |
| Based upon 2024 Taxable Assessed Valuation | \$0.87 | |
| Tax Rate Required to Pay Maximum Annual Debt Service (2026) at a 95% Collection Rate | | |
| Based upon 2024 Taxable Assessed Valuation | \$1.25 | |
| | | |
| Tax Rate Required to Pay Average Annual Debt Service (2026-2050) at a 95% Collection Rate | | |
| Based upon Estimated Taxable Assessed Valuation as of May 15, 2025 | \$0.77 | |
| Tax Rate Required to Pay Maximum Annual Debt Service (2026) at a 95% Collection Rate | | |
| Based upon Estimated Taxable Assessed Valuation as of May 15, 2025 | \$1.10 | |
| | | |
| Status of Development as of June 15, 2025: | | |
| Completed Occupied Single-Family Homes | 2,039 | |
| Vacant Single-Family Homes | 26 | |
| Apartment Units (1 Complex)..... | 348 | |
| Estimated Population | 7,833 | (k) |

- (a) The Harris Central Appraisal District (the "Appraisal District") has certified \$616,572,471 of taxable value within the District as of January 1, 2024. An additional \$1,085,712 of taxable value remains uncertified and is subject to review and downward adjustment prior to certification. See "TAXING PROCEDURES."
- (b) Provided by the Appraisal District as a preliminary indication of the 2025 taxable assessed value. Such amount is subject to review and downward adjustment prior to certification. No tax will be levied on such amount until it is certified. Includes estimate from the Appraisal District of \$685,694,556 and the personal property value from the 2024 certified tax roll of \$6,025,137. See "TAX PROCEDURES."
- (c) As estimated by the Appraisal District as of May 15, 2025 for information purposes only. The 2024 Taxable Assessed Valuation provided by the Appraisal District has been updated to add the estimated value of improvements constructed from January 1, 2024 to May 15, 2025. This estimate has no official status. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year, and, therefore, this estimate will not be the basis for any tax levy by the District. See "TAX PROCEDURES."
- (d) After giving effect to issuance of the Bonds. Includes the Bonds and the Outstanding Bonds. See "FINANCIAL STATEMENT—Outstanding Bonds."
- (e) The District anticipates utilizing approximately \$500,000 of this balance to construct walking trails in the District.
- (f) Although all of the District's debt, including the Outstanding Bonds and the Bonds, is payable from an unlimited tax pledge on parity, a pro rata portion of the District's ad valorem tax revenue will be allocated to the bonds sold for water, sanitary sewer and drainage facilities (the "WSD Bonds"), including the Bonds, and a portion will be allocated to the bonds sold for road facilities (the "Road Bonds"). See "THE BONDS—Funds" and "DEBT SERVICE REQUIREMENTS." Neither the Bond Order nor Texas law requires that the District maintain any particular balance in such fund.
- (g) Includes \$3,365,816 for the District's September 1, 2025, debt service payment on the Outstanding Water/Sewer/Drainage Bonds.
- (h) Includes \$1,289,259 for the District's September 1, 2025, debt service payment on the Outstanding Road Bonds.
- (i) The District will apply \$236,000 of surplus WSD Capital Projects Funds towards the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
- (j) See "DEBT SERVICE REQUIREMENTS."
- (k) Based upon 3.5 persons per occupied single-family residence and 2 persons per apartment unit.

OFFICIAL STATEMENT

\$6,000,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 536

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

UNLIMITED TAX ROAD BONDS, SERIES 2025

This Official Statement provides certain information in connection with the issuance by Harris County Municipal Utility District No. 536 (the “District”) of its \$6,000,000 Unlimited Tax Road Bonds, Series 2025 (the “Bonds”).

This Official Statement includes descriptions, among others, of the Bonds and an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the Board of Directors of the District (the “Board”), and certain other information about the District, Marcello Lakes Ltd. (“Marcello”), Camillo Lakes Ltd. (“Camillo”), Treviso Gardens Ltd. (“Treviso”), Benchmark Acquisitions, LLC (“Benchmark”) and RK Katy Park LLC (“RK Katy Park”) (collectively referred to as the “Developers”). All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of documents may be obtained from the District c/o Schwartz, Page & Harding, L.L.P., 1300 Post Oak Boulevard, Suite 2400, Houston, Texas 77056, upon payment of the cost of duplication.

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, a copy of which is available from Bond Counsel upon payment of the costs of duplication therefor. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

Description

The Bonds will be dated September 1, 2025, with interest payable March 1 and September 1 (each an “Interest Payment Date”), commencing March 1, 2026, until the earlier of maturity or redemption. Interest on the Bonds initially accrues from the Date of Delivery, and thereafter, from the most recent Interest Payment Date. The Bonds mature on September 1 of the years and in the amounts shown under “MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS” on the cover page hereof. The Bonds are issued in fully registered form only in denominations of \$5,000 or any integral multiple of \$5,000 for any one maturity. The Bonds will be registered and delivered only to The Depository Trust Company, New York, New York (“DTC”), in its nominee name of Cede & Co., pursuant to the book-entry system described herein (“Registered Owners”). No physical delivery of the Bonds will be made to the purchasers thereof. See “BOOK-ENTRY-ONLY SYSTEM.” Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months.

Authority for Issuance

At an election held within the District on May 9, 2015, voters of the District authorized a total of \$125,000,000 principal amount of unlimited tax bonds for the purpose of acquiring and/or constructing water, sanitary sewer and drainage facilities. The Bonds constitute the eighth issuance of bonds from such authorization. After the issuance of the Bonds, a total of \$58,060,000 in principal amount of unlimited tax bonds for water, sanitary sewer and drainage facilities will remain authorized but unissued. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; the general laws of the State of Texas; and an order of the Texas Commission on Environmental Quality (the “Commission”).

Source and Security for Payment

The Bonds, together with the Outstanding Bonds, and any additional bonds payable from ad valorem taxes, are secured by and payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located within the District. See “TAX PROCEDURES.” Investment in the Bonds involves certain elements of risk, and all prospective purchasers are urged to examine carefully this Official Statement with respect to the investment security of the Bonds. See “INVESTMENT CONSIDERATIONS.” The Bonds are obligations solely of the District and are not obligations of the City of Houston, Harris County, the State of Texas, or any political subdivision or entity other than the District.

Funds

The Bond Order confirms the prior creation of the District’s Bond Fund, including the sub-accounts which are used to separate funds received to pay debt service on bonds issued to finance water, sanitary sewer, and storm drainage facilities (“WSD Bonds”) from funds received to pay debt service on bonds issued to finance road facilities (“Road Bonds”). The Bond Order also confirms the District’s Construction Fund, including the sub-accounts which are used to separate proceeds from WSD Bonds and Road Bonds. All proceeds of the Bonds will be deposited in the sub-account of the Construction Fund created in respect of WSD Bonds.

The proceeds from all taxes levied, appraised and collected for and on account of the Bonds authorized by the Bond Order shall be deposited, as collected, into the sub-account of the Bond Fund created in respect of WSD Bonds. The Bond Fund, which constitutes a trust fund for the benefit of the owners of the Outstanding Bonds, the Bonds and any additional tax bonds issued by the District, is to be kept separate from all other funds of the District, and funds in the sub-account created in respect of WSD Bonds are to be used for payment of debt service on the Bonds and any of the District’s duly authorized WSD Bonds, whether heretofore, hereunder, or hereafter issued, payable in whole or in part from taxes. Amounts on deposit in the sub-accounts of the Bond Fund created in respect of WSD Bonds may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any of the District’s duly authorized WSD Bonds, whether heretofore, hereunder, or hereafter issued, payable in whole or in part from taxes, and to pay any tax anticipation notes issued in respect of debt service due or to become due on WSD Bonds, together with interest thereon, as such tax anticipation notes become due. Funds otherwise on deposit in the Bond Fund, including funds in the sub-account created in respect of Road Bonds, will not be allocated to the payment of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS” for a more complete description of the use of Bond Proceeds.

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.

Redemption Provisions

Mandatory Redemption: The Bonds maturing on September 1, 2050 (the “Term Bonds”), shall be redeemed at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the “Redemption Date”), on September 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District’s reserved right of optional redemption, as provided under “Optional Redemption” below):

| \$700,000 Term Bonds | |
|----------------------------------|-------------------------|
| Due September 1, 2050 | |
| Mandatory Redemption Date | Principal Amount |
| 2049 | \$ 350,000 |
| 2050 (maturity) | 350,000 |

Notice of the mandatory redemption of the Term Bonds will be provided at least thirty (30) calendar days prior to the Redemption Date, with the particular portions of the Term Bonds to be redeemed to be selected by lot or other customary method in accordance with the procedures of DTC, so long as the Bonds are registered in accordance with the Book-Entry-Only System. See “BOOK-ENTRY-ONLY SYSTEM.”

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds (including any Term Bonds) maturing on or after September 1, 2032 prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 2031, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures. See “BOOK-ENTRY-ONLY SYSTEM.” Notice of each exercise of the reserved right of optional redemption shall be given by the Paying Agent/Registrar at least thirty (30) calendar days prior to the redemption date, in the manner specified in the Bond Order.

Effects of Redemption: By the redemption date, due provision shall be made with the Paying Agent/Registrar for payment of the principal of the Bonds (including any Term Bonds) or portions thereof to be redeemed, plus accrued interest to the redemption date. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Method of Payment of Principal and Interest

The Board has appointed The Bank of New York Mellon Trust Co., N.A., having its principal corporate trust office and principal payment office in Dallas, Texas, as the initial Paying Agent/Registrar for the Bonds. The principal of and interest on the Bonds shall be paid to DTC, which will make distribution of the amounts so paid. See "BOOK-ENTRY-ONLY SYSTEM."

Registration

Section 149(a) of the Internal Revenue Code of 1986, as amended, requires that all tax-exempt obligations (with certain exceptions that do not include the Bonds) be in registered form in order for the interest payable on such obligations to be excludable from a Beneficial Owner's income for federal income tax purposes. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. pursuant to the Book-Entry-Only System described herein. One fully-registered Bond will be issued for each maturity of the Bonds and will be deposited with DTC. See "BOOK-ENTRY-ONLY SYSTEM." So long as any Bonds remain outstanding, the District will maintain at least one paying agent/registrar in the State of Texas for the purpose of maintaining the Register on behalf of the District. All references herein to the Registered Owners of the bonds shall mean Cede & Co. and not the Beneficial Owners of the Bonds, so long as the Bonds are registered in the name of Cede & Co. See "BOOK-ENTRY-ONLY SYSTEM."

Replacement of Paying Agent/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 be required to accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be a duly qualified and competent trust or banking corporation or organization organized and doing business under the laws of the United States of America or of any State thereof, with a combined capital and surplus of at least \$25,000,000, which is subject to supervision of or examination by federal or state banking authorities, and which is a transfer agent duly registered with the United States Securities and Exchange Commission.

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.

Issuance of Additional Debt

The District's voters have authorized the issuance of a total of \$125,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and could authorize additional amounts. Following issuance of the Bonds, the District will have \$58,060,000 principal amount of unlimited tax bonds authorized but unissued for said improvements and facilities. The District's voters have also authorized the issuance of \$239,000,000 principal amount of unlimited tax refunding bonds for the purpose of refunding outstanding bonds of the District, all of which are unissued and could authorize additional amounts. In addition, the District's voters have authorized the issuance of a total of \$37,750,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing recreational facilities, all of which are unissued, and a total of \$76,250,000 principal amount of unlimited tax bonds for the purpose of financing and constructing road facilities, \$46,620,000 principal amount of which remains unissued, and could authorize additional amounts.

The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District.

The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue fire-fighting bonds payable from taxes, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (b) approval of the master plan and issuance of bonds by the Commission; and (c) approval of bonds by the Attorney General of Texas. The District does not provide fire protection service, and the Board has not considered calling such an election at this time. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds.

Financing Road Facilities

Pursuant to the provisions of the Texas Constitution and Chapter 54 Texas Water Code, as amended, conservation and reclamation districts created pursuant to said Chapter 54 are authorized to develop and finance with property taxes certain road facilities following the granting of road powers by the Commission and a successful District election to approve the issuance of road bonds payable from taxes. The Commission granted road powers to the District, the City of Houston adopted ordinances approving the issuance of road bonds by the District, and at an election held within the District on May 9, 2015, voters of the District authorized a total of \$76,250,000 principal amount of unlimited tax bonds for financing or constructing road facilities, \$46,620,000 principal amount of which remains unissued, and could authorize additional amounts. See “—Issuance of Additional Debt” herein and “INVESTMENT CONSIDERATIONS—Future Debt.” Issuance of additional unlimited tax bonds for road facilities may dilute the investment security for the Bonds.

Financing Recreational Facilities

Conservation and reclamation districts in certain counties are authorized to develop and finance with property taxes certain recreational facilities after a district election has been successfully held to approve the issuance of bonds payable from taxes and/or a maintenance tax to support recreational facilities.

The District is authorized to issue bonds payable from an ad valorem tax to pay for the development and maintenance of recreational facilities if (i) the District duly adopts a plan for the facilities; (ii) the bonds are authorized at an election; (iii) the bonds payable from any source do not exceed 1% of the value of the taxable property in the District at the time of issuance of the bonds, or in the event the District meets certain conditions, 3% of the value of the taxable property in the District at the time of issuance of the bonds, but in no event in an amount greater than the estimated cost in the plan; (iv) the District obtains any necessary governmental consents allowing the issuance of such bonds; (v) the issuance of the bonds is approved by the Commission in accordance with its rules with respect to same; and (vi) the bonds are approved by the Attorney General of Texas. The District may issue bonds for such purposes payable solely from net operating revenues without an election. In addition, the District is authorized to levy an operation and maintenance tax to support recreational facilities at a rate not to exceed 10 cents per \$100 of assessed valuation of taxable property in the District, after such tax is approved at an election. Said maintenance tax is in addition to any other maintenance tax authorized to be levied by the District.

At an election held within the District on May 9, 2015, voters of the District authorized a total of \$37,750,000 principal amount of unlimited tax bonds for the purpose of acquiring and/or constructing recreational facilities, all of which remains unissued, and could authorize additional amounts.

Issuance of bonds for recreational facilities could dilute the investment security for the Bonds. See “THE BONDS—Issuance of Additional Debt” herein and “INVESTMENT CONSIDERATIONS—Future Debt.”

Annexation

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District may be annexed for full purposes by the City of Houston, subject to compliance by the City of Houston with various requirements of Chapter 43 of the Texas Local Government Code, as amended. Such requirements may include the requirement that the City of Houston hold an election in the District whereby the qualified voters of the District approve the proposed annexation. If the District is annexed, the City of Houston must assume the District's assets and obligations (including the Bonds and the Outstanding Bonds) and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the City of Houston is a policy-making matter within the discretion of the Mayor and City Council of the City of Houston, and, therefore, the District makes no representation that the City of Houston will ever attempt to annex the District for full purposes and assume its debt. Moreover, no representation is made concerning the ability of the City of Houston to make debt service payments should annexation occur.

Consolidation

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water and wastewater systems with the water and wastewater systems of the district or districts with which it is consolidating, subject to voter approval. In their consolidation agreement, the consolidating districts may agree to assume each other's bonds, notes and other obligations. If each district assumes the other's bonds, notes and other obligations, taxes may be levied uniformly on all taxable property within the consolidated district in payment of same. If the districts do not assume each other's bonds, notes and other obligations, each district's taxes are levied on property in each of the original districts to pay said debts created by the respective original district as if no consolidation had taken place. No representation is made concerning whether the District will consolidate with any other district, but the District currently has no plans to do so.

Remedies in Event of Default

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

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) for obligations of the District payable from revenues or from ad valorem taxes or both, or 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 noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book entry form and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Order.

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

There is no assurance that the current law will not be changed 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 as those currently permitted under Texas law.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by 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 of the District or the Financial Advisor take 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, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, 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 a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

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

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

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

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

THE DISTRICT

General

The District is a municipal utility district created by an act of the Texas Legislature (Senate Bill No. 564, Regular Session, dated May 20, 2013), and operates under the provisions of Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District, which lies wholly within the extraterritorial jurisdiction of the City of Houston, is subject to the continuing supervisory jurisdiction of the Commission. The District contains approximately 610 acres of land.

The District is empowered, among other things, to finance, purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may also provide solid waste disposal and collection services. The District is also empowered to establish, operate and maintain fire-fighting facilities, separately or jointly with one or more conservation and reclamation districts, municipalities or other political subdivisions, after approval by the Commission and the voters of the District. Additionally, the District may, subject to certain limitations, develop and finance recreational facilities and may also, subject to the granting of road powers by the Commission and certain limitations, develop and finance roads. See "THE BONDS—Issuance of Additional Debt," "—Financing Recreational Facilities" and "—Financing Road Facilities."

The District is required to observe certain requirements of the City of Houston which limit the purposes for which the District may sell bonds to finance the acquisition, construction, and improvement of waterworks, wastewater, drainage, recreational, road and fire-fighting facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of Houston of District construction plans; and permit connections only to lots and reserves described in a plat that has been approved by the City of Houston and filed in the real property records of Harris County. The District is also required to obtain certain Commission approvals prior to acquiring, constructing and financing road and fire-fighting facilities, as well as voter approval of the issuance of bonds for said purposes and/or for the purposes of financing recreational facilities. Construction and operation of the District's drainage system is subject to the regulatory jurisdiction of additional State of Texas and local agencies. See "THE SYSTEM."

Description and Location

The District is located approximately 30 miles northwest of downtown Houston, north of Clay Road and west of US Highway 99. Access to the District is provided by US Highway 99 and west on Clay Road. Major thoroughfares to the community include Clay Road, Morton Ranch Road, Katy Hockley Cut Off Road, and Porter Road. The District is located entirely within the extraterritorial jurisdiction of the City of Houston and within the boundaries of the Katy Independent School District.

Land Use

The following table has been provided by the Engineer and represents the current land use within the District.

| <u>Single-Family Residential</u> | Approximate <u>Acres</u> | <u>Lots</u> |
|-------------------------------------|-----------------------------|-------------|
| Marcello Lakes, Section 1..... | 36 | 148 |
| Marcello Lakes, Section 2..... | 31 | 134 |
| Marcello Lakes, Section 3..... | 18 | 86 |
| Treviso Gardens, Section 1 (a)..... | 23 | 147 |
| Treviso Gardens, Section 2 (a)..... | 11 | 86 |
| Treviso Gardens, Section 3 (a)..... | 22 | 153 |
| Treviso Gardens, Section 4 (a)..... | 24 | 166 |
| Treviso Gardens, Section 5 (a)..... | 14 | 93 |
| Camillo Lakes, Section 1..... | 32 | 179 |
| Camillo Lakes, Section 2..... | 24 | 144 |
| Camillo Lakes, Section 3..... | 42 | 255 |
| Camillo Lakes, Section 4..... | 52 | 306 |
| Camillo Lakes, Section 5..... | 3 | 25 |
| Camillo Lakes, Section 6..... | 15 | 119 |
| Camillo Lakes, Section 7..... | <u>4</u> | <u>24</u> |
| Subtotal..... | 351 | 2,065 |
| <i>Multi-family (b)</i> | 22 | --- |
| <i>Commercial (c)</i> | 33 | --- |
| <i>Future Development</i> | 21 | --- |
| <i>Undevelopable (d)</i> | <u>183</u> | <u>---</u> |
| | <u>610</u> | 2,065 |

- (a) Treviso Gardens has been developed as a rental home community. See “INVESTMENT CONSIDERATIONS—Rental Homes.”
- (b) A 348-unit apartment complex has been constructed on approximately 11 acres in the District. The Houston Housing Authority is currently constructing a 340-unit apartment complex on approximately 11 acres in the District and completion is expected in the first quarter of 2026. See “Multi-Family Development” below.
- (c) Includes approximately 8 acres served with trunk facilities for commercial development. See “Commercial Development” below.
- (d) Consists of street easements, drainage detention, parks and recreation space and utility sites.

Residential Development

Approximately 351 acres in the District have been developed as Marcello Lakes, Sections 1 through 3, Treviso Gardens, Sections 1 through 5 and Camillo Lakes, Sections 1 through 7, which encompass 2,065 single family lots. Treviso Gardens has been developed as a rental home community consisting of 645 single-family residential homes. See “INVESTMENT CONSIDERATIONS—Rental Homes.” As of June 15, 2025, there were 2,065 completed homes (2,039 occupied) in the District.

Multi-Family Development

The Oak at Katy Park, a 348-unit apartment complex has been constructed on approximately 11 acres in the District.

The Houston Housing Authority is currently constructing a 340-unit apartment complex on approximately 11 acres in the District and completion is expected in the first quarter of 2026. Such complex will be exempt from ad valorem taxation. See “TAX PROCEDURES—Tax Exemption Provided to Public Facility Corporations and Certain Lessees” and “INVESTMENT CONSIDERATIONS—Tax Exempt Property.”

Commercial Development

A gas station and convenience store have been constructed on approximately one acre within the District. An approximately 123,000 square-foot H-E-B and fuel station have been constructed on approximately 13 acres. An approximately 18,400 square foot retail building has been constructed on approximately 2 acres and an approximately 17,475 square foot retail building has been constructed on approximately 2 acres. A McDonald's restaurant and a Chase Bank have been constructed on approximately 3 acres. An approximately 10,000 square foot retail building is currently under construction on approximately one acre and is expected to be completed in the third quarter of 2025. A Whataburger and a Mavis are currently under construction on approximately 3 acres and are expected to be completed by the end of 2025. Approximately 8 acres in the District are served with trunk facilities for commercial development but do not yet have vertical improvements.

Undeveloped Acreage

There are approximately 21 developable acres that remain to be developed with water, sanitary sewer and drainage facilities and approximately 183 acres that are undevelopable.

THE DEVELOPERS

In general, the activities of a landowner or developer in a municipal utility district such as the District include designing the project, defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of streets and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. While a developer is generally required by the Commission to advance funds to pave streets (in areas where District facilities are being financed with bonds) and finance the construction of the water, wastewater and storm drainage facilities, such advances to be reimbursed (except for paving costs) from the sale of District bonds to the extent allowed by the Commission, a developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds.

Camcorp Interests LLC And Related Entities and Subsidiaries

C.I.L Holdings LLC, a Texas limited liability company, is the general partner and Camcorp Interests LLC, a Texas limited liability company (formerly known as Camcorp Interests, Ltd.), is the limited partner of Marcello, Camillo, and Treviso. Camcorp Interests LLC is the sole member of Benchmark. Legend Classic Homes LLC (formerly known as Legend Classic Homes, Ltd.) has built homes in the District, and is 100% owned by Camcorp Interests LLC. All of the above mentioned entities have direct or indirect common ownership.

Marcello

The developer of Marcello Lakes, Sections One through Three (368 lots on approximately 85 acres) is Marcello. Marcello does not own any remaining developable land in the District.

Camillo

The developer of Camillo Lakes, Sections One Through Seven (1,052 lots on approximately 172 acres) is Camillo. Camillo does not own any remaining developable land in the District.

Treviso

The developer of Treviso Gardens, Sections One through Five (645 lots on approximately 94 acres) is Treviso. The homes in Treviso Gardens were constructed by Camillo Properties LLC as rental properties. C.I.L Holdings LLC is the general partner of Treviso and Camcorp Interests LLC is the limited partner. Treviso does not own any remaining developable land in the District. See "INVESTMENT CONSIDERATIONS—Rental Homes."

Benchmark

The developer of approximately 14 acres of commercial tracts within the District is Benchmark. A gas station and convenience store have been constructed on approximately one of such acres and approximately 11 acres were sold to the Houston Housing Authority. The Houston Housing Authority is currently constructing a 340-unit apartment complex on such 11 acres in the District and completion is expected in the first quarter of 2026. Such complex will be exempt from ad valorem taxation. See "TAX PROCEDURES—Tax Exemption Provided to Public Facility Corporations and Certain Lessees" and "INVESTMENT CONSIDERATIONS—Tax Exempt Property." Benchmark continues to own approximately 2 acres in the District which are served with utility facilities extended to the boundary.

RK Katy Park LLC

RK Katy Park LLC (“RK Katy Park”) is the developer of approximately 38 commercial acres in the District. An approximately 123,000 square-foot H-E-B and fuel station have been constructed on approximately 13 acres. An approximately 18,400 square foot retail building has been constructed on approximately 2 acres and an approximately 17,475 square foot retail building has been constructed on approximately 2 acres. A McDonald’s restaurant and a Chase Bank have been constructed on approximately 3 acres. An approximately 10,000 square foot retail building is currently under construction on approximately one acre and is expected to be completed in the third quarter of 2025. A Whataburger and a Mavis are currently under construction on approximately 3 acres and are expected to be completed by the end of 2025. RK Katy Park sold approximately 11 acres to Katy Park Apartments, LP, who constructed The Oak at Katy Park, a 348-unit apartment complex. RK Katy Park continues to own approximately 3 acres that are served with trunk facilities for commercial development. RK Katy Park does not own any additional developable land in the District.

Marcello, Camillo, Treviso, Benchmark and RK Katy Park are collectively referred to as the “Developers.”

MANAGEMENT

Board of Directors

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to staggered four-year terms in May of even numbered years only. One board member resides in the District and the remaining four board members own land within the District, subject to a note and deed of trust in favor of one of the Developers. The current members and officers of the Board along with their titles and terms, are listed as follows:

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|------------------|-----------------|---------------------|
| Joseph Forrester | President | May 2026 |
| Alan Cantone | Vice President | May 2026 |
| Kimberly Carroll | Secretary | May 2028 |
| Rebecca Janik | Asst. Secretary | May 2028 |
| Sylvia King | Asst. Secretary | May 2026 |

The District has no full-time employees but instead contracts with the entities described below for professional services:

Tax Assessor/Collector

Land and improvements in the District are being appraised for taxation by the Harris Central Appraisal District. The District contracts with Assessments of the Southwest, Inc. to act as Tax Assessor/Collector for the District.

System Operator

The District contracts with Si Environmental, LLC for maintenance and operation of the District’s system (the “Operator”).

Bookkeeper

The District contracts with Municipal Accounts & Consulting, L.P. for bookkeeping services for the District (the “Bookkeeper”).

Engineer

The District’s consulting engineer is Edminster, Hinshaw, Russ & Associates, Inc. (the “Engineer”).

Auditor

The financial statements of the District as of September 30, 2024, and for the year then ended, included in this offering document, have been audited by Forvis Mazars, LLP, independent auditors, as stated in their report appearing herein. See “APPENDIX A.”

Bond Counsel and General Counsel

Schwartz, Page & Harding, L.L.P. (“Bond Counsel”) serves as bond counsel to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. In addition, Schwartz, Page & Harding, L.L.P. serves as general counsel to the District on matters other than the issuance of bonds.

Financial Advisor

Masterson Advisors LLC (the “Financial Advisor”) serves as financial advisor to the District. The fee to be paid the Financial Advisor is contingent upon the sale and delivery of the Bonds.

Disclosure Counsel

McCall, Parkhurst & Horton L.L.P. (“Disclosure Counsel”) has been engaged by the District to serve as disclosure counsel. Fees for services rendered by Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

THE ROAD SYSTEM

A portion of the proceeds of Previously Issued Bonds were used to finance the road system (the “Roads”) which serves the residents of the District by providing roads and thoroughfares within the District and the surrounding area. Upon completion, the District intends that the Roads are or will be accepted by Harris County for operation and maintenance in accordance with the procedures of Harris County.

THE SYSTEM

Regulation

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

Water Distribution and Sanitary Sewer Collection and Drainage System

The District’s System includes water, sanitary sewer and drainage facilities to serve the land described under the section “THE DISTRICT—Land Use.”

Water Supply

The District owns and operates Water Plant No.1 (the “Water Plant”). The Water Plant includes a 1,800 gallon per minute (“gpm”) water well, two 15,000 gallon pressure tanks, a 150,000 gallon ground storage tank, a 330,000 gallon ground storage tank, a 163,000 gallon ground storage tank and booster pump capacity of 5,200 gpm. According to the Engineer, the District’s current Water Plant facilities are sufficient to serve 3,011 single family connections, which is sufficient to serve current development in the District.

The District has two emergency water supply interconnects with Harris County Municipal Utility District No. 449 and Harris County Municipal Utility District No. 495.

Subsidence District Requirements

The District is within the boundaries of the Harris Galveston Subsidence District (the “Subsidence District”) which regulates groundwater withdrawal. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in certain areas within the Subsidence District’s jurisdiction, including the area within the District. In 2001, the Texas legislature created the West Harris County Regional Water Authority (“Authority”) to, among other things, reduce groundwater usage in, and to provide surface water to, the western portion of Harris County and a small portion of Fort Bend County. The District is located within the boundaries of the Authority. The Authority has entered into a Water Supply Contract with the City of Houston, Texas (“Houston”), to obtain treated surface water from Houston. The Authority has developed a groundwater reduction plan (“GRP”) and obtained Subsidence District approval of its GRP. The Authority’s GRP sets forth the Authority’s plan to comply with Subsidence District regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). The District’s groundwater well(s) are included within the Authority’s GRP.

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

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

The District cannot predict the amount or level of fees and charges, that may be due the Authority in the future, but anticipates the need to continue passing such fees through to its customers: (i) through higher water rates and/or (ii) with portions of maintenance tax proceeds, if any. In addition, conversion to surface water could necessitate improvements to the System which could require the issuance of additional bonds by the District. No representation is made that the Authority: (i) will build the necessary facilities to meet the requirements of the Subsidence District for conversion to surface water, (ii) will comply with the Subsidence District’s surface water conversion requirements, or (iii) will comply with its GRP. In the event the Authority fails to reduce groundwater withdrawal to the levels specified by and deadline set by the Subsidence District, then the District and others within the Authority’s GRP group will be required to pay a disincentive fee on withdrawn groundwater, This fee is expected to be substantial and the District expects it would need to pass such fee through to its customers as described above. This fee would be in addition to the Authority’s fee.

Wastewater Treatment Facilities

Currently, the District’s wastewater treatment is provided by the District’s 720,000 gallons per day (“gpd”) ultimate wastewater treatment plant owned and operated by the District. According to the Engineer, the wastewater treatment plant has sufficient capacity to serve 3,000 equivalent single-family connections, based upon 240 gpd per single family connection, which is sufficient to serve current development in the District.

Stormwater Drainage Facilities

The southern portion of the District (approximately 239 acres) drains into the adjacent Harris County Flood Control Unit No. T101-13-00 drainage channel. The northern portion of the District (approximately 371 acres) drains into the adjacent Harris County Flood Control Unit No. U101-08-00 drainage channel. Areas that have been developed within the District include storm water collection facilities. These facilities include a storm sewer and inlet collection system that has been designed to discharge storm water runoff from the development to the existing detention facilities. Developed runoff from two-year storm event is conveyed using a storm sewer system consisting of inlets, storm manholes, and storm sewer pipes as requested by Harris County and the City of Houston. The 100-year storm event is conveyed through the storm sewer system with excess runoff conveyed over the paved streets. The pavement design, which includes cascading high and low points to an extreme event outfall, allows all overland flow to be conveyed to the detention facilities.

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 rainstorm 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. According to the Engineer, no areas within the District are located within the 100-year flood plain. See “INVESTMENT CONSIDERATIONS—Extreme Weather Events.”

Atlas 14

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

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USE AND DISTRIBUTION OF BOND PROCEEDS

Proceeds from the Bonds will be used to reimburse the Developers for: (i) Market at Katy Park – mass grading, drainage and utilities (partial); (ii) Market at Katy Park – storm water pump station (partial); and (iii) geotechnical reports. Bond proceeds will also be used to pay certain costs associated with the issuance of the Bonds.

The construction costs below were compiled by the District’s Engineer and were submitted to the Commission in the District’s bond application. Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer and Financial Advisor. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District’s Auditor.

CONSTRUCTION RELATED COSTS

| | | |
|---|-----------|------------------|
| Construction Costs..... | \$ | 4,029,477 |
| Engineering, Geotechnical and Testing..... | | 5,575 |
| Capital Contribution for Water and Wastewater Service Capacity..... | | 1,000,000 |
| Less: Surplus Funds (a)..... | | <u>(236,000)</u> |
| Total Construction Related Costs..... | \$ | 4,799,052 |

NON-CONSTRUCTION COSTS

| | | |
|---|-----------|----------------|
| Underwriter's Discount..... | \$ | 180,000 |
| Developer Interest..... | | <u>629,200</u> |
| Total Nonconstruction Costs..... | \$ | 809,200 |

ISSUANCE COSTS AND FEES

| | | |
|---|-----------|------------------|
| Issuance Costs and Professional Fees..... | \$ | 324,498 |
| Bond Application Report Fees..... | | 46,250 |
| State Regulatory Fees..... | | <u>21,000</u> |
| Total Issuance Costs and Fees..... | \$ | 391,748 |
| TOTAL BOND ISSUE..... | \$ | 6,000,000 |

(a) The District will apply \$236,000 of surplus WSD Capital Projects Funds towards the Bonds. See “FINANCIAL STATEMENT.”

In the instance that Commission-approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved under the rules of the Commission. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional Commission approval and the issuance of additional bonds may be required.

Future Debt

With the consent of the District, the Developers have financed the design and construction of water, sanitary sewer and drainage facilities, road facilities and park and recreational facilities to serve Marcello Lakes, Treviso Gardens, Camillo Lakes, and commercial and multi-family development in the District as well as other District facilities and operating expenditures for which the Developers have not been reimbursed. Marcello, Treviso and Camillo have been fully reimbursed for financing the design and construction of water, sanitary sewer and drainage facilities and road facilities and continue to be owed approximately \$7,000,000 for park and recreational facilities. After reimbursements from proceeds of the Bonds, RK Katy Park will have financed or is contractually obligated to finance approximately \$4,000,000 for water, sanitary sewer and drainage facilities and \$700,000 for road facilities which they have not been reimbursed. The District also contains approximately 21 acres of developable land not presently served with water distribution, wastewater collection and storm drainage facilities. It is anticipated that additional bonds will be issued to reimburse the Developers and to finance the construction of District facilities to serve the undeveloped acreage within the District as well as additionally required wastewater treatment plant capacity and/or water plant capacity, if any.

The District can make no representation that any additional development will occur within the District. The Engineer has stated that the District’s authorized but unissued bonds should be adequate, under present land use projections, to finance such improvements.

WATER AND SANITARY SEWER OPERATIONS

General

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

Waterworks and Sanitary Sewer System Operating Statement

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

| | 10/1/2024 to 5/31/2025 (a) | Fiscal Year Ended September 30, | | | |
|---|-------------------------------|---------------------------------|---------------------|---------------------|---------------------|
| | | 2024 | 2023 | 2022 | 2021 |
| Revenues | | | | | |
| Property Taxes | \$ 2,207,343 | \$ 2,123,668 | \$ 1,937,160 | \$ 1,444,839 | \$ 922,262 |
| Water Service | 789,086 | 1,317,700 | 1,326,112 | 1,292,573 | 988,531 |
| Sewer Service | 543,427 | 908,947 | 873,764 | 818,429 | 673,352 |
| Regional Water Fees | 445,356 | 787,399 | 835,172 | 743,899 | 550,596 |
| Tap Connection & Inspection Fees | 65,288 | 680,744 | 160,446 | 267,283 | 748,423 |
| Penalty and Interest | 87,640 | 155,292 | 123,021 | 125,484 | 79,597 |
| Investment Income | 221,313 | 400,700 | 384,602 | 31,879 | 5,982 |
| Sale of Capacity | - | - | 360,000 | 2,250,000 (b) | - |
| Other Income | 770,938 | 17,614 | 11,508 | 4,070 | 470,093 |
| Total Revenues | \$ 5,130,391 | \$ 6,392,064 | \$ 6,011,785 | \$ 6,978,456 | \$ 4,438,836 |
| Expenditures | | | | | |
| Regional Water Fees | \$ 467,226 | \$ 844,328 | \$ 948,088 | \$ 902,626 | \$ 529,635 |
| Professional Fees | 132,708 | 211,223 | 193,842 | 145,070 | 135,778 |
| Constructed Services | 452,692 | 712,665 | 652,119 | 551,168 | 538,543 |
| Utilities | 74,942 | 165,785 | 146,046 | 104,892 | 76,382 |
| Repairs and Maintenance | 240,715 | 804,049 | 676,038 | 831,815 | 950,778 |
| Other Expenditures | 378,968 | 128,892 | 119,601 | 100,834 | 109,655 |
| Tap Connections | 19,211 | 232,140 | 52,125 | 84,994 | 294,304 |
| Debt Service, Bond Issuance Costs | - | 1,077 | 9,126 | 1,063 | - |
| Capital Outlay | 38,061 | 6,862,743 (c) | 46,630 | 670,781 | 14,056 |
| Lease Payments | - | 137,850 | 275,700 | 148,661 | 176,076 |
| Total Expenditures | \$ 1,804,524 | \$ 10,100,752 | \$ 3,119,315 | \$ 3,541,904 | \$ 2,825,207 |
| Revenues Over (Under) Expenditures | \$ 3,325,868 | \$ (3,708,688) | \$ 2,892,470 | \$ 3,436,552 | \$ 1,613,629 |
| Other Sources (Uses) | | | | | |
| Interfund Transfers In (Out) | \$ - | \$ - | \$ - | \$ (5,472) | \$ - |
| Insurance Proceeds | - | - | - | - | 258,285 |
| Total Other Financing Sources (Uses) | \$ - | \$ - | \$ - | \$ (5,472) | \$ 258,285 |
| Fund Balance (Beginning of Year) | \$ 5,789,377 | \$ 9,498,065 | \$ 6,605,595 | \$ 3,174,515 | \$ 1,302,601 |
| Fund Balance (End of Year) | \$ 9,115,245 | \$ 5,789,377 | \$ 9,498,065 | \$ 6,605,595 | \$ 3,174,515 |

(a) Unaudited. Prepared by the Bookkeeper.

(b) Represents capacity reservation fees paid to the District by RK Katy Park and Morton Ranch Development.

(c) Includes expenses related to the purchase of the leased wastewater treatment plant equipment and reimbursements from surplus operating funds for various District projects.

FINANCIAL STATEMENT

| | |
|--|-------------------|
| 2024 Taxable Assessed Valuation | \$617,658,183 (a) |
| 2025 Preliminary Taxable Assessed Valuation | \$691,719,693 (b) |
| Estimated Taxable Assessed Valuation as of May 15, 2025 | \$698,381,123 (c) |
| | |
| Gross Direct Debt Outstanding | \$ 86,595,000 (d) |
| Estimated Overlapping Debt..... | <u>27,495,018</u> |
| Total Gross Direct Debt and Estimated Overlapping Debt..... | \$114,090,018 |
| | |
| Ratios of Gross Direct Debt to: | |
| 2024 Taxable Assessed Valuation | 14.02% |
| Estimated Taxable Assessed Valuation as of May 15, 2025 | 12.40% |
| | |
| Ratios of Gross Direct Debt and Estimated Overlapping Debt to: | |
| 2024 Taxable Assessed Valuation | 18.47% |
| Estimated Taxable Assessed Valuation as of May 15, 2025 | 16.34% |

Area of District – 610 Acres
Estimated 2025 Population – 7,833 (e)

- (a) The Appraisal District has certified \$616,572,471 of taxable value within the District as of January 1, 2024. An additional \$1,085,712 of taxable value remains uncertified and is subject to review and downward adjustment prior to certification. See “TAXING PROCEDURES.”
- (b) Provided by the Appraisal District as a preliminary indication of the 2025 taxable assessed value. Such amount is subject to review and downward adjustment prior to certification. No tax will be levied on such amount until it is certified. Includes estimate from the Appraisal District of \$685,694,556 and the personal property value from the 2024 certified tax roll of \$6,025,137. See “TAX PROCEDURES.”
- (c) As estimated by the Appraisal District as of May 15, 2025 for information purposes only. The 2024 Taxable Assessed Valuation provided by the Appraisal District has been updated to add the estimated value of improvements constructed from January 1, 2024 to May 15, 2025. This estimate has no official status. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year, and, therefore, this estimate will not be the basis for any tax levy by the District. See “TAX PROCEDURES.”
- (d) After giving effect to issuance of the Bonds. Includes the Bonds and the Outstanding Bonds. See “FINANCIAL STATEMENT—Outstanding Bonds.”
- (e) Based upon 3.5 persons per occupied single-family residence and 2 persons per apartment unit .

Cash and Investment Balances (unaudited as of July 17, 2025)

| | | |
|----------------------------|--------------------------------|---------------------|
| Operating Fund | Cash and Temporary Investments | \$9,326,537 (a) |
| WSD Debt Service Fund | Cash and Temporary Investments | \$5,841,614 (b) (c) |
| Road Debt Service Fund | Cash and Temporary Investments | \$2,589,882 (b) (d) |
| | | |
| WSD Capital Projects Fund | Cash and Temporary Investments | \$ 239,082 (e) |
| Road Capital Projects Fund | Cash and Temporary Investments | \$ 19,090 |

- (a) The District anticipates utilizing approximately \$500,000 of this balance to construct walking trails in the District.
- (b) Although all of the District’s debt, including the Outstanding Bonds and the Bonds, is payable from an unlimited tax pledge on parity, a pro rata portion of the District’s ad valorem tax revenue will be allocated to the bonds sold for water, sanitary sewer and drainage facilities (the “WSD Bonds”), including the Bonds, and a portion will be allocated to the bonds sold for road facilities (the “Road Bonds”). See “THE BONDS—Funds” and “DEBT SERVICE REQUIREMENTS.” Neither the Bond Order nor Texas law requires that the District maintain any particular balance in such fund.
- (c) Includes \$3,365,816 for the District’s September 1, 2025, debt service payment on the Outstanding Water/Sewer/Drainage Bonds.
- (d) Includes \$1,289,259 for the District’s September 1, 2025, debt service payment on the Outstanding Road Bonds.
- (e) The District will apply \$236,000 of surplus WSD Capital Projects Funds towards the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

District Investment Policy

The policy of the District is to invest District funds only in instruments which further the following investment objectives of the District stated in order of importance: (1) preservation and safety of principal; (2) liquidity; and (3) yield. The District does not currently own, nor does it anticipate the inclusion of, long term securities or derivative products in the District portfolio.

Outstanding Bonds (as of September 2, 2025)

| Series | Original Principal Amount | Outstanding Bonds (as of 9/2/25) |
|--|---------------------------------|--|
| Unlimited Tax Bonds, Series 2018 | \$ 9,000,000 | \$ 7,455,000 |
| Unlimited Tax Road Bonds, Series 2018A | 4,000,000 | 3,385,000 |
| Unlimited Tax Bonds, Series 2019 | 4,155,000 | 3,390,000 |
| Unlimited Tax Road Bonds, Series 2019A | 4,000,000 | 3,175,000 |
| Unlimited Tax Bonds, Series 2020 | 5,500,000 | 4,500,000 |
| Unlimited Tax Road Bonds, Series 2020A | 4,350,000 | 3,500,000 |
| Unlimited Tax Bonds, Series 2021 | 7,500,000 | 6,730,000 |
| Unlimited Tax Road Bonds, Series 2021A | 7,500,000 | 6,905,000 |
| Unlimited Tax Bonds, Series 2022 | 9,000,000 | 8,370,000 |
| Unlimited Tax Road Bonds, Series 2022A | 5,780,000 | 5,400,000 |
| Unlimited Tax Bonds, Series 2023 | 18,785,000 | 17,285,000 |
| Unlimited Tax Bonds, Series 2024 | 7,000,000 | 6,500,000 |
| Unlimited Tax Road Bonds, Series 2025 | 4,000,000 | 4,000,000 |
| Total | \$ 90,570,000 | \$ 80,595,000 |

ESTIMATED 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 publicly 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. 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.

| Taxing Jurisdiction | Outstanding Bonds | As of | Overlapping | |
|--|----------------------|-----------|-------------|----------------|
| | | | Percent | Amount |
| Harris County..... | \$ 2,424,019,039 | 6/30/2025 | 0.09% | \$ 2,254,338 |
| Harris County Flood Control District..... | 968,445,000 | 6/30/2025 | 0.10% | 920,023 |
| Harris County Hospital District..... | 867,820,000 | 6/30/2025 | 0.10% | 824,429 |
| Harris County Department of Education..... | 28,960,000 | 6/30/2025 | 0.09% | 26,933 |
| Port of Houston Authority..... | 406,509,397 | 6/30/2025 | 0.10% | 386,184 |
| Katy ISD..... | 2,219,530,000 | 6/30/2025 | 1.04% | 23,083,112 |
| Total Estimated Overlapping Debt..... | | | | \$ 27,495,018 |
| The District..... | 86,595,000 (a) | 5/31/2025 | 100.00% | 86,595,000 |
| Total Direct and Estimated Overlapping Debt... | | | | \$ 114,090,018 |
| Ratio of Estimated Direct and Overlapping Debt to 2024 Taxable Assessed Valuation..... | | | | 18.47% |
| Ratio of Estimated Direct and Overlapping Debt to May 15, 2025 Estimated Taxable Assessed Valuation..... | | | | 16.34% |

(a) Includes the Bonds and the Outstanding Bonds.

Overlapping Taxes for 2024

| | 2024 Tax Rate per \$100 of Taxable <u>Assessed Valuation</u> |
|---------------------------------|--|
| Harris County(a)..... | \$ 0.608689 |
| Katy ISD..... | 1.117100 |
| Harris Co. ESD No. 48..... | <u>0.099562</u> |
| Total Overlapping Tax Rate..... | \$ 1.825351 |
| The District..... | <u>1.350000</u> |
| Total Tax Rate..... | \$ 3.175351 |

(a) Includes Harris County, Harris County Flood Control District, Harris County Hospital District, Harris County Department of Education and the Port of Houston Authority.

TAX DATA

Tax Collections

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

| Tax Year | Taxable Assessed Valuation | Tax Rate | Total Tax Levy | Total Collections as of June 30, 2025 | |
|-------------|----------------------------------|-------------|-------------------|--|---------|
| | | | | Amount | Percent |
| 2020 | \$ 184,474,896 | \$ 1.50 | \$ 2,767,123 | \$ 2,767,123 | 100.00% |
| 2021 | 310,633,502 | 1.50 | 4,659,503 | 4,658,831 | 99.99% |
| 2022 | 482,764,246 | 1.40 | 6,758,699 | 6,743,319 | 99.77% |
| 2023 | 560,618,440 | 1.37 | 7,680,473 | 7,664,029 | 99.79% |
| 2024 | 617,658,183 | 1.35 | 8,338,385 | 8,231,654 | 98.72% |

Taxes are due upon receipt of bill therefor and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. No split payments are allowed and no discounts are allowed.

Tax Rate Distribution

| | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|----------------------------|----------------|----------------|----------------|----------------|----------------|
| Debt Service | \$ 0.99 | \$ 0.99 | \$ 1.00 | \$ 1.03 | \$ 1.00 |
| Maintenance and Operations | 0.36 | 0.38 | 0.40 | 0.47 | 0.50 |
| Total | <u>\$ 1.35</u> | <u>\$ 1.37</u> | <u>\$ 1.40</u> | <u>\$ 1.50</u> | <u>\$ 1.50</u> |

Tax Rate Limitations

Debt Service: Unlimited (no legal limit as to rate or amount).
Maintenance: \$1.50 per \$100 Assessed Valuation

Debt Service Tax

The Board will covenant in the Bond Order to levy and assess, for each year that all or any part of the Bonds and the Outstanding Bonds remain outstanding and unpaid, a tax which, when added to other funds legally available to the District for payment of outstanding debt obligations, is adequate to provide funds to pay the principal of and interest on the Bonds and the Outstanding Bonds. The District levied a debt service tax for 2024 in the amount of \$0.99 per \$100 assessed valuation. See “THE BONDS—Authority for Issuance.”

Maintenance and Operations Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District’s improvements, if such maintenance tax is authorized by a vote of the District’s electors. On May 9, 2015, voters in the District authorized the Board to levy such a maintenance tax in an amount not to exceed \$1.50 per \$100 assessed valuation. Such tax 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 additional unlimited tax bonds which may be issued in the future. The District levied a maintenance tax for 2024 in the amount of \$0.36 per \$100 assessed valuation.

Principal Taxpayers

The following lists of principal taxpayers were provided by the District’s Tax Assessor/Collector based upon the certified portion (\$616,572,471) of the 2024 Taxable Assessed Valuation of \$617,658,183, which reflects ownership at January 1, 2024. Principal taxpayer lists related to the uncertified portion of the 2024 Taxable Assessed Valuation (\$1,085,712), the 2025 Preliminary Taxable Assessed Valuation of \$691,719,693 which is subject to review and downward revision prior to certification, or the Estimated Taxable Assessed Valuation as of May 15, 2025 of \$698,381,123 are not available as of the date hereof.

| <u>Taxpayer</u> | <u>Type of Property</u> | <u>2024 Certified Taxable Assessed Valuation</u> | <u>% of 2024 Certified Taxable Assessed Valuation</u> |
|-------------------------------|-------------------------|--|---|
| Camillo Properties Ltd. (a) | Land & Improvements | \$ 30,477,083 | 4.94% |
| RK Katy Park LLC (b) | Land & Improvements | 29,148,223 | 4.73% |
| Camillo Houses CVNo 6 LLC (a) | Land & Improvements | 21,862,348 | 3.55% |
| Camillo Houses CV 4 LLC (a) | Land & Improvements | 12,990,078 | 2.11% |
| Camillo ML 2021 SFR LLC (a) | Land & Improvements | 7,039,415 | 1.14% |
| Camillo Houses CV 3 LLC (a) | Land & Improvements | 6,816,559 | 1.11% |
| Morton Ranch Development LLC | Land | 5,185,911 | 0.84% |
| Katy Park Apartments LP | Land & Improvements | 4,501,171 | 0.73% |
| Camillo Houses CVNo 5 LLC (a) | Land & Improvements | 3,707,396 | 0.60% |
| Morton Land Partners LLC (c) | Land | 2,792,370 | 0.45% |
| Total | | \$ 124,520,554 | 20.19% |

(a) Related entities. See “THE DEVELOPERS” and “INVESTMENT CONSIDERATIONS—Rental Homes.”

(b) See “THE DEVELOPERS.”

(c) Represents the land value associated with the construction of a tax-exempt apartment complex.

Summary of Assessed Valuation

The following breakdown of the 2020 through 2024 Taxable Assessed Valuation has been provided by the District's Tax Assessor/Collector based on information contained in the 2020 through 2024 tax rolls of the District. Differences in values from other information herein are due to differences in dates of information provided. Accurate breakdowns related to the uncertified portion of the 2024 Taxable Assessed Valuation, the 2025 Preliminary Taxable Assessed Valuation of \$691,719,693 which is subject to review and downward revision prior to certification, or the Estimated Taxable Assessed Valuation as of May 15, 2025 are not available.

| | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|-------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Land | \$136,656,255 | \$116,094,283 | \$ 98,678,158 | \$ 74,962,701 | \$ 60,596,447 |
| Improvements | 505,036,380 | 496,789,650 | 418,433,070 | 242,811,699 | 127,382,909 |
| Personal Property | 9,430,962 | 7,453,754 | 4,017,545 | 2,506,300 | 1,607,367 |
| Exemptions | (34,551,126) | (59,719,247) | (38,364,527) | (9,647,198) | (5,111,827) |
| Uncertified | <u>1,085,712</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$617,658,183</u> | <u>\$560,618,440</u> | <u>\$482,764,246</u> | <u>\$310,633,502</u> | <u>\$184,474,896</u> |

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2024 Taxable Assessed Valuation of \$617,658,183 (\$616,572,471 of certified value plus \$1,085,712 of uncertified value) and the Estimated Taxable Assessed Valuation as of May 15, 2025 of \$698,381,123 and no use of bond funds on hand, and utilize tax rates necessary to pay the District's maximum and average annual debt service requirement. See “INVESTMENT CONSIDERATIONS—Impact on District Tax Rates.”

| | |
|--|-------------|
| Average Annual Debt Service Requirement (2026-2050)..... | \$5,064,726 |
| \$0.87 Tax Rate on 2024 Taxable Assessed Valuation at 95% collections..... | \$5,104,945 |
| \$0.77 Tax Rate on Estimated Taxable Assessed Valuation as of May 15, 2025 at 95% collections..... | \$5,108,658 |
| Maximum Annual Debt Service Requirement (2026)..... | \$7,281,853 |
| \$1.25 Tax Rate on 2024 Taxable Assessed Valuation at 95% collections..... | \$7,334,691 |
| \$1.10 Tax Rate on Estimated Taxable Assessed Valuation as of May 15, 2025 at 95% collections..... | \$7,298,083 |

No representation or suggestion is made that the uncertified portion of the 2024 Taxable Assessed Valuation or the Estimated Taxable Assessed Valuation as of May 15, 2025 provided by the Appraisal District for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See “TAX PROCEDURES.”

TAX PROCEDURES

Property Tax Code and County-Wide Appraisal District

The Texas Tax Code (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 a single appraisal district with the responsibility for recording and appraising property for all taxing units within a county and a single appraisal review board with the responsibility for reviewing and equalizing the values established by the appraisal district. The Harris Central Appraisal District (the “Appraisal District”) has the responsibility for appraising property for all taxing units wholly within Harris County, including the District. Such appraisal values are subject to review and change by the Harris Central Appraisal Review Board (the “Appraisal Review Board”). Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a 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. Absent any such appeal, the appraisal roll, as prepared by the Appraisal District and approved by the Appraisal Review Board, must be used by each taxing jurisdiction in establishing its tax roll and tax rate. The District is eligible, along with all other conservation and reclamation districts within Harris County, to participate in the nomination of and vote for a member of the Board of Directors of the Appraisal District.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt 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; certain household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least 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 of \$10,000 of assessed valuation for persons 65 years of age and older and to individuals who are under a disability for purposes of payment of disability insurance benefits under the 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, of between \$5,000 and \$12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (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 a member of the armed forces or a first responder (as defined under Texas law), who was (i) killed in action, or (ii) fatally injured in the line of duty, is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

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 392 of the Texas Local Government Code authorizes a housing authority to exempt certain property from all taxes and special assessments of a political subdivision, including a municipal utility district, if certain conditions are met and 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 multi-family 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 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 Houston Housing Authority is currently constructing a 340-unit apartment complex on approximately 11 acres in the District and completion is expected in the first quarter of 2026. Such complex will be exempt from ad valorem taxation. See “INVESTMENT CONSIDERATIONS – Tax Exempt Property.”

General Residential Homestead Exemption

Texas law authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than \$5,000 if any exemption is granted, from ad valorem taxation. The law provides, however, that 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. For the 2025 tax year, the District has not granted a general residential homestead exemption.

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. Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements to the property. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

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

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a petition for review in district court within forty-five (45) days after notice is received that a final order has been entered. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to comply with the Property Tax Code. The District may challenge the exclusion of property from the appraisal rolls or the grant, in whole or in part, of an exemption.

Texas law provides for notice and hearing procedures prior to the adoption of an ad valorem tax rate by the District. Additionally, under certain circumstances, an election would be required to determine whether to approve the adopted total tax rate. See “Rollback of Operation and Maintenance Tax Rate” herein. 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.

Agricultural, Open Space, Timberland and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use for the three (3) years prior to the loss of the designation for agricultural, timberland or open space land. According to the District's Tax Assessor/Collector, as of January 1, 2025, no land within the District was designated for agricultural use, open space, inventory deferment, or timberland.

Tax Abatement

The City of Houston and Harris County may designate all or part of the District as a reinvestment zone, and the District, Harris County, and (if it were to annex the area) the City of Houston may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and by 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 a comprehensive plan. According to the District's Tax Assessor/Collector, to date, none of the area within the District has been designated as a reinvestment zone.

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. The District adopts its tax rate each year after it receives a tax roll certified by the Appraisal District. Taxes are due upon receipt of a bill therefor, and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. A delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid beginning the first calendar month it is delinquent. A delinquent tax also incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent plus a one percent (1%) penalty 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. However, a tax delinquent on July 1 incurs a total penalty of twelve percent (12%) of the amount of the delinquent tax without regard to the number of months the tax has been delinquent, which penalty remains at such rate without further increase. If the tax is not paid by July 1, an additional penalty of up to the amount of the compensation specified in the District's contract with its delinquent tax collection attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District. With respect to personal property taxes that become delinquent on or after February 1 of a year and that remain delinquent sixty (60) days after the date on which they become delinquent, as an alternative to the penalty described in the foregoing sentence, an additional penalty on personal property of up to the amount specified in the District's contract with its delinquent tax attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District prior to July 1. The District's contract with its delinquent tax collection attorney currently specifies a twenty percent (20%) additional penalty. The District may waive penalties and interest on delinquent taxes only for the items specified in the Texas Property Tax Code. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances. The owner of a residential homestead property who (i) is a person sixty-five (65) years of age or older, (ii) is under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas law, is also entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes with the District in the preceding 24 months.

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code classifies municipal utility districts differently based on their current operation and maintenance tax rate or on the percentage of projected build-out that a 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 herein as “Low Tax Rate Districts.” Districts that have financed, completed, and issued bonds to pay for all land, improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as “Developed Districts.” Districts that do not meet either of the classifications previously discussed can be classified herein as “Developing Districts.” The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below. See “SELECTED FINANCIAL INFORMATION” for a description of the District’s current total tax rate.

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 in the district, subject to certain homestead exemptions, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a 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 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.

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 in the district, subject to certain homestead exemptions, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus the 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 can be classified as Developing Districts. The qualified voters of these districts, upon the Developing District's adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, are authorized to petition for an election to reduce the operation and maintenance tax rate. If an election is called and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rate plus the 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 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.

The District: A determination as to a district’s status as a Low Tax Rate District, Developed District or Developing District will be made by the Board of Directors on an annual basis. The District has been designated as a Developing District for the 2025 tax year. The District cannot give any assurances as to what its classification will be at any point in time or whether the District’s future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property against which the tax is levied. In addition, on January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units. See “ESTIMATED OVERLAPPING DEBT STATEMENT.” A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. Further, personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalties, and interest.

Except with respect to (i) owners of residential homestead property who are sixty-five (65) years of age or older or under a disability as described above and who have filed an affidavit as required by law and (ii) owners of residential homesteads who have entered into an installment agreement with the District for payment of delinquent taxes as described above and who are not in default under said agreement, at any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, or by taxpayer redemption rights (a taxpayer may redeem property that is a residence homestead or was designated for agricultural use within two (2) years after the deed issued at foreclosure is filed of record and may redeem all other property within six (6) months after the deed issued at foreclosure is filed of record) or by bankruptcy proceedings which restrict the collection of taxpayer debt. The District's ability to foreclose its tax lien or collect penalties and interest may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. Generally, the District's tax lien and a federal tax lien are on par with the ultimate priority being determined by applicable federal law. See "INVESTMENT CONSIDERATIONS—Tax Collection Limitations."

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DEBT SERVICE REQUIREMENTS

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

| Year | Outstanding Bonds Debt Service Requirements | Debt Service on the Bonds | | | Total Debt Service Requirements |
|--------------|--|---------------------------|---------------------|---------------------|---------------------------------------|
| | | Principal | Interest | Total | |
| 2026 | \$ 6,398,368 | \$ 600,000 | \$ 283,486 | \$ 883,486 | \$ 7,281,853 |
| 2027 | 5,633,960 | 200,000 | 262,938 | 462,938 | 6,096,898 |
| 2028 | 5,567,360 | 200,000 | 249,938 | 449,938 | 6,017,298 |
| 2029 | 5,519,530 | 200,000 | 236,938 | 436,938 | 5,956,468 |
| 2030 | 5,468,924 | 200,000 | 223,938 | 423,938 | 5,892,861 |
| 2031 | 5,271,568 | 200,000 | 210,938 | 410,938 | 5,682,505 |
| 2032 | 5,273,999 | 200,000 | 197,938 | 397,938 | 5,671,936 |
| 2033 | 5,284,611 | 200,000 | 184,938 | 384,938 | 5,669,549 |
| 2034 | 5,289,516 | 200,000 | 171,938 | 371,938 | 5,661,454 |
| 2035 | 5,294,824 | 200,000 | 159,438 | 359,438 | 5,654,261 |
| 2036 | 5,304,720 | 200,000 | 151,438 | 351,438 | 5,656,158 |
| 2037 | 5,317,543 | 200,000 | 143,438 | 343,438 | 5,660,980 |
| 2038 | 5,318,983 | 200,000 | 135,438 | 335,438 | 5,654,420 |
| 2039 | 5,329,344 | 200,000 | 127,438 | 327,438 | 5,656,781 |
| 2040 | 5,342,369 | 200,000 | 119,438 | 319,438 | 5,661,806 |
| 2041 | 5,348,731 | 200,000 | 111,438 | 311,438 | 5,660,169 |
| 2042 | 5,358,250 | 200,000 | 103,438 | 303,438 | 5,661,688 |
| 2043 | 5,364,319 | 200,000 | 95,438 | 295,438 | 5,659,756 |
| 2044 | 5,168,931 | 200,000 | 87,438 | 287,438 | 5,456,369 |
| 2045 | 4,401,263 | 200,000 | 79,438 | 279,438 | 4,680,700 |
| 2046 | 4,002,781 | 200,000 | 71,438 | 271,438 | 4,274,219 |
| 2047 | 3,037,469 | 350,000 | 63,438 | 413,438 | 3,450,906 |
| 2048 | 1,831,406 | 350,000 | 49,438 | 399,438 | 2,230,844 |
| 2049 | 691,375 | 350,000 | 35,000 | 385,000 | 1,076,375 |
| 2050 | 224,406 | 350,000 | 17,500 | 367,500 | 591,906 |
| Total | \$ 117,044,548 | \$ 6,000,000 | \$ 3,573,611 | \$ 9,573,611 | \$ 126,618,158 |

Maximum Annual Debt Service Requirement (2026) \$7,281,853
Average Annual Debt Service Requirements (2026-2050) \$5,064,726

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and not obligations of the State of Texas, Harris County, the City of Houston, or any other political entity other than the District, will be secured by a continuing direct annual ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property within the District. The ultimate security for payment of the principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. See “THE BONDS—Source and Security for Payment.” The collection by the District of delinquent taxes owed to it and the enforcement by Registered Owners of the District’s obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of taxable property within the District will accumulate or maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property or that owners of the property will have the ability to pay taxes. See “—Bankruptcy Limitation to Registered Owners’ Rights” herein.

Rental Homes

The homes in all sections of Treviso Gardens (645 lots) were constructed by Camillo Properties LLC (formerly known as Camillo Properties Ltd.) as rental properties. It is anticipated that Camillo Houses CV No 6 LLC, Camillo Houses CV 4 LLC, Camillo ML 2021 SFR LLC, Camillo Houses CV 3 LLC, Camillo Properties LLC, and Camillo CV No 5 LLC (collectively, for purposes of this section, “Camillo Properties”) will continue to own all or nearly all of the rental homes constructed in Treviso Gardens and will continue to be approximately six of the principal taxpayers in the District. On the 2024 tax roll, such taxpayers collectively represent \$82,892,879 or 13.56% of the certified portion of the 2024 Taxable Assessed Valuation. See “TAX DATA—Principal Taxpayers.”

Camillo Properties, as the owner of nearly all of the rental homes in Treviso Gardens, is responsible for the payment of property taxes, maintenance of the homes and the landscape maintenance of the front yards.

Dependence on Major Taxpayers and the Developer

The principal taxpayers represent \$124,520,554 or approximately 20.19% of the certified portion (\$616,572,471) of the 2024 Taxable Assessed Valuation of \$617,658,183, which represents ownership as of January 1, 2024. The Developers and their affiliates represent \$112,041,102 or approximately 18.17% of such value. See “TAX DATA—Principal Taxpayers.” If the Developers or another principal taxpayer were to default in the payment of taxes in an amount which exceeds the balance in the District’s Debt Service Funds, the ability of the District to make timely payment of debt service on the Bonds would be dependent on the ability of the District to enforce and liquidate its tax lien, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in the District being forced to set an excessive tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its Debt Service Funds. See “Tax Collection Limitations and Foreclosure Remedies” in this section, “TAX PROCEDURES—Levy and Collection of Taxes.”

The Developers have informed the Board that their current plans are to develop the remaining undeveloped land. However, neither the Developers nor any future developer is obligated to implement development plans on any particular schedule or at all. Thus, the furnishing of information related to any proposed development should not be interpreted as such a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developers or any other landowner within the District to implement any plan of development. Furthermore, there is no restriction on any landowner’s right to sell land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developer or any other landowner. See “THE DEVELOPERS.”

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of single-family residences, commercial development, undeveloped land and developed lots available for the construction of primary residences. The market value of such homes and lots is related to general economic conditions in the Houston metropolitan region and the national economy, and those conditions can affect the demand for residences and, in the case of Treviso, rental homes. Demand for lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values. See “THE DISTRICT.”

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. 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 construction within the District. In addition, since the District is located approximately 30 miles from the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston and the nation could adversely affect development and home-building plans in the District and restrain the growth of the District's property tax base or reduce it from current levels.

Landowner Obligation to the District

There are no commitments from or obligations of the Developers or any other landowners to the District to proceed at any particular rate or according to any specified plan with the development of land or the construction of improvements in the District, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on developed lots or developed tracts of land could restrict the rate of growth of taxable values in the District. The District cannot and does not make any representations that over the life of the Bonds the District will increase or maintain its taxable value.

Undeveloped Acreage

There are approximately 21 developable acres of land within the District that have not been provided with water, sanitary sewer, storm sewer, road and other facilities necessary for the construction of taxable improvements. In addition, approximately 8 acres are served with trunk facilities for commercial development on which no vertical improvements have been constructed. The District makes no representation as to when or if development of the undeveloped acreage will occur or that commercial building program will be successful. Failure of the Developers or builders to construct taxable improvements on developed lots or to develop the developable land could restrict the rate of growth of taxable values in the District. See "THE DISTRICT—Residential Development."

Tax-Exempt Property

Chapter 392 of the Texas Local Government Code allows a housing authority to exempt certain property from all taxes and special assessments of a political subdivision, including a municipal utility district, if certain conditions are met. Under Chapter 392, the Houston Housing Authority has exempted certain apartment complexes in the greater Houston metropolitan region from property taxes in exchange for making some units affordable housing. The Houston Housing Authority is currently constructing a 340-unit apartment complex on approximately 11 acres within the District, with completion expected in the first quarter of 2026, which will be tax-exempt. See "TAX PROCEDURES— Tax Exemption Provided to Public Facility Corporations and Certain Lessees." If any additional multi-family development within the District is designated as an affordable housing apartment community and exempted from property taxes under Chapter 392, the District may have to make adjustments to (i) its water and sewer rates, (ii) its maintenance and operations tax rate to maintain adequate operating reserves or (iii) its debt service tax rate to adequately provide funds to pay the principal and interest on its then Outstanding Bonds.

Additionally, Chapter 394 of the Texas Local Government Code, known as the Texas Housing Finance Corporations Act (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. Historically, HFCs could receive certain tax exemptions on qualified projects under the HFC Act, 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. Subject to certain restrictions, a leasehold or other possessory interest granted by the HFC to the user of an HFC-owned multifamily residential development entitles that user to this same exemption. Section 394.904(d) (as added by H.B. 21, 89th Texas Legislature, Regular Session) provides in part that 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. The District is not aware of any public facilities located within the boundaries of the District that are either owned or leased by an HFC.

The Act provides that property acquired by an HFC after May 28, 2025, will, unless payment in lieu of tax is agreed upon, be subject to taxes imposed by conservation and reclamation district created under Section 52, Article III, or Section 59, Article XVI, Texas Constitution, and certain emergency services districts.

Potential Effects of Oil Price Fluctuations on the Houston Area

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

Extreme Weather Events

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

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

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

Specific Flood Type Risks

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

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

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 ad valorem taxes. The 2024 Taxable Assessed Valuation of the District is \$617,658,183 (\$616,572,471 of certified value plus \$1,085,712 uncertified value). See “FINANCIAL STATEMENT.” After issuance of the Bonds, the maximum annual debt service requirement will be \$7,281,853 (2026) and the average annual debt service requirement will be \$5,064,726 (2026-2050). See “DEBT SERVICE REQUIREMENTS.” Assuming no increase or decrease from the 2024 Taxable Assessed Valuation and no use of funds other than tax collections, a tax rate of \$1.25 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement and a tax rate of \$0.87 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement. The Estimated Taxable Assessed Valuation as of May 15, 2025 is \$698,381,123. Assuming no increase or decrease from the Estimated Taxable Assessed Valuation as of May 15, 2025 and no use of other funds other than tax collections, a tax rate of \$1.10 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement and a tax rate of \$0.77 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement. Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds based upon the 2024 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of May 15, 2025, the District can make no representations regarding the future level of assessed valuation within the District. Increases in the tax rate may be required in the event major taxpayers do not pay their District taxes timely. See “TAX PROCEDURES” and “TAX DATA—Tax Adequacy for Debt Service.”

Future Debt

After the issuance of the Bonds, the District reserves in the Bond Order the right to issue the remaining \$58,060,000 in principal amount of authorized but unissued unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities for the District, the \$239,000,000 in principal amount of authorized but unissued unlimited tax bonds for the purpose of refunding the outstanding bonds of the District, the \$37,750,000 in principal amount of authorized but unissued unlimited tax bonds for the purpose of acquiring and/or constructing recreational facilities, and the \$46,620,000 in principal amount of authorized but unissued unlimited tax bonds for the purpose of financing and constructing road facilities, and any additional bonds which may be voted hereafter. Marcello, Treviso and Camillo have been fully reimbursed for financing the design and construction of water, sanitary sewer and drainage facilities and road facilities and continue to be owed approximately \$7,000,000 for park and recreational facilities. After reimbursements from proceeds of the Bonds, RK Katy Park will have financed or is contractually obligated to finance approximately \$4,000,000 for water, sanitary sewer and drainage facilities and \$700,000 for road facilities which they have not been reimbursed. See “THE BONDS—Issuance of Additional Debt,” “—Financing Recreational Facilities,” “—Financing Road Facilities” and “USE AND DISTRIBUTION OF BOND PROCEEDS—Future Debt.” The District is authorized to issue bonds payable from an ad valorem tax to pay for the development and maintenance of recreational facilities if (i) the District duly adopts a plan for the facilities; (ii) the bonds are authorized at an election; (iii) the bonds payable from any source do not exceed 1% of the value of the taxable property in the District at the time of issuance of the bonds, or in the event the District meets certain conditions, 3% of the value of the taxable property in the District at the time of issuance of the bonds, but in no event in an amount greater than the estimated cost in the plan; (iv) the District obtains any necessary governmental consents allowing the issuance of such bonds; (v) the issuance of the bonds is approved by the Commission in accordance with its rules with respect to same; and (vi) the bonds are approved by the Attorney General of Texas. The issuance of such obligations may adversely affect the investment security of the Bonds. The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. Any bonds issued by the District, however, must be approved by the Attorney General of Texas and the Board and any bonds issued to acquire or construct water, sanitary sewer and drainage facilities or recreational facilities must be approved by the Commission. The District can make no representation that any additional development will occur within the District. The Engineer has stated that the District's authorized but unissued bonds and other available District funds are adequate, under present land use projections, to finance the improvements necessary to serve such development. The District has no plans to call an election to authorize additional bonds at this time

In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See “THE BONDS—Issuance of Additional Debt.”

Environmental and Air Quality Regulations

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

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

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

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

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

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

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

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

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

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and the EPA’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency’s rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

Further, the EPA has established a NPDWR for six (6) Per- and Polyfluoroalkyl Substances (“PFAS”), which requires public water systems to perform certain monitoring and remediation measures. Public water systems may be subject to additional PFAS regulation in the future, which could increase the cost of constructing, operating, and maintaining water production and distribution facilities.

Texas Pollutant Discharge Elimination System (“TPDES”) permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), with an effective date of March 5, 2018, 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. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district’s ability to obtain and maintain compliance with TPDES permits.

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

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

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 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 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 state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District’s ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time consuming and expensive collection procedures, (b) a bankruptcy court’s stay of tax collection procedure against a taxpayer, or (c) market conditions limiting the proceeds from a foreclosure sale of taxable property. 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. Attorney’s fees and other costs of collecting any such taxpayer’s delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor’s confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. See “TAX PROCEDURES—District’s Rights in the Event of Tax Delinquencies.”

Registered Owners Remedies

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

Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. Even if a judgment against the District for money damages could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Beneficial Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Beneficial Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Bankruptcy Limitation to Registered Owners' Rights

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District: (1) is authorized to file for federal bankruptcy protection by Texas law; (2) is insolvent or unable to meet its debts as they mature; (3) desires to effect a plan to adjust such 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, the District must also obtain the approval of the Commission prior to filing bankruptcy. Such law requires that the Commission investigate the financial conditions of the District and authorize the District to proceed only if the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

If the District decides in the future to proceed voluntarily under the federal Bankruptcy Code, the District could develop and file a plan for the adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect the Registered Owners by reducing or eliminating the interest rate or the principal amount, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Registered Owner's claim against the District.

A district may not be forced into bankruptcy involuntarily.

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 by the District to comply with such covenants in the Bond Order on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "LEGAL MATTERS—Tax Exemption."

Marketability

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

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

2025 Legislative Session

The 89th Regular Legislative Session convened on January 14, 2025, and concluded on June 2, 2025. The Texas Legislature meets in regular session in odd numbered years for 140 days. When the Texas Legislature is not in session, the Governor of Texas (the "Governor") may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. During this time, the Texas Legislature may enact laws that materially change current law as it relates to the District. On June 23, 2025, the Governor called the First Special Session to begin on July 21, 2025. The District can make no representation regarding any actions the Texas Legislature may take or the effect of such actions.

Risk Factors Related to the Purchase of Municipal Bond Insurance

The Initial Purchaser has entered into an agreement with Build America Mutual Assurance Company ("BAM" or the "Insurer") for the purchase of a municipal bond insurance policy (the "Policy"). At the time of entering into the agreement, the Insurer was rated "AA" (stable outlook) by S&P. See "MUNICIPAL BOND INSURANCE."

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 description of "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE."

The obligations of the insurer are contractual obligations and in an event of default by the insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies. Neither the District nor the Initial Purchaser has made independent investigation into the claims paying ability of the insurer and no assurance or representation regarding the financial strength or projected financial strength of the insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the insurer, particularly over the life of the investment. See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE" for further information provided by the insurer and the Policy, which includes further instructions for obtaining current financial information concerning the insurer.

LEGAL MATTERS

Legal Opinions

The District will furnish to the Initial Purchaser a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the 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 Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The District will also furnish the approving legal opinion of Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the Registered Owners of the Bonds 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 and to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion, assuming compliance by the District with certain covenants relating to the use and investment of the proceeds of the Bonds. See "Tax Exemption" below. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property within the District. Bond Counsel's opinion will also address the matters described below.

In addition to serving as Bond Counsel, Schwartz, Page & Harding, L.L.P., also serves as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of bonds actually issued, sold and delivered, and, therefore, such fees are contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the District by McCall, Parkhurst & Horton L.L.P., Houston, Texas, as Disclosure Counsel.

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.

Legal Review

In its capacity as Bond Counsel, Schwartz, Page & Harding, L.L.P., has reviewed the information appearing in this Official Statement under the captioned sections "THE BONDS," "THE DISTRICT - General," "MANAGEMENT - Bond Counsel and General Counsel," "TAX PROCEDURES," and "LEGAL MATTERS" solely to determine whether such information fairly summarizes the law and documents referred to therein. Such firm has not independently verified factual information contained in this Official Statement, nor has such firm 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 such firm'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 of the other information contained herein.

Tax Exemption

On the date of initial delivery of the Bonds, 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, as amended (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on or disposition of the Bonds.

In rendering its opinion, Bond Counsel will rely upon, and assume continuing compliance with, (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate issued in connection with the Bonds, and (b) covenants of the District contained in the Bond Order 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 observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

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

Not Qualified Tax-Exempt Obligations

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

The District has NOT designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law which is subject to change or modification retroactively.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences. The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, including financial institutions, life insurance and property and casualty insurance companies, owners of interests in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, 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 individuals allowed an earned income credit. THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIFIC 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 certain corporation's "adjusted financial statement income" determined under Section 56A of the Code to calculate the alternative minimum tax imposed 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.

Tax Accounting Treatment of Original Issue Discount and Premium Bonds

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

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

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

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

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. ALL OWNERS OF ORIGINAL ISSUE DISCOUNT BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE DETERMINATION FOR FEDERAL, STATE AND LOCAL INCOME TAX PURPOSES OF INTEREST ACCRUED UPON REDEMPTION, SALE OR OTHER DISPOSITION OF SUCH ORIGINAL ISSUE DISCOUNT BONDS AND WITH RESPECT TO THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP, REDEMPTION, SALE OR OTHER DISPOSITION OF SUCH ORIGINAL ISSUE DISCOUNT BONDS.

The initial public offering price to be paid for certain maturities of the Bonds is greater than the amount payable on such Bonds at maturity (the "Premium Bonds"). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity. PURCHASERS OF THE PREMIUM BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS WITH RESPECT TO THE DETERMINATION OF AMORTIZABLE BOND PREMIUM WITH RESPECT TO THE PREMIUM BONDS FOR FEDERAL INCOME TAX PURPOSES AND WITH RESPECT TO THE STATE AND LOCAL TAX CONSEQUENCES OF OWNING PREMIUM BONDS.

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

The offer and sale of the Bonds have not been registered or qualified under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder; the Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction.

The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

NO MATERIAL ADVERSE CHANGE

The obligations of the Initial Purchaser to take and pay for the Bonds, and 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 or contemplated in the Preliminary Official Statement, as it may have been supplemented or amended through the date of the sale.

MUNICIPAL BOND RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") has assigned a municipal bond rating of "AA" (stable outlook) with the understanding that, upon delivery of the Bonds, a municipal bond insurance policy ensuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company ("BAM"). Moody's Investors Service ("Moody's") has assigned an underlying rating of "Baa1" to the Bonds. An explanation of the ratings may be obtained from S&P and Moody's. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance" and "MUNICIPAL BOND INSURANCE."

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM" or the "Insurer") will issue its municipal bond insurance policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX B to this Official Statement.

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM. The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2025 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$503.3 million, \$258.1 million and \$245.2 million, respectively.

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

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

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

Additional Information Available from BAM

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

Credit Profiles: Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any presale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at <https://bambonds.com/credit-profiles/>. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

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

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

NO-LITIGATION CERTIFICATE

With the delivery of the Bonds, the President or Vice President and Secretary or Assistant Secretary of the Board will, on behalf of the District, execute and deliver to the Initial Purchaser a certificate dated as of the Date of Delivery, to the effect that no litigation of any nature of which the District has notice is pending against or, to the knowledge of the District's certifying officers, threatened against the District, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the title of the then present officers and directors of the Board.

SALE AND DISTRIBUTION OF THE BONDS

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was rendered by Robert W. Baird & Co., Inc. (the "Initial Purchaser") bearing the interest rates shown on the cover page of this Official Statement, at a price of 97.0000% of the principal amount thereof, which resulted in a net effective interest rate of 4.743400% as calculated pursuant to Chapter 1204, Texas Government Code (the "IBA" method).

The prices and other terms with respect to the offering and the sale of the Bonds may be changed from time to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Initial Purchaser may over-allocate or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

The financial data and other information contained in this Official Statement has been obtained primarily from the District's records, the Developers, the Engineer, the Tax Assessor/Collector, the Appraisal District and information from other sources believed to be reliable. No guarantee is made by the District as to the accuracy or completeness of the information derived from sources other than the District, and the inclusion herein of information from sources other than the District is not to be construed as a representation on the part of the District to such effect, except as described below under "CERTIFICATION OF OFFICIAL STATEMENT." Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, resolutions, engineering and other related information set forth in this Official Statement are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

Financial Advisor

Masterson Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement, including the Official Notice of Sale and the Official Bid Form for the sale of the Bonds. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this Official Statement. In addition to compiling and editing, the Financial Advisor has obtained the information set forth herein under the caption indicated from the following sources:

"THE DISTRICT"—Edminster, Hinshaw, Russ & Associates, Inc.; "THE DEVELOPERS"—Marcello, Camillo, Treviso, Benchmark and RK Katy Park; "TAX PROCEDURES"—Assessments of the Southwest, Inc. and Schwartz, Page & Harding, L.L.P.; "THE SYSTEM"—Edminster, Hinshaw, Russ & Associates, Inc.; "THE BONDS" and "LEGAL MATTERS"—Schwartz, Page & Harding, L.L.P.; "FINANCIAL STATEMENT" and "TAX DATA"—Harris Central Appraisal District, Assessments of the Southwest, Inc. and the Municipal Advisory Council of Texas.

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

Consultants

In approving this Official Statement, the District has relied upon the following consultants in addition to the Financial Advisor.

Engineer: The information contained in this Official Statement relating to engineering and to the description of the System and, in particular that information included in the sections entitled "THE DISTRICT," and "THE SYSTEM" (as it relates to District facilities) has been provided by Edminster, Hinshaw, Russ & Associates, Inc. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

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

Tax Assessor Collector: The information contained in this Official Statement relating to the historical breakdown of the Certified Taxable Assessed Valuations, principal taxpayers, and certain other historical data concerning tax rates and tax collections has been provided by Assessments of the Southwest, Inc., and is included herein in reliance upon Assessments of the Southwest, Inc. as an expert in collecting taxes.

Auditor: The financial statements of the District as of September 30, 2024 and for the year then ended, included in this offering document, have been audited by Forvis Mazars, LLP, independent auditors, as stated in their report appearing herein. See "APPENDIX A."

Bookkeeper: The information related to the unaudited summary of the District's General Operating Fund as it appears in "WATER AND SANITARY SEWER OPERATIONS" has been provided by Municipal Accounts & Consulting L.P. and is included herein in reliance upon the authority of such firm as experts in the tracking and managing the various funds of municipal utility districts.

UPDATING OF OFFICIAL STATEMENT

For the period beginning on the date of the award of the sale of the Bonds to the Initial Purchaser and ending on the ninety-first (91st) day after the “end of the underwriting period,” (as defined in Rule 15c(2)-12(f)(2) of the United States Securities and Exchange Commission (the “SEC”)), if any event shall occur of which the District has knowledge and as a result of which it is necessary to amend or supplement this Official Statement in order to make the statements herein, in light of the circumstances when this Official Statement is delivered to a prospective purchaser, not materially misleading, the District will promptly notify the Initial Purchaser of the occurrence of such event and will cooperate in the preparation of a revised Official Statement, or amendments or supplements hereto, so that the statements in this Official Statement, as revised, amended or supplemented, will not, in light of the circumstances when this Official Statement is delivered to a prospective purchaser, be materially misleading. The District assumes no responsibility for supplementing this Official Statement thereafter.

CERTIFICATION OF OFFICIAL STATEMENT

The District, acting through its Board in its official capacity and in reliance upon the experts listed above, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement of a material fact and do not omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading. With respect to information included in this Official Statement other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide annually to the MSRB certain updated financial information and operating data. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings “THE SYSTEM,” “WATER AND SANITARY SEWER OPERATIONS,” “FINANCIAL STATEMENT,” “TAX DATA,” “DEBT SERVICE REQUIREMENTS” (most of which information is contained in the District’s audited financial statements) and in Appendix A (District Audited Financial Statements for the fiscal year ended September 30, 2024 and Certain Supplemental Schedules). The District will update and provide this information within six (6) 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 commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District will provide unaudited financial statements by the required time, and audited financial statements when and if such audited financial statements become 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 September 30. Accordingly, it must provide updated information by March 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Specified Event Notices

The District will provide timely notices of certain events to the MRSB, 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 events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the “Rule”); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material to a decision to purchase or sell Bonds; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The terms “financial obligation” and “material” when used in this paragraph shall have the meaning ascribed to them under federal securities laws. 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 from the MSRB

The District has agreed to provide the foregoing information only to the MSRB. Investors can access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

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

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

MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 536, as of the date shown on the cover page.

/s/Joseph Forrester
President, Board of Directors
Harris County Municipal Utility District No. 536

ATTEST:

/s/Kimberly Carroll
Secretary, Board of Directors
Harris County Municipal Utility District No. 536

AERIAL PHOTO

(Approximate boundaries as of June 2025)

**HARRIS COUNTY MUNICIPAL
UTILITY DISTRICT No. 536**

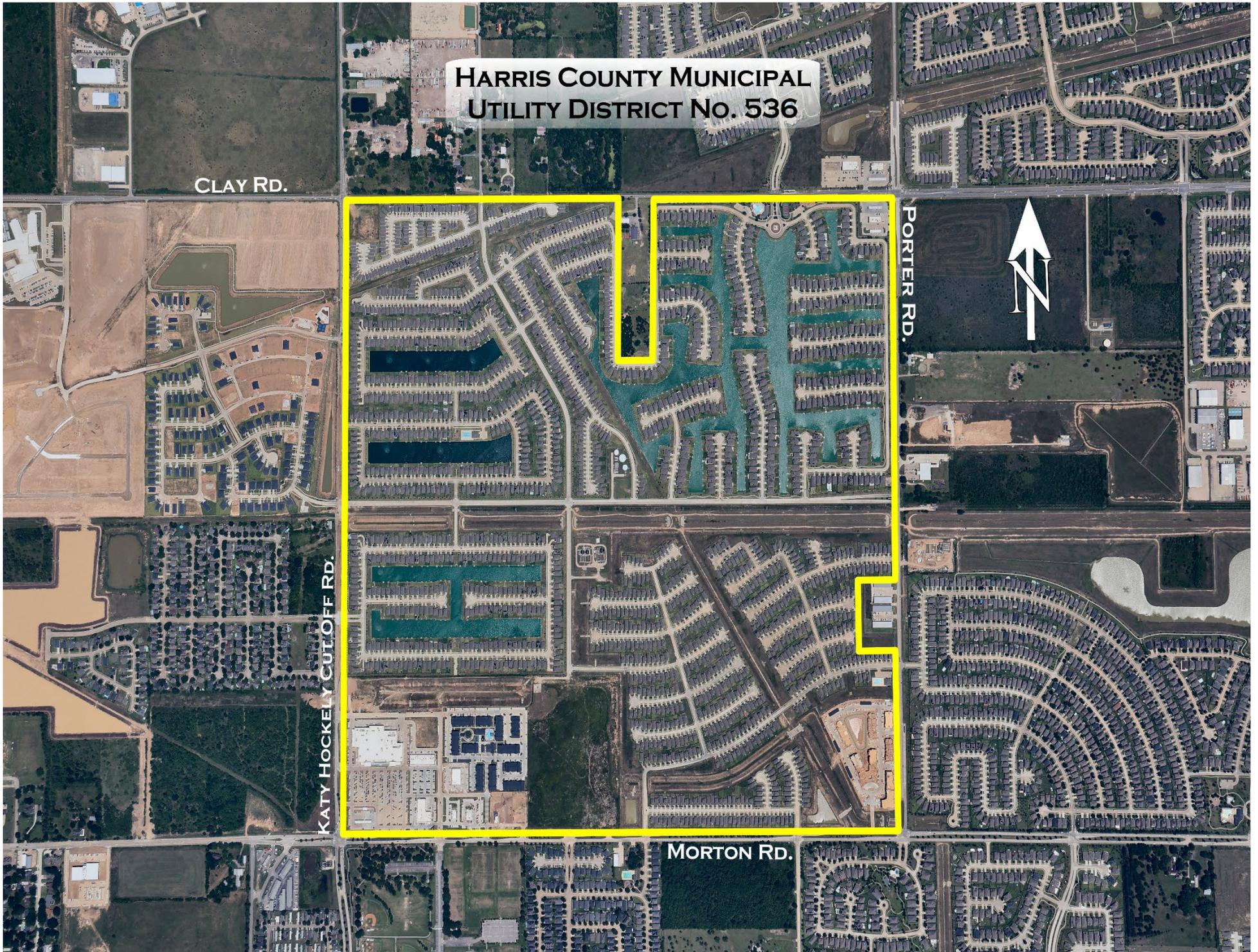
CLAY RD.

PORTER RD.



KATY HOCKEY CUTOFF RD.

MORTON RD.



PHOTOGRAPHS

The following photographs were taken in the District in June 2025 solely to illustrate the type of improvements which have been constructed in the District. The District cannot predict if additional improvements will be constructed in the future.













APPENDIX A

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

The information contained in this appendix includes the Independent Auditor's Report and Financial Statements of Harris County Municipal Utility District No. 536 and certain supplemental information for the fiscal year ended September 30, 2024.



Harris County Municipal Utility District No. 536 Harris County, Texas

Independent Auditor's Report and Financial Statements

September 30, 2024



Harris County Municipal Utility District No. 536
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September 30, 2024

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Independent Auditor's Report

Board of Directors
Harris County Municipal Utility District No. 536
Harris County, Texas

Opinions

We have audited the financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 536 (the District), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from

error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedules required by the Texas Commission on Environmental Quality listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Forvis Mazars, LLP

**Houston, Texas
February 3, 2025**

Overview of the Financial Statements

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

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, such as the provision of water, sanitary sewer and drainage services. Other activities, such as the provision of recreation facilities and solid waste 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, liabilities, and deferred inflows and outflows of resources of the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

Notes to Financial Statements

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

Financial Analysis of the District as a Whole

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

Summary of Net Position

| | 2024 | 2023 |
|----------------------------------|-----------------|-----------------|
| Current and other assets | \$ 10,951,847 | \$ 31,075,934 |
| Capital and lease assets | 51,071,674 | 45,839,015 |
| Total assets | \$ 62,023,521 | \$ 76,914,949 |
| Long-term liabilities | \$ 87,139,545 | \$ 86,856,511 |
| Other liabilities | 883,100 | 17,809,870 |
| Total liabilities | 88,022,645 | 104,666,381 |
| Net position: | | |
| Net investment in capital assets | 2,536,831 | (22,804,209) |
| Restricted | 3,637,721 | 20,203,337 |
| Unrestricted | (32,173,676) | (25,150,560) |
| Total net position | \$ (25,999,124) | \$ (27,751,432) |

The total net position of the District increased by \$1,752,308, or about 6%. The majority of the increase in net position is related to tax revenues intended to pay principal on the District's bonded indebtedness, which is shown as long-term liabilities in the government-wide financial statements. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At September 30, 2024, unrestricted net position was \$(32,173,676). This amount was negative because not all expenditures from long-term debt were for the acquisition of capital assets. Within Harris County, the county government assumes the maintenance and other incidents of ownership of most road and storm sewer facilities constructed by the District. Accordingly, these assets are not recorded in the financial statements of the District.

Summary of Changes in Net Position

| | <u>2024</u> | <u>2023</u> |
|---------------------------------|------------------------|------------------------|
| Revenues: | | |
| Property taxes | \$ 7,678,715 | \$ 6,766,826 |
| Charges for services | 3,014,046 | 3,035,048 |
| Other revenues | 1,663,983 | 1,351,224 |
| Total revenues | <u>12,356,744</u> | <u>11,153,098</u> |
| Expenses: | | |
| Services | 3,219,149 | 2,936,783 |
| Depreciation and amortization | 1,257,096 | 1,087,241 |
| Conveyance of capital assets | 3,320,531 | 6,223,949 |
| Debt service | 2,807,660 | 3,275,221 |
| Total expenses | <u>10,604,436</u> | <u>13,523,194</u> |
| Change in net position | 1,752,308 | (2,370,096) |
| Net position, beginning of year | <u>(27,751,432)</u> | <u>(25,381,336)</u> |
| Net position, end of year | <u>\$ (25,999,124)</u> | <u>\$ (27,751,432)</u> |

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended September 30, 2024, were \$10,199,446, a decrease of \$3,200,121 from the prior year.

The general fund's fund balance decreased by \$3,708,688, primarily due to capital outlay expenditures.

The debt service fund's fund balance increased by \$520,136, primarily due to property tax revenues and investment income exceeding bond principal and interest requirements.

The capital projects fund's fund balance decreased by \$11,569 due to capital outlay expenditures and debt issuance costs exceeding investment income.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to tap connection and inspection fees revenues, and repairs and maintenance, tap connections and capital outlay expenditures being greater than anticipated, as well as, water

service revenue, regional water fee expenditures and lease payments expenditures being less than anticipated. The fund balance as of September 30, 2024, was expected to be \$7,328,462 and the actual end-of-year fund balance was \$5,789,377.

Capital and Lease Assets and Related Debt

Capital and Lease Assets

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

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

| | <u>2024</u> | <u>2023</u> |
|--------------------------------|-----------------------------|-----------------------------|
| Land and improvements | \$ 19,048,378 | \$ 18,378,075 |
| Water facilities | 10,781,510 | 11,133,206 |
| Wastewater facilities | 16,363,174 | 15,007,631 |
| Drainage facilities | 2,034,080 | - |
| Parks and recreation | 2,844,532 | 430,500 |
| Lease assets | - | 889,603 |
| | <u> </u> | <u> </u> |
| Total capital and lease assets | <u>\$ 51,071,674</u> | <u>\$ 45,839,015</u> |

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

| | |
|---|-----------------------------|
| Land acquisitions for Marcello Lakes and Camillo Lakes Recreation Center and detention and mass grading to serve the Market at Katy Park | \$ 180,354 |
| Land improvements, Phase 1 detention and outfalls to serve Marcello Lakes and Phase 1 and 2 detention and outfalls to serve Camillo Lakes | 489,949 |
| Purchase of wastewater treatment plant equipment | 1,803,948 |
| Water, sewer and storm water pump station facilities to serve the Market at Katy Park | 2,174,599 |
| Wastewater treatment plant equipment including: ultrasonic flow meter, blower No. 3 & 4 and pump | 45,064 |
| Recreational facilities including: recreational site improvements for Marcello Lakes and Camillo Lakes, amenity pond fountains to serve Marcello Lakes and Camillo Lakes, landscape design for Marcello Lakes Recreational Center | <u>2,569,409</u> |
| | <u> </u> |
| Total additions to capital and lease assets | <u>\$ 7,263,323</u> |

Developers within the District have constructed water, sewer, drainage, recreational and road and paving 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 Commission, if required. As of September 30, 2024, a liability for developer-constructed capital assets of \$16,040,888 was recorded in the government-wide financial statements.

Debt

The changes in the debt position of the District during the fiscal year ended September 30, 2024, are summarized as follows:

| | |
|---|----------------------|
| Long-term debt payable, beginning of year | \$ 86,856,511 |
| Increases in long-term debt | 5,520,412 |
| Decreases in long-term debt | <u>(5,237,378)</u> |
| Long-term debt payable, end of year | <u>\$ 87,139,545</u> |

At September 30, 2024, the District had \$71,060,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems; \$37,750,000 for financing and constructing recreational facilities; and \$50,620,000 for financing and constructing roads within the District.

The District’s bonds carry an underlying rating of “Baa1” from Moody’s Ratings. The Series 2019, Road Series 2019A, Road Series 2020A, Road Series 2021A, Series 2022 and Series 2023 bonds carry a “AA” rating from Standard & Poor’s by virtue of bond insurance issued by Build America Mutual Assurance Company. The Series 2020, Series 2021 and Road Series 2022A bonds carry a “AA” rating from Standard & Poor’s and an “A1” rating from Moody’s Ratings by virtue of bond insurance issued by Assured Guaranty Municipal Corp.

Other Relevant Factors

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston (the City), the District must conform to the City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City without the District’s consent if the municipality complies with the procedures and requirements of Chapter 43, Texas Local Government Code, as amended. If the District is annexed, the City must assume the District’s assets and obligations (including the bonded indebtedness) and abolish the District within 90 days of the date of annexation.

Subsequent Event

On October 22, 2024, the District sold its \$7,000,000 Unlimited Tax Bonds, Series 2024, at a net effective interest rate of approximately 4.03%. The bonds were sold to reimburse the Developers of the District for construction of District facilities.

Harris County Municipal Utility District No. 536
Statement of Net Position and Governmental Funds Balance Sheet
September 30, 2024

| | General Fund | Debt Service Fund | Capital Projects Fund | Total | Adjustments | Statement of Net Position |
|--|---------------------|-------------------------|-----------------------------|----------------------|------------------------|---------------------------------|
| Assets | | | | | | |
| Cash | \$ 320,320 | \$ 63,865 | \$ 305 | \$ 384,490 | \$ - | \$ 384,490 |
| Certificates of deposit | 1,880,000 | 1,880,000 | - | 3,760,000 | - | 3,760,000 |
| Short-term investments | 3,753,046 | 1,738,443 | 808,889 | 6,300,378 | - | 6,300,378 |
| Receivables: | | | | | | |
| Property taxes | 23,662 | 61,008 | - | 84,670 | - | 84,670 |
| Service accounts | 363,158 | - | - | 363,158 | - | 363,158 |
| Accrued interest | 40,576 | 18,575 | - | 59,151 | - | 59,151 |
| Interfund receivables | 97,066 | - | - | 97,066 | (97,066) | - |
| Capital and lease assets (net of accumulated depreciation and amortization): | | | | | | |
| Land | - | - | - | - | 19,048,378 | 19,048,378 |
| Parks and recreation | - | - | - | - | 2,844,532 | 2,844,532 |
| Infrastructure | - | - | - | - | 29,178,764 | 29,178,764 |
| Total assets | <u>\$ 6,477,828</u> | <u>\$ 3,761,891</u> | <u>\$ 809,194</u> | <u>\$ 11,048,913</u> | <u>\$ 50,974,608</u> | <u>\$ 62,023,521</u> |
| Liabilities | | | | | | |
| Accounts payable | \$ 363,447 | \$ 2,942 | \$ - | \$ 366,389 | \$ - | \$ 366,389 |
| Accrued interest payable | - | - | - | - | 215,369 | 215,369 |
| Customer deposits | 279,700 | - | - | 279,700 | - | 279,700 |
| Interfund payables | - | 40,128 | 56,938 | 97,066 | (97,066) | - |
| Due to others | 9,981 | - | - | 9,981 | - | 9,981 |
| Unearned tap connection fees | 11,661 | - | - | 11,661 | - | 11,661 |
| Long-term liabilities: | | | | | | |
| Due within one year | - | - | - | - | 2,660,000 | 2,660,000 |
| Due after one year | - | - | - | - | 84,479,545 | 84,479,545 |
| Total liabilities | <u>664,789</u> | <u>43,070</u> | <u>56,938</u> | <u>764,797</u> | <u>87,257,848</u> | <u>88,022,645</u> |
| Deferred Inflows of Resources | | | | | | |
| Deferred property tax revenues | <u>23,662</u> | <u>61,008</u> | <u>-</u> | <u>84,670</u> | <u>(84,670)</u> | <u>-</u> |
| Fund Balances/Net Position | | | | | | |
| Fund balances: | | | | | | |
| Restricted: | | | | | | |
| Unlimited tax bonds | - | 3,485,048 | - | 3,485,048 | (3,485,048) | - |
| Water, sewer and drainage | - | - | 562,511 | 562,511 | (562,511) | - |
| Roads | - | 172,765 | 189,745 | 362,510 | (362,510) | - |
| Unassigned | <u>5,789,377</u> | <u>-</u> | <u>-</u> | <u>5,789,377</u> | <u>(5,789,377)</u> | <u>-</u> |
| Total fund balances | <u>5,789,377</u> | <u>3,657,813</u> | <u>752,256</u> | <u>10,199,446</u> | <u>(10,199,446)</u> | <u>-</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 6,477,828</u> | <u>\$ 3,761,891</u> | <u>\$ 809,194</u> | <u>\$ 11,048,913</u> | | |
| Net position: | | | | | | |
| Net investment in capital assets | | | | | 2,536,831 | 2,536,831 |
| Restricted for debt service | | | | | 3,503,452 | 3,503,452 |
| Restricted for capital projects | | | | | 134,269 | 134,269 |
| Unrestricted | | | | | <u>(32,173,676)</u> | <u>(32,173,676)</u> |
| Total net position | | | | | <u>\$ (25,999,124)</u> | <u>\$ (25,999,124)</u> |

Harris County Municipal Utility District No. 536
Statement of Activities and Governmental Funds Revenues,
Expenditures and Changes in Fund Balances
Year Ended September 30, 2024

| | General Fund | Debt Service Fund | Capital Projects Fund | Total | Adjustments | Statement of Activities |
|--|---------------------|-------------------------|-----------------------------|----------------------|--------------------|-------------------------------|
| Revenues | | | | | | |
| Property taxes | \$ 2,123,668 | \$ 5,531,242 | \$ - | \$ 7,654,910 | \$ 23,805 | \$ 7,678,715 |
| Water services | 1,317,700 | - | - | 1,317,700 | - | 1,317,700 |
| Sewer service | 908,947 | - | - | 908,947 | - | 908,947 |
| Regional water fee | 787,399 | - | - | 787,399 | - | 787,399 |
| Tap connection and inspection fees | 680,744 | - | - | 680,744 | - | 680,744 |
| Penalty and interest | 155,292 | 52,225 | - | 207,517 | (12,921) | 194,596 |
| Investment income | 400,700 | 304,369 | 48,456 | 753,525 | - | 753,525 |
| Other income | 17,614 | - | - | 17,614 | 17,504 | 35,118 |
| Total revenues | 6,392,064 | 5,887,836 | 48,456 | 12,328,356 | 28,388 | 12,356,744 |
| Expenditures/Expenses | | | | | | |
| Service operations: | | | | | | |
| Regional water fee | 844,328 | - | - | 844,328 | - | 844,328 |
| Professional fees | 211,223 | 18,214 | - | 229,437 | 16,904 | 246,341 |
| Contracted services | 712,665 | 77,741 | - | 790,406 | - | 790,406 |
| Utilities | 165,785 | - | - | 165,785 | - | 165,785 |
| Repairs and maintenance | 804,049 | - | - | 804,049 | - | 804,049 |
| Other expenditures | 128,892 | 7,148 | 60 | 136,100 | - | 136,100 |
| Tap connections | 232,140 | - | - | 232,140 | - | 232,140 |
| Capital outlay | 6,862,743 | - | 2,963 | 6,865,706 | (6,865,706) | - |
| Depreciation and amortization | - | - | - | - | 1,257,096 | 1,257,096 |
| Conveyance of capital assets | - | - | - | - | 3,320,531 | 3,320,531 |
| Debt service: | | | | | | |
| Principal retirement | - | 2,615,000 | - | 2,615,000 | (2,615,000) | - |
| Lease payments | 137,850 | - | - | 137,850 | (137,850) | - |
| Interest and fees | - | 2,649,597 | - | 2,649,597 | 99,984 | 2,749,581 |
| Debt issuance costs | 1,077 | - | 57,002 | 58,079 | - | 58,079 |
| Total expenditures/expenses | 10,100,752 | 5,367,700 | 60,025 | 15,528,477 | (4,924,041) | 10,604,436 |
| Excess (Deficiency) of Revenues Over Expenditures | (3,708,688) | 520,136 | (11,569) | (3,200,121) | 3,200,121 | |
| Change in Net Position | | | | | 1,752,308 | 1,752,308 |
| Fund Balances/Net Position | | | | | | |
| Beginning of year | 9,498,065 | 3,137,677 | 763,825 | 13,399,567 | - | (27,751,432) |
| End of year | \$ 5,789,377 | \$ 3,657,813 | \$ 752,256 | \$ 10,199,446 | \$ - | \$ (25,999,124) |

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

Harris County Municipal Utility District No. 536 (the District) was created and is operating pursuant to a special act of the 83rd Texas Legislature, now codified at Chapter 8436 of the Texas Special District Local Laws Code, effective June 14, 2013, in accordance with the Texas Water Code, Chapters 49 and 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Texas Commission on Environmental Quality (the Commission). The principal functions of the District are to finance and construct waterworks, wastewater, drainage, roads and recreational facilities and to provide such facilities and services to the customers of the District.

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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, such as the provision of water, wastewater, drainage and other related services. 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 with a column for adjustments to convert to the government-wide financial statements.

The government-wide financial statements report information on all of the activities of the District. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities generally are financed through taxes, charges for services and intergovernmental revenues. The statement of activities reflects the revenues and expenses of the District.

The fund financial statements provide information about the District's governmental funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is directed to specific activities of the District.

The District presents the following major governmental funds:

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

Harris County Municipal Utility District No. 536
Notes to Financial Statements
September 30, 2024

Debt Service Fund – The debt service fund is used to account for financial resources that are restricted, committed or assigned to expenditures for principal and interest related costs, as well as the financial resources being accumulated for future debt service.

Capital Projects Fund – The capital projects fund is used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

Fund Balances – Governmental Funds

The fund balances for the District's governmental funds can be displayed in up to five components:

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

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

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

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

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

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

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Nonexchange transactions, in which the District receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes are levied. Donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as liabilities. Intergovernmental revenues are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted.

Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of governmental funds revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The District considers revenues reported in the governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, charges for services and investment income. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

Deferred Outflows and Inflows of Resources

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

Interfund Transactions

Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay the amount and if there is the ability to repay the advance on a timely basis. Transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Pension Costs

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

Use of Estimates

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

Investments and Investment Income

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

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

Property Taxes

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

Harris County Municipal Utility District No. 536
Notes to Financial Statements
September 30, 2024

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended September 30, 2024, include collections during the current period or within 60 days of year-end related to the 2023 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended September 30, 2024, the 2023 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of \$5,000 or more and an estimated useful life of two years or more. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Within Harris County, the county government assumes the maintenance and other incidents of ownership of most road and storm sewer facilities constructed by the District. Accordingly, these are not recorded in the financial statements of the District.

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

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

| | <u>Years</u> |
|--|--------------|
| Water production and distribution facilities | 10-45 |
| Wastewater collection and treatment facilities | 10-45 |
| Drainage facilities | 10-45 |
| Parks and recreation facilities | 10-45 |
| Lease asset – equipment | 5-20 |

Lease Assets

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

Debt Issuance Costs

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

Long-Term Obligations

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

Harris County Municipal Utility District No. 536
Notes to Financial Statements
September 30, 2024

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

Net Position/Fund Balances

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

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

Reconciliation of Government-Wide and Fund Financial Statements

Amounts reported for net position of governmental activities in the statement of net position and fund balances in the governmental funds balance sheet are different because:

| | |
|--|------------------------|
| Capital and lease assets used in governmental activities are not financial resources and are not reported in the fund financial statements. | \$ 51,071,674 |
| Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements. | 84,670 |
| Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the fund financial statements. | (215,369) |
| Long-term debt obligations are not due and payable in the current period and are not reported in the fund financial statements. | <u>(87,139,545)</u> |
| Adjustment to fund balances to arrive at net position. | <u>\$ (36,198,570)</u> |

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

| | |
|---|----------------|
| Change in fund balances. | \$ (3,200,121) |
| Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlay expenditures exceeded depreciation and amortization expense, conveyance of capital assets and noncapitalized costs in the current period. | 2,271,175 |

Harris County Municipal Utility District No. 536
Notes to Financial Statements
September 30, 2024

| | |
|--|---------------------|
| Governmental funds report principal payments on debt as expenditures. These transactions, however, do not have any effect on net position. | \$ 2,615,000 |
| Governmental funds report lease payments as expenditures. For the government-wide financial statements, these amounts are reported as a reduction of lease liability and interest expense. | 137,850 |
| Revenues that do not provide current financial resources are not reported as revenues for the funds, but are reported as revenues in the statement of activities. | 28,388 |
| 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 governmental funds. | <u>(99,984)</u> |
| Change in net position of governmental activities. | <u>\$ 1,752,308</u> |

Note 2. Deposits, Investments and Investment Income

Deposits

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

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

At September 30, 2024, none of the District’s bank balances were exposed to custodial credit risk.

Investments

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

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

The District invests in Texas CLASS, an external investment pool that is not registered with the Securities and Exchange Commission. A Board of Trustees, elected by the participants, has oversight of Texas CLASS. The District’s investments may be redeemed at any time. Texas CLASS attempts to minimize its exposure to market

Harris County Municipal Utility District No. 536
Notes to Financial Statements
September 30, 2024

and credit risk through the use of various strategies and credit monitoring techniques and limits its investments in any issuer to the top two ratings issued by nationally recognized statistical rating organizations. The District's investments in Texas CLASS are reported at net asset value.

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

| Type | Fair Value | Maturities in Years | | | |
|-------------|-------------|---------------------|------|------|--------------|
| | | Less Than 1 | 1-5 | 6-10 | More Than 10 |
| Texas CLASS | \$6,300,378 | \$6,300,378 | \$ - | \$ - | \$ - |

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

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2024, the District's investments in Texas CLASS were rated "AAAm" by Standard & Poor's.

Summary of Carrying Values

The carrying values of deposits and investments shown previously are included in the balance sheet at September 30, 2024, as follows:

| | |
|-----------------|----------------------|
| Carrying value: | |
| Deposits | \$ 4,144,490 |
| Investments | <u>6,300,378</u> |
| Total | <u>\$ 10,444,868</u> |

Included in the following statement of net position captions:

| | |
|-------------------------|----------------------|
| Cash | \$ 384,490 |
| Certificates of deposit | 3,760,000 |
| Short-term investments | <u>6,300,378</u> |
| Total | <u>\$ 10,444,868</u> |

Investment Income

Investment income of \$753,525 for the year ended September 30, 2024, consisted of interest income.

Fair Value Measurements

The District has the following recurring fair value measurements as of September 30, 2024:

- Pooled investments of \$6,300,378 are valued at fair value per share of the pool's underlying portfolio.

Harris County Municipal Utility District No. 536
Notes to Financial Statements
September 30, 2024

Note 3. Capital and Lease Assets

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

| <u>Governmental Activities</u> | <u>Balances, Beginning of Year</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balances, End of Year</u> |
|--|--|---------------------|---------------------|--------------------------------------|
| Capital assets, non-depreciable: | | | | |
| Land and improvements | \$ 18,378,075 | \$ 670,303 | \$ - | \$ 19,048,378 |
| Capital and lease assets, depreciable and amortizable: | | | | |
| Water production and distribution facilities | 12,791,054 | 21,127 | - | 12,812,181 |
| Wastewater collection and treatment facilities | 16,614,142 | 1,861,348 | - | 18,475,490 |
| Drainage facilities | - | 2,141,136 | - | 2,141,136 |
| Parks and recreation | 457,406 | 2,569,409 | - | 3,026,815 |
| Lease asset - equipment | 1,160,352 | - | (1,160,352) | - |
| Total capital and lease assets, depreciable and amortizable | <u>31,022,954</u> | <u>6,593,020</u> | <u>(1,160,352)</u> | <u>36,455,622</u> |
| Less accumulated depreciation and amortization: | | | | |
| Water production and distribution facilities | (1,657,848) | (372,823) | - | (2,030,671) |
| Wastewater collection and treatment facilities | (1,606,511) | (505,805) | - | (2,112,316) |
| Drainage facilities | - | (107,056) | - | (107,056) |
| Parks and recreation | (26,906) | (155,377) | - | (182,283) |
| Lease asset - equipment | (270,749) | (116,035) | 386,784 | - |
| Total accumulated depreciation and amortization | <u>(3,562,014)</u> | <u>(1,257,096)</u> | <u>386,784</u> | <u>(4,432,326)</u> |
| Total governmental activities, net | <u>\$ 45,839,015</u> | <u>\$ 6,006,227</u> | <u>\$ (773,568)</u> | <u>\$ 51,071,674</u> |

Note 4. Long-Term Liabilities

Changes in long-term liabilities for the year ended September 30, 2024, were as follows:

| <u>Governmental Activities</u> | <u>Balances, Beginning of Year</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balances, End of Year</u> | <u>Amounts Due in One Year</u> |
|---|--|---------------------|---------------------|--------------------------------------|--|
| Bonds payable: | | | | | |
| General obligation bonds | \$ 75,370,000 | \$ - | \$ 2,615,000 | \$ 72,755,000 | \$ 2,660,000 |
| Less discounts on bonds | 1,709,904 | - | 53,561 | 1,656,343 | - |
| | 73,660,096 | - | 2,561,439 | 71,098,657 | 2,660,000 |
| Lease liability | 890,580 | - | 890,580 | - | - |
| Due to developers | 12,305,835 | 5,520,412 | 1,785,359 | 16,040,888 | - |
| Total governmental activities long-term liabilities | <u>\$ 86,856,511</u> | <u>\$ 5,520,412</u> | <u>\$ 5,237,378</u> | <u>\$ 87,139,545</u> | <u>\$ 2,660,000</u> |

Harris County Municipal Utility District No. 536
Notes to Financial Statements
September 30, 2024

General Obligation Bonds

| | Series 2018 | Road Series 2018A |
|--|---------------------------|------------------------------|
| Amounts outstanding, September 30, 2024 | \$7,710,000 | \$3,500,000 |
| Interest rates | 3.00% to 4.25% | 2.75% to 4.50% |
| Maturity dates, serially beginning/ending | September 1, 2025/2043 | September 1, 2025/2043 |
| Interest payment dates | March 1/September 1 | March 1/September 1 |
| Callable dates* | September 1, 2024 | September 1, 2024 |
| | Series 2019 | Road Series 2019A |
| Amounts outstanding, September 30, 2024 | \$3,545,000 | \$3,340,000 |
| Interest rates | 2.00% to 4.00% | 2.00% to 4.00% |
| Maturity dates, serially beginning/ending | September 1, 2025/2044 | September 1, 2025/2044 |
| Interest payment dates | March 1/September 1 | March 1/September 1 |
| Callable dates* | September 1, 2025 | September 1, 2025 |
| | Series 2020 | Road Series 2020A |
| Amounts outstanding, September 30, 2024 | \$4,725,000 | \$3,675,000 |
| Interest rates | 2.00% to 2.25% | 2.00% to 4.00% |
| Maturity dates, serially beginning/ending | September 1, 2025/2045 | September 1, 2025/2045 |
| Interest payment dates | March 1/September 1 | March 1/September 1 |
| Callable dates* | September 1, 2026 | September 1, 2026 |

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

Harris County Municipal Utility District No. 536
Notes to Financial Statements
September 30, 2024

| | <u>Series 2021</u> | <u>Road Series 2021A</u> |
|--|---------------------------|------------------------------|
| Amounts outstanding, September 30, 2024 | \$6,935,000 | \$7,110,000 |
| Interest rates | 2.00% to 4.50% | 2.00% to 4.50% |
| Maturity dates, serially beginning/ending | September 1, 2025/2046 | September 1, 2025/2046 |
| Interest payment dates | March 1/September 1 | March 1/September 1 |
| Callable dates* | September 1, 2027 | September 1, 2027 |
| | <u>Series 2022</u> | <u>Road Series 2022A</u> |
| Amounts outstanding, September 30, 2024 | \$8,590,000 | \$5,590,000 |
| Interest rates | 3.00% to 5.50% | 4.00% to 5.00% |
| Maturity dates, serially beginning/ending | September 1, 2025/2047 | September 1, 2025/2047 |
| Interest payment dates | March 1/September 1 | March 1/September 1 |
| Callable dates* | September 1, 2028 | September 1, 2028 |
| | <u>Series 2023</u> | |
| Amount outstanding, September 30, 2024 | | \$18,035,000 |
| Interest rates | | 4.00% to 6.50% |
| Maturity dates, serially beginning/ending | | September 1, 2025/2048 |
| Interest payment dates | | March 1/September 1 |
| Callable date* | | September 1, 2030 |

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

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at September 30, 2024.

Harris County Municipal Utility District No. 536
Notes to Financial Statements
September 30, 2024

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------|----------------------|----------------------|-----------------------|
| 2025 | \$ 2,660,000 | \$ 2,584,432 | \$ 5,244,432 |
| 2026 | 2,600,000 | 2,466,536 | 5,066,536 |
| 2027 | 2,650,000 | 2,355,427 | 5,005,427 |
| 2028 | 2,700,000 | 2,245,228 | 4,945,228 |
| 2029 | 2,750,000 | 2,143,999 | 4,893,999 |
| 2030-2034 | 14,075,000 | 9,367,685 | 23,442,685 |
| 2035-2039 | 16,335,000 | 7,016,020 | 23,351,020 |
| 2040-2044 | 19,270,000 | 3,997,781 | 23,267,781 |
| 2045-2048 | 9,715,000 | 842,781 | 10,557,781 |
| Total | <u>\$ 72,755,000</u> | <u>\$ 33,019,889</u> | <u>\$ 105,774,889</u> |

The bonds are payable from the proceeds of an ad valorem tax levied upon all property within the District subject to taxation, without limitation as to rate or amount.

Bonds voted:

| | |
|--------------------------------------|----------------|
| Water, sewer and drainage facilities | \$ 125,000,000 |
| Road facilities | 76,250,000 |
| Recreational facilities | 37,750,000 |
| Refunding | 239,000,000 |

Bonds sold:

| | |
|--------------------------------------|------------|
| Water, sewer and drainage facilities | 53,940,000 |
| Road facilities | 25,630,000 |

Due to Developers

Developers within the District have constructed water, sewer, drainage, recreational and road and paving facilities on behalf of the District. The District has agreed to reimburse the developers for these construction costs and interest to the extent approved by the Commission, if required, from the proceeds of future bond sales. The District's engineer estimates reimbursable costs for completed projects are \$16,040,888. These amounts have been recorded in the financial statements as long-term liabilities.

Note 5. Significant Bond Order and Commission Requirements

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. During the year ended September 30, 2024, the District levied an ad valorem debt service tax at the rate of \$0.6900 per \$100 of assessed valuation, which resulted in a tax levy of \$3,872,833 on the taxable valuation of \$561,280,105 for the 2023 tax year. The interest and principal requirements paid from the tax revenues and available resources were \$3,634,074.

In addition, during the year ended September 30, 2024, the District levied an ad valorem road debt service tax at the rate of \$0.3000 per \$100 of assessed valuation, which resulted in a tax levy of \$1,683,840 on the taxable valuation of \$561,280,105 for 2023 tax year. This road tax is used to pay for principal and interest on the District's road bonds when due. The principal and interest requirements paid from road debt service tax revenues and available resources were \$1,625,049.

Note 6. Maintenance Taxes

At an election held May 9, 2015, voters authorized a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended September 30, 2024, the District levied an ad valorem maintenance tax at the rate of \$0.3800 per \$100 of assessed valuation, which resulted in a tax levy of \$2,132,865 on the taxable valuation of \$561,280,105 for the 2023 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Note 7. Regional Water Authority

The District is within the boundaries of the West Harris County Regional Water Authority (the Authority), which was created by the Texas Legislature. The Authority was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Harris-Galveston Subsidence District, which regulates groundwater withdrawal. As of September 30, 2024, the Authority was billing the District \$3.95 per 1,000 gallons of water pumped from its wells. This amount is subject to future increases.

Note 8. Lease Agreement

On May 20, 2021, The District entered into a 60-month lease agreement for additional capacity in the amount of 385,000 gpd at the wastewater treatment plant. Monthly lease payments of \$22,975 began August 1, 2022. The District incurred costs of \$137,850 related to this lease during the current year. During the current fiscal year, the District exercised the purchase option for this lease.

Note 9. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past three fiscal years.

Note 10. Subsequent Event

On October 22, 2024, the District sold its \$7,000,000 Unlimited Tax Bonds, Series 2024, at a net effective interest rate of approximately 4.03%. The bonds were sold to reimburse the Developers of the District for construction of District facilities.

Required Supplementary Information

**Harris County Municipal Utility District No. 536
 Budgetary Comparison Schedule – General Fund
 Year Ended September 30, 2024**

| | Original Budget | Actual | Variance Favorable (Unfavorable) |
|---|----------------------------|---------------------|---|
| Revenues | | | |
| Property taxes | \$ 2,078,828 | \$ 2,123,668 | \$ 44,840 |
| Water service | 1,406,300 | 1,317,700 | (88,600) |
| Sewer service | 920,900 | 908,947 | (11,953) |
| Regional water fee | 846,500 | 787,399 | (59,101) |
| Tap connection and inspection fees | 147,100 | 680,744 | 533,644 |
| Penalty and interest | 130,100 | 155,292 | 25,192 |
| Investment income | 439,819 | 400,700 | (39,119) |
| Other income | - | 17,614 | 17,614 |
| | <u>5,969,547</u> | <u>6,392,064</u> | <u>422,517</u> |
| Expenditures | | | |
| Service operations: | | | |
| Regional water fee | 960,600 | 844,328 | 116,272 |
| Professional fees | 193,500 | 211,223 | (17,723) |
| Contracted services | 673,800 | 712,665 | (38,865) |
| Utilities | 108,125 | 165,785 | (57,660) |
| Repairs and maintenance | 686,375 | 804,049 | (117,674) |
| Other expenditures | 154,950 | 128,892 | 26,058 |
| Tap connections | 36,100 | 232,140 | (196,040) |
| Capital outlay | 5,050,000 | 6,862,743 | (1,812,743) |
| Debt service: | | | |
| Lease payments | 275,700 | 137,850 | 137,850 |
| Debt issuance costs | - | 1,077 | (1,077) |
| | <u>8,139,150</u> | <u>10,100,752</u> | <u>(1,961,602)</u> |
| Deficiency of Revenues Over Expenditures | (2,169,603) | (3,708,688) | (1,539,085) |
| Fund Balance, Beginning of Year | <u>9,498,065</u> | <u>9,498,065</u> | <u>-</u> |
| Fund Balance, End of Year | <u>\$ 7,328,462</u> | <u>\$ 5,789,377</u> | <u>\$ (1,539,085)</u> |

Budgets and Budgetary Accounting

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

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

Supplementary Information

**Harris County Municipal Utility District No. 536
Other Schedules Included Within This Report
September 30, 2024**

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

- [X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 10-21
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedule of Long-Term Debt Service Requirements by Years
- [X] Changes in Long-Term Bonded Debt
- [X] Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund –
Five Years
- [X] Board Members, Key Personnel and Consultants

Harris County Municipal Utility District No. 536
Schedule of Services and Rates
Year Ended September 30, 2024

1. Services provided by the District:

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

2. Retail service providers

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

| | <u>Minimum Charge</u> | <u>Minimum Usage</u> | <u>Flat Rate Y/N</u> | <u>Rate Per 1,000 Gallons Over Minimum</u> | <u>Usage Levels</u> |
|---|-----------------------|----------------------|----------------------|--|---|
| Water: | \$ 50.00 | 10,000 | N | \$ 1.50 \$ 2.00 \$ 2.50 | 10,001 to 15,000 15,001 to 30,000 30,001 to No Limit |
| Wastewater: | \$ 36.34 | 0 | Y | | |
| Regional water fee: | \$ 3.95 | 0 | N | \$ 3.95 | 1 to No Limit |
| Does the District employ winter averaging for wastewater usage? | | | | | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> |
| Total charges per 10,000 gallons usage (including fees): | | | | Water \$ 89.50 | Wastewater \$ 36.34 |

b. Water and wastewater retail connections:

| <u>Meter Size</u> | <u>Total Connections</u> | <u>Active Connections</u> | <u>ESFC Factor</u> | <u>Active ESFC*</u> |
|-------------------|--------------------------|---------------------------|--------------------|---------------------|
| Unmetered | - | - | x1.0 | - |
| ≤ 3/4" | 2,076 | 2,047 | x1.0 | 2,047 |
| 1" | 34 | 34 | x2.5 | 85 |
| 1 1/2" | 2 | 2 | x5.0 | 10 |
| 2" | 31 | 29 | x8.0 | 232 |
| 3" | 1 | 1 | x15.0 | 15 |
| 4" | - | - | x25.0 | - |
| 6" | 4 | 4 | x50.0 | 200 |
| 8" | 1 | 1 | x80.0 | 80 |
| 10" | - | - | x115.0 | - |
| Total water | 2,149 | 2,118 | | 2,669 |
| Total wastewater | 2,088 | 2,057 | x1.0 | 2,057 |

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

| | |
|---|---------|
| Gallons pumped into the system: | 214,461 |
| Gallons billed to customers: | 204,606 |
| Water accountability ratio (gallons billed/gallons pumped): | 95.40% |

*"ESFC" means equivalent single-family connections

Harris County Municipal Utility District No. 536
Schedule of General Fund Expenditures
Year Ended September 30, 2024

| | | | |
|---|-----------|----|----------------------|
| Personnel (including benefits) | | \$ | - |
| Professional Fees | | | |
| Auditing | \$ 24,100 | | |
| Legal | 100,767 | | |
| Engineering | 86,356 | | |
| Financial advisor | - | | 211,223 |
| | | | |
| Purchased Services for Resale | | | |
| Bulk water and wastewater service purchases | | | - |
| Regional Water Fee | | | 844,328 |
| Contracted Services | | | |
| Bookkeeping | 77,729 | | |
| General manager | - | | |
| Appraisal district | - | | |
| Tax collector | - | | |
| Security | - | | |
| Other contracted services | 253,896 | | 331,625 |
| | | | |
| Utilities | | | 165,785 |
| Repairs and Maintenance | | | 804,049 |
| Administrative Expenditures | | | |
| Directors' fees | 13,481 | | |
| Office supplies | 23,185 | | |
| Insurance | 39,554 | | |
| Other administrative expenditures | 52,672 | | 128,892 |
| | | | |
| Capital Outlay | | | |
| Capitalized assets | 5,063,443 | | |
| Expenditures not capitalized | 1,799,300 | | 6,862,743 |
| | | | |
| Tap Connection Expenditures | | | 232,140 |
| Solid Waste Disposal | | | 381,040 |
| Lease Payments | | | 137,850 |
| Parks and Recreation | | | - |
| Other Expenditures | | | 1,077 |
| | | | |
| Total expenditures | | | <u>\$ 10,100,752</u> |

Harris County Municipal Utility District No. 536
Schedule of Temporary Investments
September 30, 2024

| | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Face Amount</u> | <u>Accrued Interest Receivable</u> |
|------------------------------|--------------------------|--------------------------|------------------------|--|
| General Fund | | | | |
| Certificates of Deposit | | | | |
| No. 3031001039 | 5.00% | 07/15/25 | \$ 235,000 | \$ 2,479 |
| No. 91300012051189 | 5.50% | 02/15/25 | 235,000 | 8,038 |
| No. 12544 | 5.25% | 05/28/25 | 235,000 | 4,225 |
| No. 440061900 | 5.50% | 01/17/25 | 235,000 | 2,514 |
| No. 6821806 | 5.05% | 02/28/25 | 235,000 | 1,008 |
| No. 6000057072 | 5.50% | 03/23/25 | 235,000 | 6,764 |
| No. 9009005666 | 5.23% | 04/19/25 | 235,000 | 4,344 |
| No. 6550123119 | 5.65% | 11/24/24 | 235,000 | 11,204 |
| Texas CLASS | 5.06% | Demand | <u>3,753,046</u> | <u>-</u> |
| | | | <u>5,633,046</u> | <u>40,576</u> |
| Debt Service Fund | | | | |
| Certificates of Deposit | | | | |
| No. 3031000908 | 5.00% | 02/10/25 | 235,000 | 2,479 |
| No. 9130001222231 | 5.25% | 02/01/25 | 235,000 | 1,893 |
| No. 440061705 | 5.50% | 01/11/25 | 235,000 | 2,727 |
| No. 6352353 | 5.05% | 01/15/25 | 235,000 | 2,503 |
| No. 6000061868 | 5.27% | 01/11/25 | 235,000 | 2,613 |
| No. 107375 | 5.25% | 02/01/25 | 235,000 | 1,893 |
| No. 9009005486 | 5.31% | 02/01/25 | 235,000 | 1,914 |
| No. 6550142830 | 5.15% | 02/10/25 | 235,000 | 2,553 |
| Texas CLASS | 5.06% | Demand | 172,765 | - |
| Texas CLASS | 5.06% | Demand | <u>1,565,678</u> | <u>-</u> |
| | | | <u>3,618,443</u> | <u>18,575</u> |
| Capital Projects Fund | | | | |
| Texas CLASS | 5.06% | Demand | 189,745 | - |
| Texas CLASS | 5.06% | Demand | <u>619,144</u> | <u>-</u> |
| | | | <u>808,889</u> | <u>-</u> |
| Totals | | | <u>\$ 10,060,378</u> | <u>\$ 59,151</u> |

Harris County Municipal Utility District No. 536
Analysis of Taxes Levied and Receivable
Year Ended September 30, 2024

| | <u>Maintenance Taxes</u> | <u>Road Taxes</u> | <u>Debt Service Taxes</u> |
|---|------------------------------|-------------------------|-----------------------------------|
| Receivable, Beginning of Year | \$ 17,558 | \$ 14,677 | \$ 28,630 |
| Additions and corrections to prior years' taxes | <u>(3,093)</u> | <u>(2,551)</u> | <u>(5,179)</u> |
| Adjusted receivable, beginning of year | <u>14,465</u> | <u>12,126</u> | <u>23,451</u> |
| 2023 Original Tax Levy | 1,980,060 | 1,563,205 | 3,595,372 |
| Additions and corrections | <u>152,805</u> | <u>120,635</u> | <u>277,461</u> |
| Adjusted tax levy | <u>2,132,865</u> | <u>1,683,840</u> | <u>3,872,833</u> |
| Total to be accounted for | 2,147,330 | 1,695,966 | 3,896,284 |
| Tax collections: Current year | (2,113,953) | (1,668,910) | (3,838,493) |
| Prior years | <u>(9,715)</u> | <u>(8,177)</u> | <u>(15,662)</u> |
| Receivable, end of year | <u><u>\$ 23,662</u></u> | <u><u>\$ 18,879</u></u> | <u><u>\$ 42,129</u></u> |
| Receivable, by Years | | | |
| 2023 | \$ 18,912 | \$ 14,930 | \$ 34,340 |
| 2022 | 4,394 | 3,626 | 7,360 |
| 2021 | 210 | 197 | 264 |
| 2020 | 134 | 115 | 153 |
| 2019 | <u>12</u> | <u>11</u> | <u>12</u> |
| Receivable, end of year | <u><u>\$ 23,662</u></u> | <u><u>\$ 18,879</u></u> | <u><u>\$ 42,129</u></u> |

**Harris County Municipal Utility District No. 536
 Analysis of Taxes Levied and Receivable
 Year Ended September 30, 2024**

(Continued)

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| Property Valuations | | | | |
| Land | \$ 116,094,283 | \$ 98,625,103 | \$ 74,962,701 | \$ 60,596,447 |
| Improvements | 497,149,185 | 418,765,740 | 242,811,699 | 127,382,909 |
| Personal property | 7,454,648 | 6,562,835 | 3,080,389 | 1,811,118 |
| Exemptions | <u>(59,418,011)</u> | <u>(40,416,438)</u> | <u>(10,048,068)</u> | <u>(5,334,891)</u> |
| Total property valuations | <u>\$ 561,280,105</u> | <u>\$ 483,537,240</u> | <u>\$ 310,806,721</u> | <u>\$ 184,455,583</u> |
| Tax Rates per \$100 Valuation | | | | |
| Debt service tax rates | \$ 0.6900 | \$ 0.6700 | \$ 0.5900 | \$ 0.5700 |
| Road tax rates | 0.3000 | 0.3300 | 0.4400 | 0.4300 |
| Maintenance tax rates* | <u>0.3800</u> | <u>0.4000</u> | <u>0.4700</u> | <u>0.5000</u> |
| Total tax rates per \$100 valuation | <u>\$ 1.3700</u> | <u>\$ 1.4000</u> | <u>\$ 1.5000</u> | <u>\$ 1.5000</u> |
| Tax Levy | <u>\$ 7,689,538</u> | <u>\$ 6,769,521</u> | <u>\$ 4,662,097</u> | <u>\$ 2,766,834</u> |
| Percent of Taxes Collected to Taxes Levied** | <u>99%</u> | <u>99%</u> | <u>99%</u> | <u>99%</u> |

*Maximum tax rate approved by voters: \$1.50 on May 9, 2015

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

Harris County Municipal Utility District No. 536
Schedule of Long-Term Debt Service Requirements by Years
September 30, 2024

| Due During Fiscal Years Ending September 30 | Series 2018 | | |
|--|--|--|----------------------|
| | Principal Due September 1 | Interest Due March 1, September 1 | Total |
| 2025 | \$ 255,000 | \$ 301,907 | \$ 556,907 |
| 2026 | 265,000 | 293,938 | 558,938 |
| 2027 | 280,000 | 285,324 | 565,324 |
| 2028 | 290,000 | 275,875 | 565,875 |
| 2029 | 305,000 | 265,725 | 570,725 |
| 2030 | 320,000 | 255,050 | 575,050 |
| 2031 | 340,000 | 243,450 | 583,450 |
| 2032 | 355,000 | 230,700 | 585,700 |
| 2033 | 375,000 | 216,944 | 591,944 |
| 2034 | 390,000 | 201,944 | 591,944 |
| 2035 | 410,000 | 186,344 | 596,344 |
| 2036 | 430,000 | 169,943 | 599,943 |
| 2037 | 455,000 | 152,744 | 607,744 |
| 2038 | 475,000 | 134,544 | 609,544 |
| 2039 | 500,000 | 115,544 | 615,544 |
| 2040 | 525,000 | 94,918 | 619,918 |
| 2041 | 550,000 | 73,263 | 623,263 |
| 2042 | 580,000 | 50,575 | 630,575 |
| 2043 | 610,000 | 25,925 | 635,925 |
| Totals | <u>\$ 7,710,000</u> | <u>\$ 3,574,657</u> | <u>\$ 11,284,657</u> |

Harris County Municipal Utility District No. 536
 Schedule of Long-Term Debt Service Requirements by Years
 September 30, 2024

(Continued)

| Due During Fiscal Years Ending September 30 | Road Series 2018A | | |
|---|---------------------------------|---|--------------|
| | Principal Due September 1 | Interest Due March 1, September 1 | Total |
| 2025 | \$ 115,000 | \$ 146,105 | \$ 261,105 |
| 2026 | 120,000 | 142,080 | 262,080 |
| 2027 | 125,000 | 137,760 | 262,760 |
| 2028 | 135,000 | 133,135 | 268,135 |
| 2029 | 140,000 | 128,005 | 268,005 |
| 2030 | 145,000 | 122,405 | 267,405 |
| 2031 | 155,000 | 116,605 | 271,605 |
| 2032 | 160,000 | 110,405 | 270,405 |
| 2033 | 170,000 | 104,005 | 274,005 |
| 2034 | 180,000 | 97,035 | 277,035 |
| 2035 | 185,000 | 89,655 | 274,655 |
| 2036 | 195,000 | 82,070 | 277,070 |
| 2037 | 205,000 | 73,880 | 278,880 |
| 2038 | 215,000 | 65,270 | 280,270 |
| 2039 | 225,000 | 56,025 | 281,025 |
| 2040 | 240,000 | 46,350 | 286,350 |
| 2041 | 250,000 | 35,550 | 285,550 |
| 2042 | 265,000 | 24,300 | 289,300 |
| 2043 | 275,000 | 12,375 | 287,375 |
| Totals | \$ 3,500,000 | \$ 1,723,015 | \$ 5,223,015 |

Harris County Municipal Utility District No. 536
 Schedule of Long-Term Debt Service Requirements by Years
 September 30, 2024

(Continued)

| Due During Fiscal Years Ending September 30 | Series 2019 | | |
|---|---------------------------------|---|--------------|
| | Principal Due September 1 | Interest Due March 1, September 1 | Total |
| 2025 | \$ 155,000 | \$ 88,188 | \$ 243,188 |
| 2026 | 155,000 | 83,537 | 238,537 |
| 2027 | 155,000 | 80,438 | 235,438 |
| 2028 | 155,000 | 77,337 | 232,337 |
| 2029 | 155,000 | 74,238 | 229,238 |
| 2030 | 155,000 | 71,137 | 226,137 |
| 2031 | 155,000 | 67,844 | 222,844 |
| 2032 | 155,000 | 64,550 | 219,550 |
| 2033 | 155,000 | 61,062 | 216,062 |
| 2034 | 155,000 | 57,575 | 212,575 |
| 2035 | 155,000 | 53,700 | 208,700 |
| 2036 | 155,000 | 49,825 | 204,825 |
| 2037 | 155,000 | 45,950 | 200,950 |
| 2038 | 155,000 | 42,075 | 197,075 |
| 2039 | 155,000 | 37,813 | 192,813 |
| 2040 | 155,000 | 33,550 | 188,550 |
| 2041 | 155,000 | 29,287 | 184,287 |
| 2042 | 155,000 | 25,025 | 180,025 |
| 2043 | 155,000 | 20,763 | 175,763 |
| 2044 | 600,000 | 16,500 | 616,500 |
| Totals | \$ 3,545,000 | \$ 1,080,394 | \$ 4,625,394 |

Harris County Municipal Utility District No. 536
 Schedule of Long-Term Debt Service Requirements by Years
 September 30, 2024

(Continued)

| Due During Fiscal Years Ending September 30 | Road Series 2019A | | |
|---|---------------------------------|---|---------------------|
| | Principal Due September 1 | Interest Due March 1, September 1 | Total |
| 2025 | \$ 165,000 | \$ 86,112 | \$ 251,112 |
| 2026 | 165,000 | 79,513 | 244,513 |
| 2027 | 165,000 | 76,212 | 241,212 |
| 2028 | 165,000 | 72,913 | 237,913 |
| 2029 | 165,000 | 69,611 | 234,611 |
| 2030 | 165,000 | 66,106 | 231,106 |
| 2031 | 165,000 | 62,394 | 227,394 |
| 2032 | 165,000 | 58,681 | 223,681 |
| 2033 | 165,000 | 54,969 | 219,969 |
| 2034 | 165,000 | 51,050 | 216,050 |
| 2035 | 165,000 | 46,925 | 211,925 |
| 2036 | 165,000 | 42,800 | 207,800 |
| 2037 | 170,000 | 38,675 | 208,675 |
| 2038 | 170,000 | 34,213 | 204,213 |
| 2039 | 170,000 | 29,750 | 199,750 |
| 2040 | 170,000 | 25,075 | 195,075 |
| 2041 | 170,000 | 20,400 | 190,400 |
| 2042 | 170,000 | 15,300 | 185,300 |
| 2043 | 170,000 | 10,200 | 180,200 |
| 2044 | 170,000 | 5,100 | 175,100 |
| Totals | <u>\$ 3,340,000</u> | <u>\$ 945,999</u> | <u>\$ 4,285,999</u> |

Harris County Municipal Utility District No. 536
 Schedule of Long-Term Debt Service Requirements by Years
 September 30, 2024

(Continued)

| Due During Fiscal Years Ending September 30 | Series 2020 | | |
|---|---------------------------------|---|--------------|
| | Principal Due September 1 | Interest Due March 1, September 1 | Total |
| 2025 | \$ 225,000 | \$ 97,593 | \$ 322,593 |
| 2026 | 225,000 | 93,093 | 318,093 |
| 2027 | 225,000 | 88,594 | 313,594 |
| 2028 | 225,000 | 84,094 | 309,094 |
| 2029 | 225,000 | 79,594 | 304,594 |
| 2030 | 225,000 | 75,093 | 300,093 |
| 2031 | 225,000 | 70,594 | 295,594 |
| 2032 | 225,000 | 66,094 | 291,094 |
| 2033 | 225,000 | 61,594 | 286,594 |
| 2034 | 225,000 | 57,093 | 282,093 |
| 2035 | 225,000 | 52,594 | 277,594 |
| 2036 | 225,000 | 48,094 | 273,094 |
| 2037 | 225,000 | 43,594 | 268,594 |
| 2038 | 225,000 | 39,093 | 264,093 |
| 2039 | 225,000 | 34,594 | 259,594 |
| 2040 | 225,000 | 29,813 | 254,813 |
| 2041 | 225,000 | 25,031 | 250,031 |
| 2042 | 225,000 | 20,250 | 245,250 |
| 2043 | 225,000 | 15,187 | 240,187 |
| 2044 | 225,000 | 10,125 | 235,125 |
| 2045 | 225,000 | 5,063 | 230,063 |
| Totals | \$ 4,725,000 | \$ 1,096,874 | \$ 5,821,874 |

Harris County Municipal Utility District No. 536
 Schedule of Long-Term Debt Service Requirements by Years
 September 30, 2024

(Continued)

| Due During Fiscal Years Ending September 30 | Road Series 2020A | | |
|---|---------------------------------|---|--------------|
| | Principal Due September 1 | Interest Due March 1, September 1 | Total |
| 2025 | \$ 175,000 | \$ 83,563 | \$ 258,563 |
| 2026 | 175,000 | 76,563 | 251,563 |
| 2027 | 175,000 | 69,563 | 244,563 |
| 2028 | 175,000 | 66,062 | 241,062 |
| 2029 | 175,000 | 62,563 | 237,563 |
| 2030 | 175,000 | 59,063 | 234,063 |
| 2031 | 175,000 | 55,563 | 230,563 |
| 2032 | 175,000 | 52,063 | 227,063 |
| 2033 | 175,000 | 48,563 | 223,563 |
| 2034 | 175,000 | 45,062 | 220,062 |
| 2035 | 175,000 | 41,563 | 216,563 |
| 2036 | 175,000 | 38,062 | 213,062 |
| 2037 | 175,000 | 34,562 | 209,562 |
| 2038 | 175,000 | 30,844 | 205,844 |
| 2039 | 175,000 | 27,125 | 202,125 |
| 2040 | 175,000 | 23,406 | 198,406 |
| 2041 | 175,000 | 19,687 | 194,687 |
| 2042 | 175,000 | 15,750 | 190,750 |
| 2043 | 175,000 | 11,812 | 186,812 |
| 2044 | 175,000 | 7,875 | 182,875 |
| 2045 | 175,000 | 3,937 | 178,937 |
| Totals | \$ 3,675,000 | \$ 873,251 | \$ 4,548,251 |

Harris County Municipal Utility District No. 536
 Schedule of Long-Term Debt Service Requirements by Years
 September 30, 2024

(Continued)

| Due During Fiscal Years Ending September 30 | Series 2021 | | |
|---|---------------------------------|---|--------------|
| | Principal Due September 1 | Interest Due March 1, September 1 | Total |
| 2025 | \$ 205,000 | \$ 167,438 | \$ 372,438 |
| 2026 | 210,000 | 158,212 | 368,212 |
| 2027 | 220,000 | 148,762 | 368,762 |
| 2028 | 230,000 | 138,862 | 368,862 |
| 2029 | 235,000 | 134,263 | 369,263 |
| 2030 | 245,000 | 129,562 | 374,562 |
| 2031 | 255,000 | 124,662 | 379,662 |
| 2032 | 265,000 | 119,562 | 384,562 |
| 2033 | 275,000 | 114,262 | 389,262 |
| 2034 | 290,000 | 108,762 | 398,762 |
| 2035 | 300,000 | 102,962 | 402,962 |
| 2036 | 310,000 | 96,962 | 406,962 |
| 2037 | 325,000 | 90,376 | 415,376 |
| 2038 | 340,000 | 83,468 | 423,468 |
| 2039 | 350,000 | 75,820 | 425,820 |
| 2040 | 365,000 | 67,944 | 432,944 |
| 2041 | 380,000 | 59,732 | 439,732 |
| 2042 | 395,000 | 50,706 | 445,706 |
| 2043 | 410,000 | 41,326 | 451,326 |
| 2044 | 425,000 | 31,588 | 456,588 |
| 2045 | 445,000 | 21,494 | 466,494 |
| 2046 | 460,000 | 10,926 | 470,926 |
| Totals | \$ 6,935,000 | \$ 2,077,651 | \$ 9,012,651 |

Harris County Municipal Utility District No. 536
 Schedule of Long-Term Debt Service Requirements by Years
 September 30, 2024

(Continued)

| Due During Fiscal Years Ending September 30 | Road Series 2021A | | |
|---|---------------------------------|---|--------------|
| | Principal Due September 1 | Interest Due March 1, September 1 | Total |
| 2025 | \$ 205,000 | \$ 189,506 | \$ 394,506 |
| 2026 | 215,000 | 180,282 | 395,282 |
| 2027 | 225,000 | 170,606 | 395,606 |
| 2028 | 235,000 | 160,482 | 395,482 |
| 2029 | 245,000 | 155,782 | 400,782 |
| 2030 | 250,000 | 150,882 | 400,882 |
| 2031 | 265,000 | 145,882 | 410,882 |
| 2032 | 275,000 | 140,582 | 415,582 |
| 2033 | 285,000 | 134,738 | 419,738 |
| 2034 | 295,000 | 128,324 | 423,324 |
| 2035 | 305,000 | 121,688 | 426,688 |
| 2036 | 320,000 | 114,444 | 434,444 |
| 2037 | 330,000 | 106,444 | 436,444 |
| 2038 | 345,000 | 97,780 | 442,780 |
| 2039 | 360,000 | 88,724 | 448,724 |
| 2040 | 375,000 | 79,274 | 454,274 |
| 2041 | 390,000 | 69,432 | 459,432 |
| 2042 | 405,000 | 59,194 | 464,194 |
| 2043 | 420,000 | 48,562 | 468,562 |
| 2044 | 435,000 | 37,538 | 472,538 |
| 2045 | 455,000 | 25,574 | 480,574 |
| 2046 | 475,000 | 13,062 | 488,062 |
| Totals | \$ 7,110,000 | \$ 2,418,782 | \$ 9,528,782 |

Harris County Municipal Utility District No. 536
 Schedule of Long-Term Debt Service Requirements by Years
 September 30, 2024

(Continued)

| Due During Fiscal Years Ending September 30 | Series 2022 | | |
|---|---------------------------------|---|---------------|
| | Principal Due September 1 | Interest Due March 1, September 1 | Total |
| 2025 | \$ 220,000 | \$ 342,570 | \$ 562,570 |
| 2026 | 230,000 | 330,468 | 560,468 |
| 2027 | 240,000 | 317,818 | 557,818 |
| 2028 | 250,000 | 304,618 | 554,618 |
| 2029 | 265,000 | 290,868 | 555,868 |
| 2030 | 275,000 | 282,918 | 557,918 |
| 2031 | 285,000 | 274,668 | 559,668 |
| 2032 | 300,000 | 265,406 | 565,406 |
| 2033 | 315,000 | 255,656 | 570,656 |
| 2034 | 330,000 | 245,026 | 575,026 |
| 2035 | 345,000 | 233,476 | 578,476 |
| 2036 | 360,000 | 221,400 | 581,400 |
| 2037 | 375,000 | 207,000 | 582,000 |
| 2038 | 390,000 | 192,000 | 582,000 |
| 2039 | 410,000 | 176,400 | 586,400 |
| 2040 | 425,000 | 160,000 | 585,000 |
| 2041 | 445,000 | 143,000 | 588,000 |
| 2042 | 465,000 | 125,200 | 590,200 |
| 2043 | 490,000 | 106,600 | 596,600 |
| 2044 | 510,000 | 87,000 | 597,000 |
| 2045 | 530,000 | 66,600 | 596,600 |
| 2046 | 555,000 | 45,400 | 600,400 |
| 2047 | 580,000 | 23,200 | 603,200 |
| Totals | \$ 8,590,000 | \$ 4,697,292 | \$ 13,287,292 |

Harris County Municipal Utility District No. 536
 Schedule of Long-Term Debt Service Requirements by Years
 September 30, 2024

(Continued)

| Due During Fiscal Years Ending September 30 | Road Series 2022A | | |
|---|---------------------------------|---|---------------------|
| | Principal Due September 1 | Interest Due March 1, September 1 | Total |
| 2025 | \$ 190,000 | \$ 243,950 | \$ 433,950 |
| 2026 | 190,000 | 236,350 | 426,350 |
| 2027 | 190,000 | 226,850 | 416,850 |
| 2028 | 190,000 | 217,350 | 407,350 |
| 2029 | 190,000 | 207,850 | 397,850 |
| 2030 | 190,000 | 200,250 | 390,250 |
| 2031 | 190,000 | 192,650 | 382,650 |
| 2032 | 190,000 | 185,050 | 375,050 |
| 2033 | 190,000 | 177,450 | 367,450 |
| 2034 | 190,000 | 169,850 | 359,850 |
| 2035 | 190,000 | 162,250 | 352,250 |
| 2036 | 190,000 | 154,650 | 344,650 |
| 2037 | 190,000 | 147,050 | 337,050 |
| 2038 | 190,000 | 139,450 | 329,450 |
| 2039 | 190,000 | 131,375 | 321,375 |
| 2040 | 190,000 | 123,300 | 313,300 |
| 2041 | 190,000 | 114,750 | 304,750 |
| 2042 | 190,000 | 106,200 | 296,200 |
| 2043 | 190,000 | 97,650 | 287,650 |
| 2044 | 480,000 | 89,100 | 569,100 |
| 2045 | 500,000 | 67,500 | 567,500 |
| 2046 | 500,000 | 45,000 | 545,000 |
| 2047 | 500,000 | 22,500 | 522,500 |
| Totals | <u>\$ 5,590,000</u> | <u>\$ 3,458,375</u> | <u>\$ 9,048,375</u> |

Harris County Municipal Utility District No. 536
 Schedule of Long-Term Debt Service Requirements by Years
 September 30, 2024

(Continued)

| Due During Fiscal Years Ending September 30 | Series 2023 | | |
|---|---------------------------------|---|---------------|
| | Principal Due September 1 | Interest Due March 1, September 1 | Total |
| 2025 | \$ 750,000 | \$ 837,500 | \$ 1,587,500 |
| 2026 | 650,000 | 792,500 | 1,442,500 |
| 2027 | 650,000 | 753,500 | 1,403,500 |
| 2028 | 650,000 | 714,500 | 1,364,500 |
| 2029 | 650,000 | 675,500 | 1,325,500 |
| 2030 | 650,000 | 633,250 | 1,283,250 |
| 2031 | 480,000 | 600,750 | 1,080,750 |
| 2032 | 505,000 | 581,550 | 1,086,550 |
| 2033 | 535,000 | 561,350 | 1,096,350 |
| 2034 | 560,000 | 539,950 | 1,099,950 |
| 2035 | 595,000 | 517,550 | 1,112,550 |
| 2036 | 625,000 | 493,750 | 1,118,750 |
| 2037 | 660,000 | 468,750 | 1,128,750 |
| 2038 | 695,000 | 441,525 | 1,136,525 |
| 2039 | 735,000 | 412,856 | 1,147,856 |
| 2040 | 775,000 | 381,618 | 1,156,618 |
| 2041 | 820,000 | 348,681 | 1,168,681 |
| 2042 | 865,000 | 313,831 | 1,178,831 |
| 2043 | 910,000 | 275,988 | 1,185,988 |
| 2044 | 960,000 | 236,175 | 1,196,175 |
| 2045 | 1,015,000 | 194,175 | 1,209,175 |
| 2046 | 1,070,000 | 148,500 | 1,218,500 |
| 2047 | 1,130,000 | 100,350 | 1,230,350 |
| 2048 | 1,100,000 | 49,500 | 1,149,500 |
| Totals | \$ 18,035,000 | \$ 11,073,599 | \$ 29,108,599 |

Harris County Municipal Utility District No. 536
 Schedule of Long-Term Debt Service Requirements by Years
 September 30, 2024

(Continued)

| Due During Fiscal Years Ending September 30 | Annual Requirements For All Series | | |
|---|------------------------------------|--------------------------|--|
| | Total Principal Due | Total Interest Due | Total Principal and Interest Due |
| 2025 | \$ 2,660,000 | \$ 2,584,432 | \$ 5,244,432 |
| 2026 | 2,600,000 | 2,466,536 | 5,066,536 |
| 2027 | 2,650,000 | 2,355,427 | 5,005,427 |
| 2028 | 2,700,000 | 2,245,228 | 4,945,228 |
| 2029 | 2,750,000 | 2,143,999 | 4,893,999 |
| 2030 | 2,795,000 | 2,045,716 | 4,840,716 |
| 2031 | 2,690,000 | 1,955,062 | 4,645,062 |
| 2032 | 2,770,000 | 1,874,643 | 4,644,643 |
| 2033 | 2,865,000 | 1,790,593 | 4,655,593 |
| 2034 | 2,955,000 | 1,701,671 | 4,656,671 |
| 2035 | 3,050,000 | 1,608,707 | 4,658,707 |
| 2036 | 3,150,000 | 1,512,000 | 4,662,000 |
| 2037 | 3,265,000 | 1,409,025 | 4,674,025 |
| 2038 | 3,375,000 | 1,300,262 | 4,675,262 |
| 2039 | 3,495,000 | 1,186,026 | 4,681,026 |
| 2040 | 3,620,000 | 1,065,248 | 4,685,248 |
| 2041 | 3,750,000 | 938,813 | 4,688,813 |
| 2042 | 3,890,000 | 806,331 | 4,696,331 |
| 2043 | 4,030,000 | 666,388 | 4,696,388 |
| 2044 | 3,980,000 | 521,001 | 4,501,001 |
| 2045 | 3,345,000 | 384,343 | 3,729,343 |
| 2046 | 3,060,000 | 262,888 | 3,322,888 |
| 2047 | 2,210,000 | 146,050 | 2,356,050 |
| 2048 | 1,100,000 | 49,500 | 1,149,500 |
| Totals | <u>\$ 72,755,000</u> | <u>\$ 33,019,889</u> | <u>\$ 105,774,889</u> |

Harris County Municipal Utility District No. 536
Changes in Long-Term Bonded Debt
Year Ended September 30, 2024

Bond

| | Series 2018 | Road Series 2018A | Series 2019 | Road Series 2019A | Series 2020 |
|--|---------------------------|------------------------------|---------------------------|------------------------------|---------------------------|
| Interest rates | 3.00% to 4.25% | 2.75% to 4.50% | 2.00% to 4.00% | 2.00% to 4.00% | 2.00% to 2.25% |
| Dates interest payable | March 1/ September 1 | March 1/ September 1 | March 1/ September 1 | March 1/ September 1 | March 1/ September 1 |
| Maturity dates | September 1, 2025/2043 | September 1, 2025/2043 | September 1, 2025/2044 | September 1, 2025/2044 | September 1, 2025/2045 |
| Bonds outstanding, beginning of current year | \$ 7,950,000 | \$ 3,610,000 | \$ 3,700,000 | \$ 3,505,000 | \$ 4,950,000 |
| Retirements, principal | 240,000 | 110,000 | 155,000 | 165,000 | 225,000 |
| Bonds outstanding, end of current year | <u>\$ 7,710,000</u> | <u>\$ 3,500,000</u> | <u>\$ 3,545,000</u> | <u>\$ 3,340,000</u> | <u>\$ 4,725,000</u> |
| Interest paid during current year | <u>\$ 309,106</u> | <u>\$ 149,818</u> | <u>\$ 92,837</u> | <u>\$ 92,713</u> | <u>\$ 102,094</u> |

Paying agent's name and address:

| | |
|---------------------|---|
| Series 2018 | - The Bank of New York Mellon Trust Company, N.A., Houston, Texas |
| Series 2018A | - The Bank of New York Mellon Trust Company, N.A., Houston, Texas |
| Series 2019 | - The Bank of New York Mellon Trust Company, N.A., Houston, Texas |
| Series 2019A | - The Bank of New York Mellon Trust Company, N.A., Houston, Texas |
| Series 2020 | - The Bank of New York Mellon Trust Company, N.A., Houston, Texas |
| Series 2020A | - The Bank of New York Mellon Trust Company, N.A., Houston, Texas |
| Series 2021 | - The Bank of New York Mellon Trust Company, N.A., Houston, Texas |
| Series 2021A | - The Bank of New York Mellon Trust Company, N.A., Houston, Texas |
| Series 2022 | - The Bank of New York Mellon Trust Company, N.A., Houston, Texas |
| Series 2022A | - The Bank of New York Mellon Trust Company, N.A., Houston, Texas |
| Series 2023 | - The Bank of New York Mellon Trust Company, N.A., Houston, Texas |

Bond authority:

| | Tax Bonds | Other Bonds | Refunding Bonds |
|-----------------------------|----------------------|----------------------|----------------------------|
| Amount authorized by voters | \$ 125,000,000 | \$ 114,000,000 | \$ 239,000,000 |
| Amount issued | \$ 53,940,000 | \$ 25,630,000 | \$ - |
| Remaining to be issued | <u>\$ 71,060,000</u> | <u>\$ 88,370,000</u> | <u>\$ 239,000,000</u> |

Debt service fund cash and temporary investment balances as of September 30, 2024:

\$ 3,682,308

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

\$ 4,407,287

Issues

| Road Series 2020A | Series 2021 | Road Series 2021A | Series 2022 | Road Series 2022A | Series 2023 | Totals |
|------------------------------|---------------------------|------------------------------|---------------------------|------------------------------|---------------------------|----------------------|
| 2.00% to 4.00% | 2.00% to 4.50% | 2.00% to 4.50% | 3.00% to 5.50% | 4.00% to 5.00% | 4.00% to 6.50% | |
| March 1/ September 1 | March 1/ September 1 | March 1/ September 1 | March 1/ September 1 | March 1/ September 1 | March 1/ September 1 | |
| September 1, 2025/2045 | September 1, 2025/2046 | September 1, 2025/2046 | September 1, 2025/2047 | September 1, 2025/2047 | September 1, 2025/2048 | |
| \$ 3,850,000 | \$ 7,130,000 | \$ 7,310,000 | \$ 8,800,000 | \$ 5,780,000 | \$ 18,785,000 | \$ 75,370,000 |
| 175,000 | 195,000 | 200,000 | 210,000 | 190,000 | 750,000 | 2,615,000 |
| <u>\$ 3,675,000</u> | <u>\$ 6,935,000</u> | <u>\$ 7,110,000</u> | <u>\$ 8,590,000</u> | <u>\$ 5,590,000</u> | <u>\$ 18,035,000</u> | <u>\$ 72,755,000</u> |
| <u>\$ 90,562</u> | <u>\$ 176,212</u> | <u>\$ 198,506</u> | <u>\$ 354,120</u> | <u>\$ 253,450</u> | <u>\$ 824,705</u> | <u>\$ 2,644,123</u> |

Harris County Municipal Utility District No. 536
Comparative Schedule of Revenues and Expenditures – General Fund
Five Years Ended September 30,

| | Amounts | | | | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2024 | 2023 | 2022 | 2021 | 2020 |
| General Fund | | | | | |
| Revenues | | | | | |
| Property taxes | \$ 2,123,668 | \$ 1,937,160 | \$ 1,444,839 | \$ 922,262 | \$ 519,896 |
| Water service | 1,317,700 | 1,326,112 | 1,292,573 | 988,531 | 670,924 |
| Sewer service | 908,947 | 873,764 | 818,429 | 673,352 | 420,405 |
| Regional water fee | 787,399 | 835,172 | 743,899 | 550,596 | 336,163 |
| Tap connection and inspection fees | 680,744 | 160,446 | 267,283 | 748,423 | 687,720 |
| Penalty and interest | 155,292 | 123,021 | 125,484 | 79,597 | 54,270 |
| Investment income | 400,700 | 384,602 | 31,879 | 5,982 | 9,338 |
| Sale of capacity | - | 360,000 | 2,250,000 | - | - |
| Other income | 17,614 | 11,508 | 4,070 | 470,093 | 31,497 |
| Total revenues | 6,392,064 | 6,011,785 | 6,978,456 | 4,438,836 | 2,730,213 |
| Expenditures | | | | | |
| Service operations: | | | | | |
| Regional water fee | 844,328 | 948,088 | 902,626 | 529,635 | 377,849 |
| Professional fees | 211,223 | 193,842 | 145,070 | 135,778 | 127,128 |
| Contracted services | 712,665 | 652,119 | 551,168 | 538,543 | 384,676 |
| Utilities | 165,785 | 146,046 | 104,892 | 76,382 | 60,922 |
| Repairs and maintenance | 804,049 | 676,038 | 831,815 | 950,778 | 573,169 |
| Other expenditures | 128,892 | 119,601 | 100,834 | 109,655 | 69,062 |
| Tap connections | 232,140 | 52,125 | 84,994 | 294,304 | 274,099 |
| Capital outlay | 6,862,743 | 46,630 | 670,781 | 14,056 | - |
| Debt service: | | | | | |
| Lease payments | 137,850 | 275,700 | 148,661 | 176,076 | 176,076 |
| Debt issuance costs | 1,077 | 9,126 | 1,063 | - | - |
| Total expenditures | 10,100,752 | 3,119,315 | 3,541,904 | 2,825,207 | 2,042,981 |
| Excess (Deficiency) of Revenues Over Expenditures | (3,708,688) | 2,892,470 | 3,436,552 | 1,613,629 | 687,232 |
| Other Financing Sources (Uses) | | | | | |
| Insurance proceeds | - | - | - | 258,285 | - |
| Interfund transfers out | - | - | (5,472) | - | (15,000) |
| Total other financing sources (uses) | - | - | (5,472) | 258,285 | (15,000) |
| Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses | (3,708,688) | 2,892,470 | 3,431,080 | 1,871,914 | 672,232 |
| Fund Balance, Beginning of Year | 9,498,065 | 6,605,595 | 3,174,515 | 1,302,601 | 630,369 |
| Fund Balance, End of Year | \$ 5,789,377 | \$ 9,498,065 | \$ 6,605,595 | \$ 3,174,515 | \$ 1,302,601 |
| Total Active Retail Water Connections | 2,118 | 2,128 | 2,072 | 1,916 | 1,368 |
| Total Active Retail Wastewater Connections | 2,057 | 2,063 | 2,014 | 1,856 | 1,325 |

Percent of Fund Total Revenues

| <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|-------------|-------------|-------------|-------------|-------------|
| 33.2 % | 32.2 % | 20.7 % | 20.7 % | 19.1 % |
| 20.6 | 22.1 | 18.5 | 22.3 | 24.6 |
| 14.2 | 14.5 | 11.7 | 15.2 | 15.4 |
| 12.3 | 13.9 | 10.7 | 12.4 | 12.3 |
| 10.7 | 2.7 | 3.8 | 16.9 | 25.2 |
| 2.4 | 2.0 | 1.8 | 1.8 | 2.0 |
| 6.3 | 6.4 | 0.5 | 0.1 | 0.3 |
| - | 6.0 | 32.2 | - | - |
| 0.3 | 0.2 | 0.1 | 10.6 | 1.1 |
| 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 13.2 | 15.8 | 12.9 | 11.9 | 13.9 |
| 3.3 | 3.2 | 2.1 | 3.1 | 4.6 |
| 11.1 | 10.8 | 7.9 | 12.1 | 14.1 |
| 2.6 | 2.4 | 1.5 | 1.7 | 2.2 |
| 12.6 | 11.2 | 11.9 | 21.4 | 21.0 |
| 2.0 | 2.0 | 1.5 | 2.5 | 2.5 |
| 3.6 | 0.9 | 1.2 | 6.6 | 10.0 |
| 107.4 | 0.8 | 9.6 | 0.3 | - |
| 2.2 | 4.6 | 2.1 | 4.0 | 6.5 |
| 0.0 | 0.2 | 0.0 | - | - |
| 158.0 | 51.9 | 50.7 | 63.6 | 74.8 |
| (58.0) % | 48.1 % | 49.3 % | 36.4 % | 25.2 % |

Harris County Municipal Utility District No. 536
Comparative Schedule of Revenues and Expenditures – Debt Service Fund
Five Years Ended September 30,

| | Amounts | | | | |
|--|---------------------|---------------------|---------------------|---------------------|-------------------|
| | 2024 | 2023 | 2022 | 2021 | 2020 |
| Debt Service Fund | | | | | |
| Revenues | | | | | |
| Property taxes | \$ 5,531,242 | \$ 4,837,052 | \$ 3,165,398 | \$ 1,844,525 | \$ 1,037,064 |
| Penalty and interest | 52,225 | 61,953 | 29,385 | 33,282 | 23,980 |
| Investment income | 304,369 | 207,223 | 23,268 | 5,557 | 17,797 |
| Total revenues | <u>5,887,836</u> | <u>5,106,228</u> | <u>3,218,051</u> | <u>1,883,364</u> | <u>1,078,841</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| Professional fees | 18,214 | 23,957 | 10,147 | 9,254 | 3,559 |
| Contracted services | 77,741 | 63,840 | 58,576 | 40,223 | 25,237 |
| Other expenditures | 7,148 | 11,477 | 9,544 | 14,756 | 13,138 |
| Debt service: | | | | | |
| Principal retirement | 2,615,000 | 1,635,000 | 1,365,000 | 720,000 | 290,000 |
| Interest and fees | 2,649,597 | 1,832,342 | 1,240,108 | 918,172 | 688,727 |
| Total expenditures | <u>5,367,700</u> | <u>3,566,616</u> | <u>2,683,375</u> | <u>1,702,405</u> | <u>1,020,661</u> |
| Excess of Revenues Over Expenditures | <u>520,136</u> | <u>1,539,612</u> | <u>534,676</u> | <u>180,959</u> | <u>58,180</u> |
| Other Financing Sources | | | | | |
| General obligation bonds issued | - | - | - | - | 56,256 |
| Interfund transfers in | - | - | - | - | 45,000 |
| Total other financing sources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>101,256</u> |
| Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses | <u>520,136</u> | <u>1,539,612</u> | <u>534,676</u> | <u>180,959</u> | <u>159,436</u> |
| Fund Balance, Beginning of Year | <u>3,137,677</u> | <u>1,598,065</u> | <u>1,063,389</u> | <u>882,430</u> | <u>722,994</u> |
| Fund Balance, End of Year | <u>\$ 3,657,813</u> | <u>\$ 3,137,677</u> | <u>\$ 1,598,065</u> | <u>\$ 1,063,389</u> | <u>\$ 882,430</u> |

Percent of Fund Total Revenues

| <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|--------------|---------------|---------------|--------------|--------------|
| 93.9 % | 94.7 % | 98.4 % | 97.9 % | 96.1 % |
| 0.9 | 1.2 | 0.9 | 1.8 | 2.2 |
| <u>5.2</u> | <u>4.1</u> | <u>0.7</u> | <u>0.3</u> | <u>1.7</u> |
| <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> |
| 0.3 | 0.5 | 0.3 | 0.5 | 0.3 |
| 1.3 | 1.2 | 1.8 | 2.1 | 2.4 |
| 0.1 | 0.2 | 0.3 | 0.8 | 1.2 |
| 44.4 | 32.0 | 42.4 | 38.2 | 26.9 |
| <u>45.0</u> | <u>35.9</u> | <u>38.6</u> | <u>48.8</u> | <u>63.8</u> |
| <u>91.1</u> | <u>69.8</u> | <u>83.4</u> | <u>90.4</u> | <u>94.6</u> |
| <u>8.9 %</u> | <u>30.2 %</u> | <u>16.6 %</u> | <u>9.6 %</u> | <u>5.4 %</u> |

**Harris County Municipal Utility District No. 536
Board Members, Key Personnel and Consultants
Year Ended September 30, 2024**

| | |
|--|---|
| Complete District mailing address: | Harris County Municipal Utility District No. 536 c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 2400 Houston, Texas 77056 |
| District business telephone number: | 713.623.4531 |
| Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054): | June 14, 2022 |
| Limit on fees of office that a director may receive during a fiscal year: | \$ 7,200 |

| <u>Board Members</u> | <u>Term of Office Elected & Expires</u> | <u>Fees*</u> | <u>Expense Reimbursements</u> | <u>Title at Year-End</u> |
|-----------------------|---|--------------|-------------------------------|--------------------------|
| Joseph Forrester | Elected 05/22- 05/26 | \$ 1,768 | \$ 375 | President |
| Alan M. Cantone | Elected 05/22- 05/26 | 1,326 | 168 | Vice President |
| Kimberly Carroll | Elected 05/24- 05/28 | 1,768 | 224 | Secretary |
| Rebecca Roberts Janik | Elected 05/24- 05/28 | 4,641 | 588 | Assistant Secretary |
| Sylvia King | Elected 05/22- 05/26 | 3,978 | 743 | Assistant Secretary |

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

**Harris County Municipal Utility District No. 536
Board Members, Key Personnel and Consultants
Year Ended September 30, 2024**

(Continued)

| Consultants | Date Hired | Fees and Expense Reimbursements | Title |
|--|-----------------------|--|----------------------------|
| Assessments of the Southwest, Inc. | 09/17/15 | \$ 27,436 | Tax Assessor/ Collector |
| EHRA Engineering, Inc. | 01/08/15 | 144,382 | Engineer |
| Forvis Mazars, LLP | 10/19/17 | 30,600 | Auditor |
| Harris Central Appraisal District | Legislative Action | 50,305 | Appraiser |
| Masterson Advisors LLC | 04/19/18 | - | Financial Advisor |
| Municipal Accounts & Consulting, L.P. | 01/08/15 | 82,150 | Bookkeeper |
| Perdue, Brandon, Fielder, Collins & Mott, L.L.P. | 01/21/16 | 18,214 | Delinquent Tax Attorney |
| Schwartz, Page & Harding, L.L.P. | 01/08/15 | 109,173 | General Counsel |
| Si Environmental, LLC | 01/21/16 | 869,121 | Operator |
| Investment Officers | | | |
| Mark M. Burton and Ghia Lewis | 01/08/15 | - | Bookkeepers |

APPENDIX B

Specimen Municipal Bond Insurance Policy



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN