

OFFICIAL STATEMENT DATED SEPTEMBER 17, 2025

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

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

NEW ISSUE-Book-Entry Only

Insured Rating (BAM): S&P “AA” (stable)
See “MUNICIPAL BOND RATING” and
“MUNICIPAL BOND INSURANCE” herein.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 539
(A political subdivision of the State of Texas located within Harris County)

\$14,000,000
UNLIMITED TAX BONDS
SERIES 2025

\$15,000,000
UNLIMITED TAX ROAD BONDS
SERIES 2025

The \$14,000,000 Unlimited Tax Bonds, Series 2025 (the “Series 2025 Bonds”) and the \$15,000,000 Unlimited Tax Road Bonds, Series 2025 (the “Series 2025 Road Bonds”) (collectively referred to herein as the “Bonds”) are obligations solely of Harris County Municipal Utility District No. 539 (the “District”) and are not obligations of the State of Texas, Harris County, the City of Houston, or any entity other than the District.

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax levied, without legal limitation as to rate or amount, against all taxable property within the District. THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS DESCRIBED HEREIN. See “RISK FACTORS.”

Dated Date: October 1, 2025
Interest Accrual Date: Date of Delivery

Due: September 1, as shown below

Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially BOKF, NA in Dallas, Texas (the “Paying Agent/Registrar”) upon surrender of the Bonds for payment. Interest on the Bonds accrues from the date of delivery (expected on or about October 15, 2025) (the “Date of Delivery”), and is payable each March 1 and September 1, commencing March 1, 2026, until maturity or prior redemption. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity, as shown on the inside cover.

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



The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under separate municipal bond insurance policies (collectively, the “Policy”) to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY. See “MUNICIPAL BOND INSURANCE” herein.

See “MATURITY SCHEDULES” on the inside cover.

The Bonds are offered by the Underwriter subject to prior sale, when, as and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. See “LEGAL MATTERS.” Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about October 15, 2025.

MATURITY SCHEDULES

\$14,000,000 SERIES 2025 BONDS

Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (b)	CUSIP Number (c)	Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (b)	CUSIP Number (c)
2027	\$ 295,000	6.500 %	2.550 %	41424N BC4	2040	\$ 555,000 (a)	4.250 %	4.350 %	41424N BR1
2028	310,000	6.500	2.600	41424N BD2	2041	580,000 (a)	4.250	4.450	41424N BS9
2029	325,000	6.500	2.650	41424N BE0	2042	610,000 (a)	4.375	4.530	41424N BT7
2030	340,000	6.500	2.750	41424N BF7	2043	640,000 (a)	4.375	4.580	41424N BU4
2031	355,000	6.500	2.900	41424N BG5	2044	670,000 (a)	4.375	4.630	41424N BV2
2032	375,000 (a)	6.500	3.000	41424N BH3	2045	705,000 (a)	4.375	4.680	41424N BW0
2033	395,000 (a)	6.250	3.150	41424N BJ9	2046	740,000 (a)	4.375	4.720	41424N BX8
2034	415,000 (a)	5.000	3.300	41424N BK6	2047	780,000 (a)	4.500	4.750	41424N BY6
2035	435,000 (a)	4.000	3.700	41424N BL4	2048	815,000 (a)	4.500	4.780	41424N BZ3
2036	455,000 (a)	4.000	3.900	41424N BM2	2049	855,000 (a)	4.500	4.800	41424N CA7
2037	480,000 (a)	4.000	4.050	41424N BN0	2050	900,000 (a)	4.500	4.810	41424N CB5
2038	500,000 (a)	4.000	4.150	41424N BP5	2051	945,000 (a)	4.500	4.820	41424N CC3
2039	525,000 (a)	4.125	4.250	41424N BQ3					

\$15,000,000 SERIES 2025 ROAD BONDS

Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (b)	CUSIP Number (c)	Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (b)	CUSIP Number (c)
2027	\$ 315,000	6.500 %	2.550 %	41424N CE9	2040	\$ 595,000 (a)	4.250 %	4.350 %	41424N CT6
2028	330,000	6.500	2.600	41424N CF6	2041	620,000 (a)	4.250	4.450	41424N CU3
2029	345,000	6.500	2.650	41424N CG4	2042	655,000 (a)	4.375	4.530	41424N CV1
2030	365,000	6.500	2.750	41424N CH2	2043	685,000 (a)	4.375	4.580	41424N CW9
2031	380,000	6.500	2.900	41424N CJ8	2044	720,000 (a)	4.375	4.630	41424N CX7
2032	400,000 (a)	6.500	3.000	41424N CK5	2045	755,000 (a)	4.375	4.680	41424N CY5
2033	420,000 (a)	6.125	3.150	41424N CL3	2046	795,000 (a)	4.375	4.720	41424N CZ2
2034	440,000 (a)	5.000	3.300	41424N CM1	2047	835,000 (a)	4.500	4.750	41424N DA6
2035	465,000 (a)	4.000	3.700	41424N CN9	2048	875,000 (a)	4.500	4.780	41424N DB4
2036	490,000 (a)	4.000	3.900	41424N CP4	2049	920,000 (a)	4.500	4.800	41424N DC2
2037	510,000 (a)	4.000	4.050	41424N CQ2	2050	965,000 (a)	4.500	4.810	41424N DD0
2038	540,000 (a)	4.000	4.150	41424N CR0	2051	1,015,000 (a)	4.500	4.820	41424N DE8
2039	565,000 (a)	4.125	4.250	41424N CS8					

- (a) Bonds maturing on or after September 1, 2032, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time in part, on September 1, 2031, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent Interest Payment Date (as herein defined) to the date fixed for redemption. See “THE BONDS—Redemption Provisions.”
- (b) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Underwriter (as herein defined) for offers to the public and which subsequently may be changed.
- (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 Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.

TABLE OF CONTENTS

MATURITY SCHEDULES.....	1	ROAD SYSTEM.....	30
USE OF INFORMATION IN OFFICIAL STATEMENT.....	3	FINANCIAL INFORMATION CONCERNING THE	
SALE AND DISTRIBUTION OF THE BONDS	4	DISTRICT (UNAUDITED).....	31
Award of the Bonds	4	Investments of the District.....	31
Prices and Marketability.....	4	Outstanding Bonds.....	31
Securities Laws	4	Debt Service Requirements.....	32
OFFICIAL STATEMENT SUMMARY.....	5	Estimated Overlapping Debt.....	33
SELECTED FINANCIAL INFORMATION (UNAUDITED) ...	8	Overlapping Taxes.....	33
RISK FACTORS	9	General Operating Fund.....	34
General.....	9	TAX DATA.....	35
Economic Factors and Interest Rates	9	Debt Service Tax	35
Credit Markets and Liquidity in the Financial Markets.....	10	Maintenance and Operations Tax	35
Competition.....	10	Historical Tax Rate Distribution	35
Increase in Costs of Building Materials	10	Additional Penalties.....	35
Possible Impact on District Tax Rates.....	10	Historical Tax Collections	35
Dependence on Major Taxpayers and the Developer	11	Tax Roll Information	36
Undeveloped Acreage, and Vacant Lots	11	Principal Taxpayers	36
Operating Funds.....	11	Tax Adequacy for Debt Service.....	37
Landowner Obligation to the District.....	11	TAXING PROCEDURES	37
Future Debt	12	Authority to Levy Taxes.....	37
Marketability of the Bonds.....	12	Property Tax Code and County-Wide Appraisal District.....	37
Potential Effects of Oil Price Volatility on the Houston Area....	12	Property Subject to Taxation by the District.....	37
Extreme Weather.....	12	Tax Abatement.....	38
Specific Flood Type Risks	13	Valuation of Property for Taxation.....	39
Tax Collections Limitations and Foreclosure Remedies	13	District and Taxpayer Remedies	39
Registered Owners' Remedies and Bankruptcy Limitations	13	Levy and Collection of Taxes	40
Environmental Regulations	14	Tax Payment Installments After Disaster.....	40
2025 Legislative Session.....	16	Rollback of Operation and Maintenance Tax Rate	40
Changes in Tax Legislation.....	16	District's Rights in the Event of Tax Delinquencies	41
Continuing Compliance with Certain Covenants	16	MUNICIPAL BOND RATING	42
Risk Factors Related to the Purchase of Municipal Bond		MUNICIPAL BOND INSURANCE	42
Insurance.....	16	Bond Insurance Policy	42
THE BONDS.....	16	Build America Mutual Assurance Company.....	42
Description.....	16	LEGAL MATTERS	43
Method of Payment of Principal and Interest.....	17	Legal Proceedings.....	43
Source and Security of Payment	17	No Material Adverse Change.....	44
Funds.....	17	No-Litigation Certificate.....	44
Redemption Provisions	18	TAX MATTERS.....	44
Authority for Issuance.....	18	Tax Exemption.....	44
Registration and Transfer.....	19	Not Qualified Tax-Exempt Obligations	45
Lost, Stolen or Destroyed Bonds.....	19	Additional Federal Income Tax Considerations.....	45
Replacement of Paying Agent/Registrar	19	Tax Legislative Changes.....	46
Issuance of Additional Debt.....	19	PREPARATION OF OFFICIAL STATEMENT	46
Annexation by the City of Houston.....	20	Sources and Compilation of Information	46
Consolidation	20	Financial Advisor.....	47
Remedies in Event of Default	20	Consultants	47
Legal Investment and Eligibility to Secure Public Funds in		Updating the Official Statement	47
Texas.....	21	Certification of Official Statement.....	47
Defeasance	21	CONTINUING DISCLOSURE OF INFORMATION	47
BOOK-ENTRY-ONLY SYSTEM.....	22	Annual Reports	48
USE AND DISTRIBUTION OF BOND PROCEEDS	24	Event Notices.....	48
THE DEVELOPER.....	26	Availability of Information from the MSRB.....	48
General.....	26	Limitations and Amendments	48
Description of the Developer	26	Compliance With Prior Undertakings	49
THE DISTRICT	26	MISCELLANEOUS.....	49
General.....	26		
Location	27	AERIAL LOCATION MAP	
Land Use.....	27	PHOTOGRAPHS OF THE DISTRICT	
Status of Development	27	APPENDIX A—Independent Auditor's Report and Financial	
Homebuilders.....	27	Statements of the District for the fiscal	
Future Development	28	year ended February 28, 2025	
MANAGEMENT OF THE DISTRICT	28	APPENDIX B—Specimen Municipal Bond Insurance Policy	
Board of Directors.....	28		
District Consultants.....	28		
THE SYSTEM	29		
Regulation.....	29		
Source of Water Supply	29		
Subsidence and Plant Conversion to Surface Water Supply..	29		
Wastewater Treatment.....	30		
Water Distribution, Wastewater Collection and Storm			
Drainage Facilities	30		
100-Year Flood Plain	30		
Atlas 14.....	30		

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this OFFICIAL STATEMENT are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Allen Boone Humphries Robinson LLP, Bond Counsel, 3200 Southwest Freeway, Suite 2600, Houston, Texas, 77027, for further information.

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

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

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."

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Series 2025 Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by Robert W. Baird & Co., Inc. (the "Series 2025 Bond Underwriter") bearing the interest rates shown on the inside cover hereof, at a price of 97.00% of the par value thereof which resulted in a net effective interest rate of 4.681725%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended (the IBA method).

After requesting competitive bids for the Series 2025 Road Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by Robert W. Baird & Co., Inc. (the "Series 2025 Road Bond Underwriter") bearing the interest rates shown on the inside cover hereof, at a price of 97.00% of the par value thereof which resulted in a net effective interest rate of 4.679223%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended (the IBA method).

The Series 2025 Bond Underwriter and the Series 2025 Road Bond Underwriter shall be referred to herein collectively as the "Underwriter."

Prices and Marketability

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Underwriter may over allot or effect transactions 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 utility district bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

Securities Laws

No registration statement relating to the offer and sale of the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein 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 other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

OFFICIAL STATEMENT SUMMARY

The following is a brief summary of certain information contained herein which 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 DISTRICT

Description...

The District is a political subdivision of the State of Texas operating as a municipal utility district pursuant to Article XVI, Section 59 of the Texas Constitution. The District was created pursuant to Senate Bill No. 2008, 84th Session of the Texas Legislature, Regular Session effective July 15, 2015 (the “Act”) codified as Chapter 7904, Texas Special District Local Laws Code. The District has with all the rights, privileges, authority and functions conferred by the laws of the State of Texas applicable to municipal utility districts, including without limitation those conferred by Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution, the Act, and Chapters 49 and 54 of the Texas Water Code, as amended. The District contains approximately 725 acres of land. See “THE DISTRICT.”

Location...

The District is located approximately 29 miles west of the central downtown business district of the City of Houston and lies within the extraterritorial jurisdiction of the City of Houston and within the boundaries of the Katy Independent School District. The District is bordered on the north by Farm-to-Market 529, to the west by Pitts Road, to the east by Katy-Hockley Road and on the south by Beckendorff Road. Access to the District’s collector roads and internal street network is provided Katy-Hockley Road, Pitts Road, Beckendorff Road and Farm-to-Market Road 529, which forms the District’s northern boundary and ultimately leads to Texas State Highway 99 (the “Grand Parkway.”) See “THE DISTRICT” and “AERIAL LOCATION MAP.”

The Developer...

The developer of land within the District is Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership, (“Lennar Homes”) d.b.a. Friendswood Development Company (the “Developer”). The Developer is wholly owned by Lennar Corporation (“Lennar”), a publicly traded corporation whose stock is listed on the New York Stock Exchange under the ticker symbol “LEN.” Lennar’s activities include homebuilding, real estate investments, residential and commercial developments, and financial services operations throughout the United States. The undeveloped land within the District’s boundaries is owned by FR Beeson LLC, a Texas limited liability company (“FR Beeson”), which acts solely as a land holding company. FR Beeson sells land to the Developer as needed for development. See “RISK FACTORS—Dependence on Major Taxpayers and the Developer,” “THE DEVELOPER” and “TAX DATA—Principal Taxpayers.”

Status of Development...

Development in the District currently consists of Anniston, Sections One through Twelve (1,448 finished single family residential lots on approximately 304 acres). As of August 17, 2025, according to Lennar Homes, 808 homes were completed (731 occupied homes, 75 unoccupied home, and 2 model homes), approximately 231 homes were under construction and/or listed in a builder’s name (50 of which are under contract) and 409 vacant developed lots were available for home construction. In addition, Anniston, Sections Thirteen, Fourteen, Sixteen and Seventeen (407 lots on approximately 100 acres) are currently under construction with an expected completion date in the fourth quarter of 2025. According to the Developer, new homes in the District range in price from \$190,000 to \$430,000.

In addition, there are approximately 55 acres of developable but undeveloped acreage and approximately 266 undevelopable acres consisting of rights-of-way, detention ponds, lake amenities, easements, parks, recreational and open space.

See “THE DISTRICT—Land Use” and “—Status of Development.”

<i>Homebuilding...</i>	Lennar Homes is the sole homebuilder with the District.
<i>Payment Record...</i>	The District has previously issued \$3,750,000 of unlimited tax road bonds in one series all of which is currently outstanding (the “Outstanding Bonds”). The District capitalized twenty-four (24) months of interest on the Outstanding Bonds in December 2024, and will capitalize twenty-four (24) months of interest from proceeds of the Series 2025 Bonds and twelve (12) months of interest from proceeds of the Series 2025 Road Bonds. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds.” The District has never defaulted on its debt obligations. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

THE BONDS

<i>Description...</i>	The \$14,000,000 Unlimited Tax Bonds, Series 2025 (the “Series 2025 Bonds”) and the \$15,000,000 Unlimited Tax Road Bonds, Series 2025 (the “Series 2025 Road Bonds”) (collectively referred to herein as the “Bonds”) are being issued as fully registered bonds pursuant to separate resolutions (the “Bond Resolutions”) authorizing the issuance of each such series of Bonds adopted by the District’s Board of Directors. The Bonds are scheduled to mature serially on September 1 in each of the years 2027 through 2051, both inclusive, in the principal amounts and accruing interest at the rates shown on the inside cover hereof. Interest on the Bonds accrues from the Date of Delivery and is payable March 1, 2026, and each September 1 and March 1 thereafter, until the earlier of maturity or redemption. The Bonds will be issued in denominations of \$5,000 or integral multiples of \$5,000. See “THE BONDS.”
<i>Book-Entry-Only System...</i>	The Depository Trust Company (defined as “DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each series and maturity of the Bonds and will be deposited with DTC. See “BOOK-ENTRY-ONLY SYSTEM.”
<i>Redemption...</i>	Bonds maturing on or after September 1, 2032, are subject to redemption in whole, or from time to time in part, at the option of the District prior to their maturity dates on September 1, 2031, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS—Redemption Provisions.”
<i>Use of Proceeds for the Series 2025 Bonds...</i>	Proceeds of the Series 2025 Bonds will be used to pay for engineering and construction costs associated with water, sanitary sewer and drainage facilities shown herein under “USE AND DISTRIBUTION OF BOND PROCEEDS—Series 2025 Bonds.” In addition, Series 2025 Bond proceeds will be used to capitalize twenty-four (24) months of interest on the Series 2025 Bonds; to pay for interest on funds advanced by the Developer on behalf of the District; and to pay engineering fees, administrative costs, and certain other costs related to the issuance of the Series 2025 Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS—Series 2025 Bonds.”
<i>Use of Proceeds for the Series 2025 Road Bonds...</i>	Proceeds of the Series 2025 Road Bonds will be used to finance road facilities as described herein under “USE AND DISTRIBUTION OF BOND PROCEEDS—Series 2025 Road Bonds.” In addition, Series 2025 Road Bond proceeds will be used to capitalize twelve (12) months of interest on the Series 2025 Road Bonds; to pay interest on funds advanced by the Developer on behalf of the District; to pay engineering fees and administrative costs; and to pay certain other costs related to the issuance of the Series 2025 Road Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS—Series 2025 Road Bonds.”

<i>Authority for Issuance...</i>	The Series 2025 Bonds are the first series of bonds issued out of an aggregate of \$426,500,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities. The Series 2025 Bonds are issued by the District pursuant to the terms and provisions of Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including, without limitation, Chapters 49 and 54 of the Texas Water Code, as amended, an election held within the District, an order of the Texas Commission on Environmental Quality (the "TCEQ") approving the issuance of said bonds, and the terms and conditions of a resolution authorizing the issuance of the Series 2025 Bonds (the "Utility Bond Resolution"). See "RISK FACTORS—Future Debt," "THE BONDS—Authority for Issuance," and "—Issuance of Additional Debt." The Series 2025 Road Bonds are the second series of bonds issued out of an aggregate of \$164,150,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of financing and constructing road facilities to serve the land within its boundaries. The Series 2025 Road Bonds are issued by the District pursuant to the terms and conditions of a resolution authorizing the issuance of the Series 2025 Road Bonds (the "Road Bond Resolution"), Article III, Section 52 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, an election held within the District, and the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See "RISK FACTORS—Future Debt," "THE BONDS—Authority for Issuance," and "—Issuance of Additional Debt."
<i>Source of Payment...</i>	Principal of and interest on the Bonds are payable from the proceeds of direct annual ad valorem taxes levied, without legal limitation as to rate or amount, against all taxable property within the District. The Bonds are obligations 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 of Payment."
<i>Municipal Bond Rating And Municipal Bond Insurance...</i>	S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") has assigned a municipal bond rating of "AA" (stable outlook) to the Bonds with the understanding that, upon delivery of the Bonds, separate municipal bond insurance policies ensuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company ("BAM"). The District has not applied for an underlying rating nor is it expected that the District would have received an investment grade rating had such application been made. An explanation of the rating may be obtained from S&P. See "RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND RATING," "MUNICIPAL BOND INSURANCE" and "APPENDIX B."
<i>NOT Qualified Tax-Exempt Obligations...</i>	The Bonds have not been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986.
<i>Bond Counsel...</i>	Allen Boone Humphries Robinson LLP, Houston, Texas. See "MANAGEMENT OF THE DISTRICT," "LEGAL MATTERS" and "TAX MATTERS."
<i>Financial Advisor...</i>	Masterson Advisors LLC, Houston, Texas. See "MANAGEMENT OF THE DISTRICT."
<i>Disclosure Counsel...</i>	McCall, Parkhurst & Horton, L.L.P., Houston, Texas.
<i>Paying Agent/Registrar...</i>	BOKF, NA in Dallas, Texas. See "THE BONDS—Method of Payment of Principal and Interest."

RISK FACTORS

The purchase and ownership of the Bonds are subject to special investment considerations and all prospective purchasers are urged to examine carefully this entire OFFICIAL STATEMENT with respect to the investment security of the Bonds, including particularly the section captioned "RISK FACTORS."

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2025 Taxable Assessed Valuation	\$154,299,545	(a)
Estimated Taxable Assessed Valuation as of June 15, 2025	\$271,045,583	(b)
Gross Direct Debt Outstanding (the Bonds and the Outstanding Bonds).....	\$32,750,000	
Estimated Overlapping Debt	<u>806,732</u>	(c)
Gross Direct Debt and Estimated Overlapping Debt.....	\$33,556,732	
Ratio of Gross Direct Debt to:		
Estimated Taxable Assessed Valuation as of June 15, 2025	12.08%	
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:		
Estimated Taxable Assessed Valuation as of June 15, 2025	12.38%	
Funds Available for Debt Service:		
Road Debt Service Fund Balance as of August 13, 2025	\$ 301,294	(d)
Capitalized Interest from proceeds of the Series 2025 Bonds (Twenty-Four (24) Months)	1,321,250(e)(d)	
Capitalized Interest from proceeds of the Series 2025 Road Bonds (Twelve (12) Months)	<u>707,031(e)(d)</u>	
Total Funds Available for Debt Service	\$2,329,575(e)(d)	
Operating Funds Available as of August 13, 2025	\$47,844	(f)
2024 Total Tax Rate (All Maintenance).....	\$1.50	
2025 Anticipated Debt Service Tax Rate	\$0.25	
2025 Anticipated Maintenance Tax Rate	<u>1.25</u>	
2025 Anticipated Total Tax Rate	\$1.50	(g)
Average Annual Debt Service Requirement (2026-2051).....	\$2,184,608	(h)
Maximum Annual Debt Service Requirement (2051).....	\$2,314,994	(h)
Tax Rate Required to Pay Average Annual Debt Service (2026-2051) at a 95% Collection Rate		
Based upon Estimated Taxable Assessed Valuation as of June 15, 2025	\$0.85	(i)
Tax Rate Required to Pay Maximum Annual Debt Service (2051) at a 95% Collection Rate		
Based upon Estimated Taxable Assessed Valuation as of June 15, 2025	\$0.90	(i)
Status of Development as of August 17, 2025 (j):		
Total Developed Lots	1,448	
Homes Completed (731 Occupied, 75 Unoccupied, and 2 Model Homes).....	808	
Homes Under Construction or in name of Lennar	231	
Vacant Developed Lots Available for Home Construction.....	409	(k)
Lots Under Construction	407	
Estimated Population	2,559	(l)

- (a) The 2025 Taxable Assessed Valuation shown herein includes \$104,913,599 of certified value and \$49,385,946 of uncertified value. The uncertified value represents the landowners' opinion of the value; however, such value is subject to change and downward revision prior to certification. No tax will be levied on said uncertified value until it is certified by the Harris Central Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only. Such amounts reflect an estimate of the taxable assessed value within the District on June 15, 2025. No tax will be levied on such amount until it is certified. Increases in value occurring between January 1, 2025 and June 15, 2025, will be certified as of January 1, 2026, and provided for purposes of taxation in the summer of 2026. See "TAXING PROCEDURES."
- (c) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt."
- (d) The current Road Debt Service Fund represents the remaining balance of the twenty-four (24) months of interest capitalized from the Outstanding Bonds in December 2024. Although all the District's debt, including the Outstanding Bonds and the Bonds, has been issued on a parity basis and is payable from an unlimited tax pledge, portions of the District's ad valorem tax revenue will be allocated on a pro rata basis between debt service on bonds issued for the purpose of financing water, sewer and drainage facilities or to refund such bonds ("WSD Bonds"), including the Series 2025 Bonds, and bonds issued for the purpose of financing road facilities or to refund such bonds ("Road Bonds"), including the Series 2025 Road Bonds, and deposited into separate sub-accounts within the District's Debt Service Fund. See "THE BONDS—Funds" and "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."
- (e) The District will capitalize twenty-four (24) months of interest from proceeds from of the Series 2025 Bonds and twelve (12) months of interest from proceeds of the Series 2025 Road Bonds. See "THE BONDS—Funds" and "USE AND DISTRIBUTION OF BOND PROCEEDS."
- (f) See "RISK FACTORS—Operating Funds."
- (g) The District authorized publication of its intent to levy a total tax rate of \$1.50 per \$100 of taxable assessed valuation (consisting of \$0.25 for road debt service and \$1.25 for maintenance and operations) and expects to adopt such rate in October 2025. See "TAX DATA—Historical Tax Rate Distribution."
- (h) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."
- (i) See "RISK FACTORS—Possible Impact on District Tax Rates" and "TAX DATA—Tax Adequacy for Debt Service."
- (j) See "THE DISTRICT—Land Use" and "Status of Development."
- (k) See "RISK FACTORS—Undeveloped Acreage, and Vacant Lots."
- (l) Based upon 3.5 persons per occupied single-family residence.

OFFICIAL STATEMENT

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 539 *(A political subdivision of the State of Texas located within Harris County)*

\$14,000,000
UNLIMITED TAX BONDS
SERIES 2025

\$15,000,000
UNLIMITED TAX ROAD BONDS
SERIES 2025

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Harris County Municipal Utility District No. 539 (the “District”) of its \$14,000,000 Unlimited Tax Bonds, Series 2025 (the “Series 2025 Bonds”) and the \$15,000,000 Unlimited Tax Road Bonds, Series 2025 (the “Series 2025 Road Bonds”). The Series 2025 Bonds and the Series 2025 Road Bonds are collectively referred herein as the “Bonds.”

The Series 2025 Bonds are issued by the District pursuant to an order of the Texas Commission on Environmental Quality (the “TCEQ”) approving the issuance of the Series 2025 Bonds, Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including, without limitation, Chapters 49 and 54 of the Texas Water Code, as amended, an election held within the District, and a resolution authorizing the issuance, sale and delivery of the Series 2025 Bonds (the “Utility Bond Resolution”) adopted by the Board of Directors of the District (the “Board”).

The Series 2025 Road Bonds are issued by the District pursuant to the terms and provisions of Article III, Section 52 of the Texas Constitution, the general laws of the State of Texas, including, without limitation, Chapters 49 and 54 of the Texas Water Code, as amended, an election held within the District, and a resolution authorizing the issuance, sale and delivery of the Series 2025 Road Bonds (the “Road Bond Resolution”) adopted by the Board.

The Utility Bond Resolution and the Road Bond Resolution are collectively referred to herein as the “Bond Resolutions.”

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Resolutions, and certain other information about the District, Lennar Homes of Texas Land and Construction Ltd., a Texas limited partnership, (“Lennar Homes”) d.b.a. Friendswood Development Company (the “Developer”), and development activity in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Allen Boone Humphries Robinson LLP, Bond Counsel, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

RISK FACTORS

General

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. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect taxes levied on all taxable property within the District in an amount sufficient to service the District’s bonded debt, or in the event of foreclosure, on the value of the taxable property in the District and the taxes levied by the District and other taxing authorities upon the property within the District. See “THE BONDS—Source of Payment.” The collection by the District of delinquent taxes owed to it and the enforcement by registered owners of the Bonds (“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 “Registered Owners’ Remedies and Bankruptcy Limitations” herein.

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 and of developed lots which are currently available or planned for the construction of primary residences. The market value of such homes and lots is related to general economic conditions in the greater Houston region and the national economy and those conditions can affect the demand for residences. 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 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 impact such values.

Credit Markets and Liquidity in the Financial Markets

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 the Developer is 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, 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 29 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 the national financial and credit 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 or reduce the value of the District's property tax base.

Competition

The demand for and construction of single-family homes in the District could be affected by competition from other developments located in the western portion of the Houston metropolitan area. The competitive position of the Developer in the sale of developed lots and the construction of single-family residential houses within the District by the Developer is affected by most of the factors discussed in this section. Such a competitive position directly affects the growth and maintenance of taxable values in the District.

The District can give no assurance that building and marketing programs in the District by the Developer and their affiliates will be implemented or, if implemented, will be successful.

Increase in Costs of Building Materials

As a result of supply issues, shipping constraints, and ongoing trade disputes (including tariffs), there have been recent substantial increases in the cost of lumber and other building materials, causing many homebuilders and general contractors to experience budget overruns. Further, the unpredictable nature of current trade policy (including the threatened imposition of tariffs) may impact the ability of the Developer or homebuilder in the District to estimate costs. Additionally, immigration policies may affect the State's workforce, and any labor shortages that could occur may impact the rate of construction within the District. Uncertainty surrounding availability and cost of materials may result in decreased levels of construction activity, and may restrict the growth of property values in the District. The District makes no representations regarding the probability of development or homebuilding continuing in a timely manner or the effects that current or future economic or governmental circumstances may have on any plans of the Developer or homebuilder.

Possible 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 owners of property within the District to pay their taxes. The Estimated Taxable Assessed Valuation as of June 15, 2025, is \$271,045,583. After issuance of the Bonds, the maximum annual debt service requirement will be \$2,314,994 (2051), and the average annual debt service requirement will be \$2,184,608 (2026-2051 inclusive). Assuming no increase or decrease from the Estimated Taxable Assessed Valuation as of June 15, 2025, the issuance of no additional debt, and no other funds available for the payment of debt service, a tax rate of \$0.90 per \$100 of taxable assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum annual debt service requirement and \$0.85 per \$100 of taxable assessed valuation would be necessary to pay the average annual debt service requirement. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements" and "TAX DATA—Tax Adequacy for Debt Service."

No representation or suggestion is made that the Estimated Taxable Assessed Valuation as of June 15, 2025, will be certified by the Appraisal District and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See "Possible Reduction in Taxable Valuation" in this section and "TAXING PROCEDURES."

Dependence on Major Taxpayers and the Developer

The ten principal taxpayers represent \$49,054,661 or 46.76% of the 2025 Certified Taxable Assessed Valuation within the District. FR Beeson, the owner of the undeveloped land in the District, represents \$29,430,039 or 28.05% of the certified portion of the 2025 Taxable Assessed Valuation and the Developer represents \$15,142,811 or 14.43% of the certified portion of the 2025 Taxable Assessed Valuation. Principal taxpayer lists related to the uncertified portion (\$49,385,946) of the 2025 Taxable Assessed Valuation or the Estimated Taxable Assessed Valuation as of June 15, 2025 are not available. See “THE DISTRICT,” “THE DEVELOPER” and “TAX DATA—Principal Taxpayers.” The ability of any principal taxpayer to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District’s ability to meet its debt service obligations. If, for any reason, the Developer or any one or more principal taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to levy additional taxes or use other funds available for debt service purposes. However, the District has not covenanted in the Bond Resolutions, nor is it required by Texas law, to maintain any particular balance in its debt service funds or any other funds to allow for any such delinquencies. Therefore, failure by one or more principal taxpayers to pay their taxes could have a material adverse effect upon the District’s ability to pay debt service on the Bonds.

The Developer and its affiliates have informed the District that their current plans are to continue developing their property in the District and/or marketing lots and commercial tracts. However, neither the Developer nor any future developer is obligated to implement development plans on any particular schedule or at all. Thus, the furnishing of any information related to any proposed development should not be interpreted as a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developer 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 conditions or governmental circumstances may have on any plans of the Developer, their affiliates or any other landowners.

Undeveloped Acreage, and Vacant Lots

There are approximately 55 developable acres of land in the District (in addition to the approximately 100 acres where 407 single-family residential lots are under construction) that have not been fully provided with water, sanitary sewer, storm sewer, road and other facilities necessary for the construction of taxable improvements and 409 developed lots that remain vacant. Failure of the Developer to develop the developable land or of the homebuilder to construct taxable improvements on developed lots could restrict the rate of growth of taxable values in the District. The District makes no representation as to when or if development of the undeveloped acreage will occur or the success of any homebuilding programs. See “THE DISTRICT—Land Use” and “—Status of Development.”

Operating Funds

The District’s primary source of operating revenue to date is developer advances and maintenance tax revenue. The District levied a 2024 tax rate of \$1.50 per \$100 of taxable assessed valuation consisting of all maintenance tax. The District expects to levy its initial debt service tax in 2025 and reduce the maintenance tax proportionally. The District’s unaudited General Fund balance as of August 13, 2025 was \$47,844. The revenue produced from the maintenance tax rate may not be sufficient to offset the operating expenses of the District. Continued maintenance of a positive General Fund balance will depend upon (1) cash subsidies from the Developer, and (2) continued development and increased amounts of maintenance tax revenue and water and sewer revenue. If funds from these sources are not forthcoming, the District would have to increase its maintenance tax rate. Such an increase may result in a total District tax in excess of similar developments and could adversely affect continued development of the District, as well as the willingness of taxpayers to pay taxes on their property. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (Unaudited)—General Operating Fund.”

Landowner Obligation to the District

There are no commitments from or obligations of the Developer or any other landowner to the District to proceed at any particular rate or according to any specified plan with the development of land or 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 tracts of land or developed lots 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 property. See “THE DEVELOPER.”

Future Debt

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid purpose. The District's voters have authorized a total of \$426,500,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring water, sanitary sewer, and drainage facilities and \$426,500,000 principal amount for refunding such bonds, \$164,150,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring roads and related facilities and \$164,150,000 principal amount for refunding such bonds, and \$99,500,000 principal amount of unlimited tax bonds for the purpose of constructing and/ or acquiring park and recreational facilities and \$99,500,000 principal amount for refunding such bonds. After issuance of the Series 2025 Bonds, \$412,500,000 in principal amount of unlimited tax bonds for water, sanitary sewer and drainage facilities will remain authorized but unissued. After issuance of the Series 2025 Road Bonds, \$145,400,000 in principal amount of unlimited tax bonds for acquiring or constructing road facilities will remain authorized but unissued. All of the authorized amount for park and recreational facilities will remain authorized but unissued. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The issuance of additional obligations may increase the District's tax rate and could adversely affect the security for, and the investment quality and value of, the Bonds.

To date, the Developer have advanced certain funds for engineering and construction of water, wastewater and drainage facilities, recreational facilities and roads and related facilities for which they have not been reimbursed. After the reimbursements are made with Bond proceeds, the District will owe approximately \$93,327,892 plus interest to the Developer. The District intends to issue additional bonds in order to reimburse the Developer and other landowners for existing development and to develop the remainder of undeveloped but developable land (approximately 55 acres). The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. Further, the principal amount of unlimited tax bonds issued by the District for constructing and/or acquiring park and recreational facilities may not exceed one percent (1%) of the District's certified taxable assessed valuation, unless, the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent (1%) but not greater than three percent (3%) of the value of the taxable property in the District. The issuance of additional bonds for water, wastewater and drainage facilities and park and recreational facilities is subject to approval by the TCEQ (as defined herein) pursuant to its rules regarding issuance and feasibility of bonds. 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."

Marketability of the Bonds

The District has no understanding with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds 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 more generally bought, sold or traded in the secondary market.

Potential Effects of Oil Price Volatility on the Houston Area

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

Extreme Weather

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. Certain areas within the greater Houston area have experienced multiple storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015.

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

Specific Flood Type Risks

Ponding (or Pluvial) Flood: occurs when heavy rainfall creates a flood event independent of an overflowing water body, typically in relatively flat areas. Intense rainfall can over capacitate a drainage system which becomes trapped and flows out into streets and nearby structures until it reaches a natural outlet. Ponding can also occur in a flood pool upstream or behind a dam, levee or reservoir.

River (or Fluvial) Flood: 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 sheetflow overland. 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 floods are very dangerous and destructive not only because of the force of the water, but also the hurtling debris that is often swept up in the flow. They can occur within minutes or a few hours of excessive rainfall. They can also occur even if no rain has fallen, for instance, after a levee, dam or reservoir has failed, or after a sudden release of water by a debris or ice jam. Controlled releases from a dam, levee or reservoir also could potentially create a flooding condition in rivers, bayous, or man-made drainage systems (canals or channels) downstream.

Tax Collections Limitations and Foreclosure Remedies

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

Registered Owners' Remedies and Bankruptcy Limitations

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

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

Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owner's remedies, including mandamus. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision such as the District may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (1) is authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Special districts such as the District must obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect Registered Owners by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating the collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owners' claims against a district.

A district may not be forced into bankruptcy involuntarily.

Environmental Regulations

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

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

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

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

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

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

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

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

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

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and the EPA’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency’s rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future. Further, the EPA has established a NPDWR for six (6) Per- and Polyfluoroalkyl Substances (“PFAS”), which requires public water systems to perform certain monitoring and remediation measures. Public water systems may be subject to additional PFAS regulation in the future, which could increase the cost of constructing, operating, and maintaining water production and distribution facilities.

Texas Pollutant Discharge Elimination System (“TPDES”) permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000) (“CGP”), with an effective date of March 5, 2023, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain non-stormwater discharges into surface water in the state. The CGP has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district’s ability to obtain and maintain compliance with TPDES permits.

The District’s stormwater discharges currently maintain permit coverage through the Municipal Separate Storm System Permit (the “Current Permit”) issued to the Storm Water Management Joint Task Force consisting of Harris County, Harris County Flood Control District, the City of Houston, and the Texas Department of Transportation. In the event that at any time in the future the District is not included in the Current Permit, it may be required to seek independent coverage under the TCEQ’s General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”), which authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. If the District’s inclusion in the MS4 Permit were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

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

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

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 August 15, 2025, the Governor called the Second Special Session which began on August 15, 2025 and concluded on September 3, 2025. The Governor may call one or more additional special sessions. The District can make no representation regarding any actions the Texas Legislature may take or the effect of such actions.

Changes in Tax Legislation

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

Continuing Compliance with Certain Covenants

Failure of the District to comply with certain covenants contained in the Bond Resolutions on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactive to the date of original issuance. See “TAX MATTERS.”

Risk Factors Related to the Purchase of Municipal Bond Insurance

The Underwriter has entered into separate agreements with Build America Mutual Assurance Company (“BAM” or the “Insurer”) for the purchase of separate municipal bond insurance policies (collectively, the “Policy”). At the time of entering into the agreements, the Insurer was rated “AA” (stable outlook) by S&P. See “MUNICIPAL BOND INSURANCE” and “APPENDIX B.”

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

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

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

THE BONDS

Description

The Bonds will be dated October 1, 2025, and interest will accrue from the Date of Delivery with interest payable each March 1 and September 1, beginning March 1, 2026 (the “Interest Payment Date”), and will mature on the dates and in the principal amounts and accrue interest at the rates shown on the cover page hereof. The Bonds are issued in fully registered form, in denominations of \$5,000 or any integral multiple of \$5,000. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

Method of Payment of Principal and Interest

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

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

Source and Security of 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 two separate annual ad valorem taxes, each without legal limitation as to rate or amount, levied upon all taxable property located within the District. See "TAXING PROCEDURES." In the Bond Resolutions, the District covenants that said taxes are irrevocably pledged to the payment of the interest on and principal of the Bonds and to no other purpose. 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 "RISK FACTORS."

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

Funds

The Utility Bond Resolution creates the District's debt service fund for payment of debt service on the Series 2025 Bonds and any other bonds issued by the District for the purpose of acquiring or constructing the Utility System (herein defined), or for the purpose of refunding such bonds (the "Utility Debt Service Fund"). The Utility Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the bonds issued by the District for the Utility System, including the Series 2025 Bonds, and any additional bonds issued by the District for the Utility System, is to be kept separate from all other funds of the District and is to be used only for payment of such bonds. Amounts on deposit in the Utility Debt Service Fund may also be used for the following, to the extent applicable to the bonds issued by the District for the Utility System, including the Series 2025 Bonds, and any additional bonds issued by the District for the Utility System: to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of principal of and interest on bonds, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

Upon closing of the Series 2025 Bonds, twenty-four (24) months of capitalized interest will be deposited into the Utility Debt Service Fund. The proceeds from all taxes levied and collected for payment of debt service on bonds issued by the District for the Utility System, including the Series 2025 Bonds, and any additional bonds issued by the District for the Utility System will also be deposited into the Utility Debt Service Fund. Funds in the Utility Debt Service Fund are available only to pay debt service on the bonds issued by the District for the Utility System, including the Series 2025 Bonds, and any additional bonds issued by the District for the Utility System and are not available to pay debt service on the bonds issued by the District for the Road System (herein defined), including the Series 2025 Road Bonds, or any additional bonds issued by the District for the Road System.

The Road Bond Resolution confirms the District's debt service fund for payment of debt service on the Series 2025 Road Bonds, the Outstanding Bonds and any other bonds issued by the District for the purpose of acquiring or constructing the Road System, or for the purpose of refunding such bonds (the "Road Debt Service Fund"). The Road Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the bonds issued by the District for the Road System, including the Series 2025 Road Bonds, and any additional bonds issued by the District for the Road System, is to be kept separate from all other funds of the District and is to be used only for payment of such bonds. Amounts on deposit in the Road Debt Service Fund may also be used for the following, to the extent applicable to the bonds issued by the District for the Road System, including the Series 2025 Road Bonds, and any additional bonds issued by the District for the Road System: to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of principal of and interest on bonds, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

Upon closing of the Series 2025 Road Bonds, twelve (12) months of capitalized interest will be deposited into the Road Debt Service Fund. The proceeds from all taxes levied and collected for payment of debt service on bonds issued by the District for the Road System, including the Series 2025 Road Bonds, and any additional bonds issued by the District for the Road System will also be deposited into the Road Debt Service Fund. Funds in the Road Debt Service Fund are available only to pay debt service on the bonds issued by the District for the Road System, including the Series 2025 Road Bonds, and any additional bonds issued by the District for the Road System and are not available to pay debt service on the bonds issued by the District for the Utility System, including the Series 2025 Bonds, or any additional bonds issued by the District for the Utility System.

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on or after September 1, 2032, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000 on September 1, 2031, or any date thereafter, at a price of par value plus unpaid accrued interest on the principal amounts called for redemption from the most recent Interest Payment Date to the date fixed for redemption.

If less than all of the Bonds are redeemed at any time, the particular series and maturities of the Bonds to be redeemed will be selected by the District. If less than all of the Bonds of a certain series and maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other random method (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

If a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in integral multiples of \$5,000. Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a Bond or Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

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

Authority for Issuance

At an election held within the District on May 7, 2022, voters of the District authorized a total of \$426,500,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and refunding of such bonds and \$164,150,000 in principal amount of unlimited tax bonds for the purpose of financing or constructing road facilities and refunding of such bonds. The Series 2025 Bonds constitute the first issuance of bonds from the authorization for acquiring or constructing water, sewer and drainage facilities and the Series 2025 Road Bonds constitute the second issuance of bonds from the authorization for acquiring or constructing road facilities. The Bonds are issued pursuant to such respective authorizations. See "Issuance of Additional Debt" herein.

The Series 2025 Bonds are issued by the District pursuant to the terms and provisions of Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, the Utility Bond Resolution, and an order of the TCEQ. The Series 2025 Road Bonds are issued by the District pursuant to the terms and provisions of the Road Bond Resolution; Article III, Section 52 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; and the general laws of the State of Texas relating to the issuance of the bonds by political subdivisions of the State of Texas.

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

Registration and Transfer

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Resolutions.

In the event the Book-Entry-Only System should be discontinued, each Bond shall be transferable only upon the presentation and surrender of such Bond at the principal payment office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or his authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond in proper form for transfer, the Paying Agent/Registrar has been directed by the District to authenticate and deliver in exchange therefor, within three (3) business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and paying interest at the same rate as the Bond or Bonds so presented.

All Bonds shall be exchangeable upon presentation and surrender thereof at the principal payment office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination in an aggregate amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar is authorized to authenticate and deliver exchange Bonds. Each Bond delivered shall be entitled to the benefits and security of the Bond Resolutions to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

Neither the District nor the Paying Agent/Registrar shall be required to transfer or to exchange any Bond during the period beginning on a Record Date and ending the next succeeding Interest Payment Date or to transfer or exchange any Bond called for redemption during the thirty (30) day period prior to the date fixed for redemption of such Bond.

The District or the Paying Agent/Registrar may require the Registered Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange shall be paid by the District.

Lost, Stolen or Destroyed Bonds

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

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

Replacement of Paying Agent/Registrar

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

Issuance of Additional Debt

The District's voters have authorized the issuance of \$426,500,000 principal amount of unlimited tax bonds for the purpose of constructing and/or acquiring water, sanitary sewer and drainage facilities and \$426,500,000 principal amount for refunding such bonds, \$164,150,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring roads and related facilities and \$164,150,000 principal amount for refunding such bonds and \$99,500,000 principal amount of unlimited tax bonds for the purpose of constructing and/or acquiring park and recreational facilities and \$99,500,000 principal amount for refunding such bonds. The District could authorize additional amounts. After the issuance of the Bonds, \$412,500,000 of the authorized amounts for water, wastewater and drainage, \$145,400,000 principal amount of the unlimited tax bonds for road facilities and all of the authorized amount for parks and recreational facilities will remain authorized but unissued. See "RISK FACTORS—Future Debt."

If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent (1%) of the value of the taxable property in the District, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent (1%) but not greater than three percent (3%) of the value of the taxable property in the District.

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

If additional debt obligations are issued in the future by the District, such issuance may increase gross debt/property ratios and might adversely affect the investment security of the Bonds.

Annexation by the City of Houston

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

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

Consolidation

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

Remedies in Event of Default

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

The Bond Resolutions provide that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision 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 the investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

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

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs below were compiled by LJA Engineering, Inc., the District's engineer (the "Engineer") and were submitted to the TCEQ in the District's Bond Application. Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer and Masterson Advisors LLC (the "Financial Advisor"). The actual amounts to be paid by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedure reports by the District's auditor. The surplus funds may be expended for any lawful purpose for which surplus construction funds may be used, if approved by the TCEQ, where required.

SERIES 2025 BONDS

CONSTRUCTION RELATED COSTS

• Water Supply Plant No. One - Phase One & Two.....	\$ 3,589,740
• Wastewater Treatment Plant No. One - Phase One.....	1,155,375
• Land Acquisition Costs:	
a. Water Plant.....	144,203
b. Wastewater Treatment Plant.....	246,026
c. Anniston Reserves Section Two.....	921,481
d. Anniston Reserves Section Three.....	1,255,264
e. Anniston Reserves Section Four.....	2,062,078
f. Anniston Section Fourteen - Drainage Reserves.....	272,689
g. Middle Pond.....	123,211
• Wastewater Discharge Permit.....	29,085
• Engineering, Material Testing, Geotech.....	548,899
• SWPPP for Water Supply Plant No. One - Phase One and Two.....	646
Total Construction Costs.....	\$ 10,348,698

NON-CONSTRUCTION COSTS

• Bond Discount.....	\$ 420,000
• Capitalized Interest (Twenty-four months) (a).....	1,321,250
• Creation and Organizational Costs.....	123,283
• Developer Advances.....	397,240
• Developer Interest (Estimated).....	604,378
Total Non-Construction Costs.....	\$ 2,866,151

ISSUANCE COSTS AND FEES

• Issuance Costs and Professional Fees.....	\$ 531,901
• Bond Application Report Costs.....	60,000
• State Regulatory Fees.....	44,500
• Contingency (a).....	148,750
Total Issuance Costs and Fees.....	\$ 785,151

TOTAL BOND ISSUE..... \$ 14,000,000

(a) In its order authorizing the issuance of the Bonds, the TCEQ approved a maximum of twenty-four (24) months of capitalized interest on the Series 2025 Bonds at an estimated interest rate of 5.25% and a Bond discount of 3.00%. Contingency represents the difference in the estimated and actual amounts of capitalized interest.

In the event approved estimated amounts exceed actual costs, the difference comprises the contingency line item which may be expended for uses in accordance with the rules of the TCEQ.

SERIES 2025 ROAD BONDS

CONSTRUCTION COSTS

• Anniston Section Three - Paving.....	\$ 620,590
• Anniston Reserves Section One and Farm to Market 529 Turn Lanes...	2,136,143
• Anniston Section Five - Paving.....	742,972
• Anniston Section One - Paving.....	1,003,127
• Anniston Section Four - Paving.....	989,936
• Anniston Section Six - Paving.....	651,256
• Anniston Section Seven - Paving.....	958,242
• Anniston Section Eight - Paving.....	970,322
• Anniston Section Nine - Paving.....	490,930
• Anniston Section Ten & Recreational Center - Paving.....	325,031
• Geotechnical, Survey, Design/CPS.....	1,365,356
• Land Costs.....	<u>2,253,396</u>
Total Construction Costs.....	\$ 12,507,302

NON-CONSTRUCTION COSTS

• Bond Discount.....	\$ 450,000
• Capitalized Interest (Twelve months) (a).....	707,031
• Developer Interest (Estimated).....	<u>713,245</u>
Total Non-Construction Costs.....	\$ 1,870,276

ISSUANCE COSTS AND FEES

• Issuance Costs and Professional Fees.....	\$ 543,953
• Bond Application Report Costs.....	26,000
• State Regulatory Fees.....	9,500
• Contingency (a).....	<u>42,969</u>
Total Issuance Costs and Fees.....	\$ 622,422
TOTAL BOND ISSUE.....	\$ 15,000,000

(a) The District will capitalize twelve (12) months of interest on the Series 2025 Road Bonds. Contingency represents the difference in the estimated and actual amounts of capitalized interest.

THE DEVELOPER

General

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 required by the TCEQ to pave streets in areas where utilities are to be financed by a district through a specified bond issue, 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 own within a district. In addition, the Developer are 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.

Description of the Developer

The developer of land within the District is Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership, ("Lennar Homes") d.b.a. Friendswood Development Company (the "Developer"). The Developer is wholly owned by Lennar Corporation ("Lennar"), a publicly traded corporation whose stock is listed on the New York Stock Exchange under the ticker symbol "LEN." Lennar's activities include homebuilding, real estate investments, residential and commercial developments, and financial services operations throughout the United States. The undeveloped land within the Anniston project boundaries is owned by FR Beeson LLC, a Texas limited liability company ("FR Beeson"), which acts solely as a land holding company. FR Beeson sells land to the Developer as needed for development. To date, the Developer has developed approximately 404 acres within the District which are being marketed as Anniston (including approximately 100 acres under construction with expected completion date in the fourth quarter of 2025.) "RISK FACTORS—Dependence on Major Taxpayers and the Developer," and "TAX DATA—Principal Taxpayers."

Neither the Developer nor any affiliates of the Developer are responsible for, liable for, or have made any commitment for payment of the Bonds or other obligations of the District. Neither of the Developer nor any affiliates of the Developer have any legal commitment to the District or the holders of the Bonds to continue development of the land within the District, and the Developer may sell or otherwise dispose of their property within the District, or any assets, at any time. Prospective Bond purchasers should note that the prior real estate experience of the Developer should not be construed as an indication that further development within the District will occur, or that construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. See "RISK FACTORS."

THE DISTRICT

General

The District is a political subdivision of the State of Texas operating as a municipal utility district pursuant to Article XVI, Section 59 of the Texas Constitution. The District was created pursuant to Senate Bill No. 2008, 84th Session of the Texas Legislature, Regular Session effective July 15, 2015 (the "Act") codified as Chapter 7904, Texas Special District Local Laws Code. The District has with all the rights, privileges, authority and functions conferred by the laws of the State of Texas applicable to municipal utility districts, including without limitation those conferred by Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution, the Act, and Chapters 49 and 54 of the Texas Water Code, as amended. The District contains approximately 725 acres of land.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary to provide water; the collection, transportation and treatment of wastewater; the control and diversion of storm water, and the provision of parks and recreational facilities. The District is also empowered to construct, acquire, improve, maintain or operate roads and improvements in aid thereof. The District may issue bonds or other forms of indebtedness to purchase or construct all of such facilities. The District is also empowered to establish, operate and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts after approval by the TCEQ and the voters of the District.

The TCEQ exercises continuing supervisory jurisdiction over the District. In order to obtain the consent for creation of the District from the City of Houston, within whose extraterritorial jurisdiction the District lies, the District is required to observe certain requirements of the City of Houston which (1) limit the purposes for which the District may sell bonds for the acquisition, construction, and improvement of waterworks, wastewater, drainage, roads and recreational facilities, (2) require approval by the City of Houston of District construction plans, and (3) permit connections only to single-family lots and commercial or multi-family/commercial platted reserves which have been approved by the Planning Commission of the City of Houston. Construction and operation of the District's system is subject to the regulatory jurisdiction of additional governmental agencies. See "THE SYSTEM—Regulation."

Location

The District is located approximately 29 miles west of the central downtown business district of the City of Houston and lies within the extraterritorial jurisdiction of the City of Houston and within the boundaries of the Katy Independent School District. The District is bordered on the north by Farm-to-Market 529, to the west by Pitts Road, to the east by Katy-Hockley Road and on the south by Beckendorff Road. Access to the District's collector roads and internal street network is provided Katy-Hockley Road, Pitts Road, Beckendorff Road and Farm-to-Market Road 529, which forms the District's northern boundary and ultimately leads to Texas State Highway 99 (the "Grand Parkway.") See "AERIAL LOCATION MAP."

Land Use

The District currently includes approximately 304 developed acres of single-family residential development (1,448 residential lots), approximately 55 acres of developable but undeveloped land, approximately 100 acres under construction (407 residential lots), and approximately 266 undevelopable acres (drainage and pipeline easements, detention, open spaces, lake amenities, street rights-of-way and utility sites). The table below represents a detailed breakdown of the current acreage and development in the District. See "AERIAL PHOTOGRAPH."

<u>Single-Family Residential</u>	<u>Approximate Acres</u>	<u>Number of Lots</u>
Anniston, Section One	27	124
Anniston, Section Two	30	166
Anniston, Section Three	28	124
Anniston, Section Four	22	114
Anniston, Section Five	21	98
Anniston, Section Six	22	138
Anniston, Section Seven	25	116
Anniston, Section Eight	21	114
Anniston, Section Nine	15	76
Anniston, Section Ten	27	119
Anniston, Section Eleven	28	157
Anniston, Section Twelve	40	102
Anniston, Section Thirteen (a)	24	124
Anniston, Section Fourteen (a)	22	93
Anniston, Section Sixteen (a)	30	102
Anniston, Section Seventeen (a)	24	88
Subtotal	404	1,855
Future Development	55	-
Non-Developable (b)	266	-
Total	725	1,855

(a) Utilities are under construction with an expected completion date in the fourth quarter of 2025.

(b) Represents rights-of-way, detention ponds, lakes, amenities, drainage and pipeline easements, parks, and recreational and open space.

Status of Development

Residential: Development of the District by the Developer commenced in 2022 and initial home construction and sales began in June 2024. The District currently consists of Anniston, Sections One through Twelve (1,448 finished single family residential lots on approximately 304 acres). As of August 17, 2025, according to the Developer, 808 homes were completed (731 occupied, 75 unoccupied, 2 model homes). Approximately 231 homes were under construction and/or listed in a builder's name (50 of which are under contract) and 409 vacant developed lots were available for home construction. In addition, Anniston, Sections Thirteen, Fourteen, Sixteen and Seventeen (407 lots on approximately 100 acres) are currently under construction with an expected completion date in the fourth quarter of 2025. According to the Developer, new homes in the District range in price from \$190,000 to \$430,000.

Homebuilders

The sole homebuilder within the District is Lennar Homes. See "THE DEVELOPER."

Future Development

The District is currently planned as single-family residential. Approximately 55 developable acres of land currently within the District are not yet served with water distribution and supply, sewage collection and treatment or drainage facilities (excluding approximately 100 acres where construction of 407 single-family residential lots is under construction). While the District anticipates future development of this acreage, there can be no assurances if and when any of such undeveloped land will ultimately be developed. The District anticipates issuing additional bonds to accomplish full development of the District and to pay outstanding amounts owed to the Developer. The Engineer has stated that under current development plans, the remaining authorized but unissued bonds, after issuance of the Bonds (\$657,400,000), will be sufficient to finance the construction of water, sewer, and drainage facilities, roads and recreational facilities to complete development of the District.

MANAGEMENT OF THE DISTRICT

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 four-year terms and elections are held in May in even numbered years only. None of the Board members resides within the District; however, each of the Board members owns land within the District subject to a note and deed of trust in favor of the Developer. Directors have staggered four-year terms. 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>
James C. "Neil" Potter	President	May 2028
David Schwarz	Vice President	May 2026
Ryan O. Smith	Secretary	May 2028
Matthew Strange	Assistant Secretary	May 2026
Max Monzon	Assistant Vice President	May 2026

District Consultants

The District does not have a general manager or other full-time employees, but contracts for certain necessary services as described below.

Bond Counsel/Attorney: The District has engaged Allen Boone Humphries Robinson LLP as general counsel to the District and as Bond Counsel in connection with the issuance of the District's bonds. The fees of the attorneys in their capacity as Bond Counsel are contingent upon the sale and delivery of the Bonds. Compensation to the attorneys for general counsel services to the District is based on time charges actually incurred.

Financial Advisor: Masterson Advisors LLC serves as the District's Financial Advisor. The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

Auditor: The financial statements of the District as of February 28, 2025, 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" for a copy of the District's audited financial statements for the fiscal year ended February 28, 2025.

Engineer: The District's consulting engineer is LJA Engineering, Inc.

Tax Appraisal: The Harris Central Appraisal District has the responsibility of appraising all property within the District. See "TAXING PROCEDURES."

Tax Assessor/Collector: The District has appointed an independent tax assessor/collector to perform the tax collection function. B&A Municipal Tax Service, LLC (the "Tax Assessor/Collector") has been employed by the District to serve in this capacity.

Bookkeeper: The District has contracted with Myrtle Cruz, Inc. (the "Bookkeeper") for bookkeeping services.

Utility System Operator: The operator of the District's water and wastewater system is TNG Utility Corporation (the "Operator"). See "THE SYSTEM."

THE SYSTEM

Regulation

According to the Engineer, the District's water supply and distribution, wastewater collection, and storm drainage facilities (collectively, the "System") have been designed in accordance with accepted engineering practices and the then current requirements of various entities having regulatory or supervisory jurisdiction over the construction and operation of such facilities. The construction of the System was required to be accomplished in accordance with the standards and specifications of such entities and is subject to inspection by each such entity. Operation of the System must be accomplished in accordance with the standards and requirements of such entities. The TCEQ exercises continuing supervisory authority over the District. Discharge of treated sewage is subject to the regulatory authority of the TCEQ and U.S. Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of the Harris County Flood Control District, the City of Houston, Harris County and, in some instances, the TCEQ. Harris County and the City of Houston also exercise regulatory jurisdiction over the System. The regulations and requirements of entities exercising regulatory jurisdiction over the System are subject to further development and revision which, in turn, could require additional expenditures by the District in order to achieve compliance. The following descriptions are based upon information supplied by the District's Engineer.

Source of Water Supply

A water plant sufficient to serve 750 equivalent single-family connections ("ESFCs") has been constructed to serve the District. The water plant consists of a 600 gallon per minute ("gpm") water well, a 15,000-gallon hydropneumatic pressure tank, a 245,000-gallon ground storage tank and booster pump capacity totaling 2,400 gpm along with emergency power facilities. The construction of a remote well and the expansion to the existing water plant are currently underway and are expected to expand capacity to approximately 2,450 ESFCs. As of August 17, 2025, the District was serving 1,039 active connections (including 808 completed homes and 231 homes under construction or in the name of Lennar.) The District has an interconnect agreement with Harris County Municipal Utility District No. 465 that allows for the provision of an additional 400 ESFCs of water supply to the District.

Subsidence and Plant Conversion to Surface Water Supply

The District is within the boundaries of the Harris Galveston Subsidence District (the "Subsidence District") which regulates groundwater withdrawal. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in certain areas within the Subsidence District's jurisdiction, including the area within the District. In 2001, the Texas legislature created the West Harris County Regional Water Authority (the "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 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 has no surface water, however, the District's groundwater well(s) is 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 and rates for the sale of surface water purchased 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 purchased by the District from the Authority. The Authority has issued revenue bonds to fund, among other things, Authority surface water project costs. It is expected that the Authority will continue to issue a substantial amount of bonds by the year 2035 to finance the Authority's project costs, and it is expected that the fees charged by the Authority will increase substantially over such period.

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

The District cannot predict the amount or level of fees and charges which may be due the Authority in the future, but anticipates the need to pass such fees through to its customers: (i) through higher water rates and/or (ii) with portions of maintenance tax proceeds, if any. In addition, conversion to surface water could necessitate improvements to the District Facilities which could require the issuance of additional bonds by the District or 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.

Wastewater Treatment

The District has entered into a lease agreements with AUC Group, Inc. for a 328,000 gpd wastewater treatment plant, which is capable of serving 1,312 ESFCs. As of August 17, 2025, the District was serving 1,039 active connections (including 808 completed homes and 231 homes under construction or in the name of Lennar). Future expansions to facilities will occur as needed.

Water Distribution, Wastewater Collection and Storm Drainage Facilities

Water distribution, wastewater collection and storm drainage facilities or trunk utilities have been constructed to serve 1,448 residential lots in the District. In addition, facilities for approximately 407 lots are currently under construction with an expected completion date in the fourth quarter of 2025. See "THE DISTRICT—Status of Development."

100-Year Flood Plain

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

According to the District's engineer, approximately 130 acres of the developable land within the District are located within the 100-year flood plain as shown on the effective Flood Insurance Rate Map 48201C0580M dated November 15, 2019. See "RISK FACTORS—Extreme Weather Events."

Atlas 14

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the District. The application of such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

ROAD SYSTEM

The road infrastructure within the District consists of several collector roads and an internal street network. Access to the District's collector roads and internal street network is provided Katy-Hockley Road, Pitts Road, Beckendorff Road and Farm-to-Market Road 529, which forms the District's northern boundary and ultimately leads to the Grand Parkway. All roadways constructed by the District are designed and constructed in accordance with Harris County standards, rules and regulations. Harris County accepts the District's completed road facilities for operation and maintenance and is responsible for operation and maintenance thereof. In the event that Harris County were to fail to accept the District's road facilities, the District is expected to include the cost of maintenance of same in the District's operation and maintenance expenses, and such cost could be significant. These roads lie within the public right-of-way. In addition to the roadway, public utilities such as underground water, sewer, and drainage facilities are located within the right-of-way. The right-of-way is also shared by streetlights, sidewalks and franchise utilities (power, gas, telephone and cable). A portion of the proceeds of the Series 2025 Road Bonds will be used to reimburse the Developer for financing the construction of various internal roadways. See "USE AND DISTRIBUTION OF BOND PROCEEDS—Series 2025 Road Bonds."

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2025 Taxable Assessed Valuation	\$154,299,545	(a)
Estimated Taxable Assessed Valuation as of June 15, 2025	\$271,045,583	(b)
Gross Direct Debt Outstanding (the Bonds and the Outstanding Bonds).....	\$32,750,000	
Estimated Overlapping Debt	<u>806,732</u>	(c)
Gross Direct Debt and Estimated Overlapping Debt.....	\$33,556,732	
Ratio of Gross Direct Debt to:		
Estimated Taxable Assessed Valuation as of June 15, 2025	12.08%	
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:		
Estimated Taxable Assessed Valuation as of June 15, 2025	12.38%	
Funds Available for Debt Service:		
Road Debt Service Fund Balance as of August 13, 2025	\$ 301,294	(d)
Capitalized Interest from proceeds of the Series 2025 Bonds (Twenty-Four (24) Months)	1,321,250(e)(d)	
Capitalized Interest from proceeds of the Series 2025 Road Bonds (Twelve (12) Months)	<u>707,031(e)(d)</u>	
Total Funds Available for Debt Service	\$2,329,575(e)(d)	
Operating Funds Available as of August 13, 2025	\$47,844	(f)

- (a) The 2025 Taxable Assessed Valuation shown herein includes \$104,913,599 of certified value and \$49,385,946 of uncertified value. The uncertified value represents the landowners' opinion of the value; however, such value is subject to change and downward revision prior to certification. No tax will be levied on said uncertified value until it is certified by the Appraisal District. See "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only. Such amounts reflect an estimate of the taxable assessed value within the District on June 15, 2025. No tax will be levied on such amount until it is certified. Increases in value occurring between January 1, 2025 and June 15, 2025, will be certified as of January 1, 2026, and provided for purposes of taxation in the summer of 2026. See "TAXING PROCEDURES."
- (c) See "—Estimated Overlapping Debt" herein.
- (d) The current Road Debt Service Fund represents the remaining balance of the twenty-four (24) months of interest capitalized from the Outstanding Bonds in December 2024. Although all the District's debt, including the Outstanding Bonds and the Bonds, has been issued on a parity basis and is payable from an unlimited tax pledge, portions of the District's ad valorem tax revenue will be allocated on a pro rata basis between debt service on bonds issued for the purpose of financing water, sewer and drainage facilities or to refund such bonds ("WSD Bonds"), including the Series 2025 Bonds, and bonds issued for the purpose of financing road facilities or to refund such bonds ("Road Bonds"), including the Series 2025 Road Bonds, and deposited into separate sub-accounts within the District's Debt Service Fund. See "THE BONDS—Funds" and "—Debt Service Requirements" herein.
- (e) The District will capitalize twenty-four (24) months of interest from proceeds from of the Series 2025 Bonds and twelve (12) months of interest from proceeds of the Series 2025 Road Bonds. See "THE BONDS—Funds" and "USE AND DISTRIBUTION OF BOND PROCEEDS."
- (f) See "RISK FACTORS—Operating Funds."

Investments of the District

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

Outstanding Bonds

The District has previously issued one series of unlimited tax road bonds for acquiring or constructing road facilities in the principal amount of \$3,750,000, all of which remains outstanding (the "Outstanding Bonds").

Debt Service Requirements

The following sets forth the debt service on the Outstanding Bonds and the Bonds. This schedule does not reflect the fact that the District capitalized twenty-four (24) months of interest on the Outstanding Bonds in December 2024, twenty-four (24) months of interest will be capitalized from Series 2025 Bonds proceeds and twelve (12) months of interest will be capitalized from the Series 2025 Road Bond proceeds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Year	Outstanding Bonds Debt Service Requirements	The Series 2025 Bonds		The Series 2025 Road Bonds		Debt Service Requirements
		Principal	Interest	Principal	Interest	
2026	\$ 233,893.75		\$ 579,881.94		\$ 620,616.32	\$ 1,434,392.01
2027	236,093.75	\$ 295,000	660,625.00	\$ 315,000	707,031.25	2,213,750.00
2028	238,093.75	310,000	641,450.00	330,000	686,556.25	2,206,100.00
2029	239,893.75	325,000	621,300.00	345,000	665,106.25	2,196,300.00
2030	236,493.75	340,000	600,175.00	365,000	642,681.25	2,184,350.00
2031	238,093.75	355,000	578,075.00	380,000	618,956.25	2,170,125.00
2032	239,493.75	375,000	555,000.00	400,000	594,256.25	2,163,750.00
2033	240,575.00	395,000	530,625.00	420,000	568,256.25	2,154,456.25
2034	241,450.00	415,000	505,937.50	440,000	542,531.25	2,144,918.75
2035	242,118.75	435,000	485,187.50	465,000	520,531.25	2,147,837.50
2036	247,581.25	455,000	467,787.50	490,000	501,931.25	2,162,300.00
2037	247,481.25	480,000	449,587.50	510,000	482,331.25	2,169,400.00
2038	247,168.75	500,000	430,387.50	540,000	461,931.25	2,179,487.50
2039	251,643.75	525,000	410,387.50	565,000	440,331.25	2,192,362.50
2040	250,693.75	555,000	388,731.25	595,000	417,025.00	2,206,450.00
2041	254,350.00	580,000	365,143.75	620,000	391,737.50	2,211,231.25
2042	252,568.75	610,000	340,493.75	655,000	365,387.50	2,223,450.00
2043	255,568.75	640,000	313,806.25	685,000	336,731.25	2,231,106.25
2044	258,131.25	670,000	285,806.25	720,000	306,762.50	2,240,700.00
2045	255,031.25	705,000	256,493.75	755,000	275,262.50	2,246,787.50
2046	256,706.25	740,000	225,650.00	795,000	242,231.25	2,259,587.50
2047	257,931.25	780,000	193,275.00	835,000	207,450.00	2,273,656.25
2048	263,706.25	815,000	158,175.00	875,000	169,875.00	2,281,756.25
2049	263,531.25	855,000	121,500.00	920,000	130,500.00	2,290,531.25
2050	262,893.75	900,000	83,025.00	965,000	89,100.00	2,300,018.75
2051	266,793.75	945,000	42,525.00	1,015,000	45,675.00	2,314,993.75
Total	\$ 6,477,981.25	\$ 14,000,000	\$ 10,291,031.94	\$ 15,000,000	\$ 11,030,785.07	\$ 56,799,798.26

Average Annual Debt Service Requirements (2026-2051) \$2,184,608
Maximum Annual Debt Service Requirement (2051) \$2,314,994

Estimated Overlapping Debt

The following table indicates the outstanding debt payable from ad valorem taxes, of governmental entities within which the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District. Debt figures equated herein to outstanding obligations payable from ad valorem taxes are based upon data obtained from individual jurisdictions or Texas Municipal Reports compiled and published by the Municipal Advisory Council of Texas. Furthermore, certain entities listed below may have issued additional obligations since the date listed and may have plans to incur significant amounts of additional debt. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for the purposes of operation, maintenance and/or general revenue purposes in addition to taxes for the payment of debt service and the tax burden for operation, maintenance and/or general revenue purposes is not included in these figures. The District has no control over the issuance of debt or tax levies of any such entities.

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
Harris County.....	\$ 2,424,019,039	7/31/2025	0.00300%	\$ 72,721
Harris County Flood Control District.....	968,445,000	7/31/2025	0.00300%	29,053
Harris County Hospital District.....	867,820,000	7/31/2025	0.00300%	26,035
Harris County Department of Education.....	28,960,000	7/31/2025	0.00300%	869
Port of Houston Authority.....	406,509,397	7/31/2025	0.00300%	12,195
Katy Independent School District.....	2,219,530,000	7/31/2025	0.03000%	665,859
Total Estimated Overlapping Debt.....				\$ 806,732
The District.....	32,750,000 (a)			32,750,000
Total Direct and Estimated Overlapping Debt.....				\$ 33,556,732

Direct and Estimated Overlapping Debt as a Percentage of:

Estimated Taxable Assessed Valuation as of June 15, 2025 of \$271,045,583 12.38%

(a) Includes the Outstanding Bonds and the Bonds.

Overlapping Taxes

Set forth below are all of the taxes levied for the 2024 tax year by all taxing jurisdictions overlapping the District and the anticipated 2025 tax rate of the District. None of the below entities have levied taxes for the 2025 tax year. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	Tax Rate per \$100 of Taxable <u>Assessed Valuation</u>
Harris County (including Harris County Flood Control District, Harris County Hospital District, Harris County Department of Education, and the Port of Houston Authority).....	\$ 0.60869
Waller-Harris County ESD No. 200.....	0.09664
Katy Independent School District.....	1.11710
Total Overlapping Tax Rate.....	\$ 1.82243
The District (a).....	1.50000
Total Tax Rate.....	\$ 3.32243

(a) The District authorized publication of its intent to levy a total tax rate of \$1.50 per \$100 of taxable assessed valuation (consisting of \$0.25 for road debt service and \$1.25 for maintenance and operations) and expects to adopt such rate in October 2025. See "TAX DATA— Historical Tax Rate Distribution."

General Operating Fund

The following statement sets forth in condensed form the General Operating Fund as shown in the District's audited financial statements for the fiscal years ended February 29, 2024 and February 28, 2025. See "RISK FACTORS—Operating Funds." Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Reference is made to "APPENDIX A" for further and complete information.

	Fiscal Year Ended <u>2/28/2025</u>	Fiscal Year Ended <u>2/29/2024</u>
Revenues:		
Property Taxes	\$ 255,993	\$ 1,644
Water and Sewer Service	264,102	-
Penalty and Interest	13,646	10
Ground Water Fees	86,817	-
Tap Connection & Inspection	1,062,052	-
Investment Earnings	1,928	-
Miscellaneous	165,996	-
Total Revenue	\$ 1,850,534	\$ 1,654
Expenditures:		
Professional Fees	\$ 210,037	\$ 111,971
Purchased Services	150,920	8,680
Ground Water Fees	90,253	-
Repairs and Maintenance	408,278	-
Contracted Services	156,251	19,577
Utilities	28,723	-
Tap Connections	690,775	-
Lease Expenditures	108,480	-
Capital Outlay	6,114,110	-
Debt Service, Debt Issuance Costs	23,750	-
Other	35,403	15,683
Total Expenditures	\$ 8,016,980	\$ 155,911
Revenue Over (Under) Expenditures	\$ (6,166,446)	\$ (154,257)
Other Financing Sources(a)	\$ 6,079,572	\$ 192,240
General Operating Fund		
Balance (Beginning of Year)	\$ 23,456	\$ (14,527)
General Operating Fund		
Balance (End of Year)	\$ (63,418)	\$ 23,456

(a) Developer Advances. See "RISK FACTORS—Operating Funds."

TAX DATA

Debt Service Tax

The District covenants in the Bond Resolutions to levy and assess, for each year that all or any part of the Bonds, and the Outstanding Bonds, remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds and the Outstanding Bonds. The District intends to levy its initial debt service tax in 2025. See “Historical Tax Rate Distribution” and “Tax Roll Information” below, and “TAXING PROCEDURES.”

Maintenance and Operations Tax

The District has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District’s voters. A maintenance tax election was conducted on May 7, 2022, and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed \$1.50 per \$100 of assessed valuation.

Historical Tax Rate Distribution

	Anticipated		
	2025	2024	2023
Debt Service Tax	\$ 0.25	\$ -	\$ -
Maintenance Tax	1.25	1.50	1.50
Total District Tax Rate	\$ 1.50	\$ 1.50	\$ 1.50

- (a) The District authorized publication of its intent to levy a total tax rate of \$1.50 per \$100 of taxable assessed valuation (consisting of \$0.25 for road debt service and \$1.25 for maintenance and operations) and expects to adopt such rate in October 2025.

Additional Penalties

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

Historical Tax Collections

The following statement of tax collections sets forth in condensed form a portion of the historical tax experience of the District. Such table has been prepared for inclusion herein, based upon information obtained from the District’s Tax Assessor/Collector. Reference is made to such statements and records for further and complete information. See “Tax Roll Information” below.

Tax Year	Taxable Assessed Valuation (a)	Tax Rate	Total Tax Levy	Total Collections As of 7/31/2025 (b)	
				Amount	Percent
2023	\$ 239,570	\$ 1.50	\$ 3,594	\$ 3,594	100.00%
2024	18,806,188	1.50	282,093	281,451	99.77%
2025	154,299,545	1.50	2,314,493	(c)	(c)

- (a) As certified by the Appraisal District less any exemptions granted. See “Tax Roll Information” in this section.
- (b) Unaudited.
- (c) The District authorized publication of its intent to levy a total tax rate of \$1.50 per \$100 of taxable assessed valuation (consisting of \$0.25 for road debt service and \$1.25 for maintenance and operations) and expects to adopt such rate in October 2025. Taxes for 2025 are due by January 31, 2026.

Tax Roll Information

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate (see "TAXING PROCEDURES—Valuation of Property for Taxation"). The following represents the composition of property comprising the 2023 through 2025 Taxable Assessed Valuations. Accurate breakdowns of the uncertified portion (\$49,385,946) of the 2025 Taxable Assessed Valuation of \$154,299,545 and the Estimated Taxable Assessed Valuation as of June 15, 2025 of \$271,045,583, are not available. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year.

	2025 Taxable Assessed Valuation	2024 Taxable Assessed Valuation	2023 Taxable Assessed Valuation
Land	\$ 58,176,338	\$ 18,764,009	\$ 239,570 (a)
Improvements	46,060,496	162,130	-
Personal Property	1,630,451	82,472	-
Uncertified Value	<u>49,385,946</u>	<u>-</u>	<u>-</u>
Gross Assessed Valuation	\$ 155,253,231	\$ 19,008,611	\$ 239,570
Exemptions	<u>(953,686)</u>	<u>(202,423)</u>	<u>-</u>
Total	\$ 154,299,545	\$ 18,806,188	\$ 239,570

(a) Excludes approximately \$10,985,260 of agricultural land deferral as of January 1, 2023.

Principal Taxpayers

The following table represents the principal taxpayers, the taxable assessed valuation of such property, and such property's taxable assessed valuation as a percentage of the certified portion (\$104,913,599) of the 2025 Taxable Assessed Valuation. Accurate principal taxpayer lists related to the uncertified portion (\$49,385,946) of the 2025 Taxable Assessed Valuation of \$154,299,545 and the Estimated Taxable Assessed Valuation as of June 15, 2025, of \$271,045,583, are not available as of the date hereof.

Taxpayer	2025 Certified Taxable Assessed Valuation	% of 2025 Certified Taxable Assessed Valuation
FR Beeson LLC (a)(b)	\$ 29,430,039	28.05%
The Developer (a)(b)	15,142,811	14.43%
Hotwire Communications Ltd	1,523,060	1.45%
Homeowner	553,204	0.53%
NRBH Company LLC	532,844	0.51%
Homeowner	504,286	0.48%
Homeowner	477,858	0.46%
Homeowner	462,735	0.44%
Homeowner	427,824	0.41%
Homeowner	<u>424,580</u>	<u>0.40%</u>
	\$ 49,479,241	47.16%

(a) See "THE DEVELOPER."

(b) See "RISK FACTORS—Dependence on Major Taxpayers and the Developer."

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 taxable assessed valuation which would be required to meet average annual and maximum annual debt service requirements if no growth in the District's tax base occurred beyond the Estimated Taxable Assessed Valuation as of June 15, 2025, of \$271,045,583. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "RISK FACTORS—Possible Impact on District Tax Rates" and "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."

Average Annual Debt Service Requirement (2026-2051)	\$2,184,608
\$0.85 Tax Rate on the Estimated Taxable Assessed Valuation as of June 15, 2025.....	\$2,188,693
Maximum Annual Debt Service Requirement (2051).....	\$2,314,994
\$0.90 Tax Rate on the Estimated Taxable Assessed Valuation as of June 15, 2025.....	\$2,317,440

No representation or suggestion is made that the Estimated Taxable Assessed Valuation as of June 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 its inclusion herein as assurance of their attainment. See "TAXING PROCEDURES."

TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

Title 1 of the Texas Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here.

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Harris Central Appraisal District (the "Appraisal District") has the responsibility for appraising property for all taxing units within Harris County, including the District. Such appraisal values are subject to review and change by the Harris Central Appraisal Review Board (the "Appraisal Review Board").

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years of age or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the previous election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of

between \$5,000 and \$12,000 of taxable valuation depending upon the disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See "TAX DATA."

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. To date, the District has not adopted a homestead exemption. See "TAX DATA."

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

Tax Abatement

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

Valuation of Property for Taxation

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

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

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

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

District and Taxpayer Remedies

Under certain circumstances taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

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

Levy and Collection of Taxes

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

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

Tax Payment Installments After Disaster

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

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

Rollback of Operation and Maintenance Tax Rate

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

Special Taxing Units: Special Taxing Units that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, may be required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

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

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

The District: A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation. For tax year 2025, the District is classified as a Developing District.

District's Rights in the Event of Tax Delinquencies

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both subject to the restrictions on residential homesteads described in the preceding section under "Levy and Collection of Taxes". In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See "RISK FACTORS—General" and "—Tax Collection Limitations and Foreclosure Remedies."

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, separate municipal bond insurance policies ensuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company ("BAM"). An explanation of the rating may be obtained from S&P. See "RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND INSURANCE" and "APPENDIX B."

The ratings reflect only the view of such organizations and the District makes no representation as to the appropriateness of the ratings. 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, 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.

The District has not applied for an underlying investment grade rating on the Bonds nor is it expected that the District would have been successful if such application had been made.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue separate municipal bond insurance policies 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: <https://bambonds.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.

LEGAL MATTERS

Legal Proceedings

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

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

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

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

No Material Adverse Change

The obligations of the Underwriter to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District from that set forth or contemplated in the PRELIMINARY OFFICIAL STATEMENT, as it may be amended or supplemented through the date of the sale.

No-Litigation Certificate

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

TAX MATTERS

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

Tax Exemption

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

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

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

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

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions.

The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer, and the Owners of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds, regardless of the ultimate outcome of the audit.

Not Qualified Tax-Exempt Obligations

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

Additional Federal Income Tax Considerations

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

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

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

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

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

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

Tax Accounting Treatment of Original Issue Discount: If the issue price of any maturity the Bonds is less than the stated redemption price payable at maturity of such Bonds (the “OID Bonds”), the difference between (i) the amount payable at the maturity of each OID Bond, and (ii) the initial offering price to the public of such OID Bond constitutes original issue discount with respect to such OID Bond in the hands of any owner who has purchased such OID Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such OID Bond equal to that portion of the amount of such original issue discount allocable to the period that such OID Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions “—Tax Exemption,” “—Additional Federal Income Tax Considerations—Collateral Tax Consequences” and “—Tax Legislative Changes” generally apply and should be considered in connection with the discussion in this portion of the OFFICIAL STATEMENT.

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

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

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

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

Tax Legislative Changes

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any recently enacted, proposed, pending or future legislation.

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 Developer, the Engineer, the Tax Assessor/Collector, the Appraisal District and information from other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from such sources, and its inclusion herein is not to be construed as a representation on the part of the District 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. The Financial Advisor has reviewed the information in this OFFICIAL STATEMENT in accordance with, and as a 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.

Tax Assessor/Collector: The information contained in this OFFICIAL STATEMENT relating to the breakdown of the District's historical assessed value and principal taxpayers, including particularly such information contained in the section entitled "TAX DATA" has been provided by B&A Municipal Tax Service, LLC, and is included herein in reliance upon the authority of such firm as an expert in assessing property values and collecting taxes.

Engineer: The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the District's water, wastewater and storm drainage system and, in particular that information included in the sections entitled "THE DISTRICT," "THE SYSTEM" and "ROAD SYSTEM" has been provided by LJA Engineering, Inc., Consulting Engineers and has been included herein in reliance upon the authority of said firm as the District's Engineer.

Auditor: The financial statements of then District as of February 28, 2025, 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" for a copy of the District's February 28, 2025, financial statements.

Updating the Official Statement

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

Certification of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain financial information and operating data annually to the MSRB. The financial information and operating data which will be provided with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED),” (except for “Estimated Overlapping Debt”), “TAX DATA,” and in APPENDIX A (Independent Auditor’s Report and Financial Statements of the District and certain supplemental schedules). The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2026. Any financial statements provided by the District shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when the audit report becomes available.

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms “obligated person” and “financial obligation” when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the “Rule”). The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolutions 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 updated information only to the MSRB. The MSRB makes the information available to the public without charge through an internet portal at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects; nor has the District agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although Registered or Beneficial Owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

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

Compliance With Prior Undertakings

Since the District’s first issuance of bonds in 2024, the District has complied in all material respects with its prior continuing disclosure agreements made in accordance with the Rule.

MISCELLANEOUS

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

/s/ James C. “Neil” Potter
President, Board of Directors

ATTEST:

/s/ Ryan O. Smith
Secretary, Board of Directors

AERIAL LOCATION MAP
(As of June 2025)

FM 529

HARRIS COUNTY MUNICIPAL
UTILITY DISTRICT No. 539

KATY-HOCKLEY RD.

BECKENDORFF RD.



PHOTOGRAPHS OF THE DISTRICT
(As of June 2025)













APPENDIX A

Independent Auditor's Report and Financial Statements of the District for the fiscal year ended February 28, 2025



Harris County Municipal Utility District No. 539 Harris County, Texas

Independent Auditor's Report and Financial Statements

February 28, 2025



Harris County Municipal Utility District No. 539
Contents
February 28, 2025

Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Statement of Net Position and Governmental Funds Balance Sheet	8
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances	9
Notes to Financial Statements	10
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	22
Notes to Required Supplementary Information	23
Supplementary Information	
Other Schedules Included Within This Report	24
Schedule of Services and Rates	25
Schedule of General Fund Expenditures	26
Schedule of Temporary Investments	27
Analysis of Taxes Levied and Receivable	28
Schedule of Long-Term Debt Service Requirements by Years	29
Changes in Long-Term Bonded Debt	30
Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund	31
Board Members, Key Personnel and Consultants	33

Independent Auditor's Report

Board of Directors
Harris County Municipal Utility District No. 539
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. 539 (the District), as of and for the year ended February 28, 2025, 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 February 28, 2025, 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
August 11, 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 Fund

Governmental-fund financial statements consist of a balance sheet and a statement of revenues, expenditures and changes in fund balance 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

Effective March 1, 2024, the District adopted new accounting and financial reporting guidance, Governmental Accounting Standards Board Statement No. 87 (Statement No. 87), *Leases*.

Statement No. 87 creates one model for recognizing leases for both lessees and lessors. Substantially all leases are recognized on the lessees' statement of net position. In the activity statement, lessees no longer report lease expense for the previously classified operating leases but instead report interest expense on the liability and amortization expense related to the asset.

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

	2025	2024
Current and other assets	\$ 6,890,215	\$ 58,058
Capital and lease assets	10,571,004	1,450,323
Total assets	<u>\$ 17,461,219</u>	<u>\$ 1,508,381</u>
Long-term liabilities	\$ 16,974,592	\$ 1,731,563
Other liabilities	6,608,864	106,479
Total liabilities	<u>23,583,456</u>	<u>1,838,042</u>
Net position:		
Net investment in capital assets	(148,766)	-
Restricted	4,873	-
Unrestricted	<u>(5,978,344)</u>	<u>(329,661)</u>
Total net position	<u>\$ (6,122,237)</u>	<u>\$ (329,661)</u>

The total net position of the District decreased by \$5,792,576. The majority of the decrease in net position is related to the conveyance of capital assets to another governmental entity for maintenance. 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 February 28, 2025, the net investment in capital assets was \$(5,978,344). Within Harris County, the county government assumes the maintenance and other incidents of ownership of most drainage and road facilities constructed by the District. Accordingly, these assets are not recorded in the financial statements of the District.

Summary of Changes in Net Position

	2025	2024
Revenues:		
Property taxes	\$ 284,025	\$ 1,667
Charges for services	350,919	-
Other revenues	1,248,495	10
Total revenues	<u>1,883,439</u>	<u>1,677</u>
Expenses:		
Services	1,770,640	155,911
Conveyance of capital assets	5,473,841	-
Depreciation and amortization	102,263	-
Debt service	329,271	-
Total expenses	<u>7,676,015</u>	<u>155,911</u>
Change in net position	(5,792,576)	(154,234)
Net position, beginning of year	<u>(329,661)</u>	<u>(175,427)</u>
Net position, end of year	<u><u>\$ (6,122,237)</u></u>	<u><u>\$ (329,661)</u></u>

Financial Analysis of the District's Fund

The District's combined fund balances as of the end of the fiscal year ended February 28, 2025, were \$379,436 an increase of \$355,980 from the prior year.

The general fund's fund balance decreased by \$86,874, due to capital outlay expenditures and service operation expenditures exceeding property tax and tap connection and inspection fees revenues and developer advances received.

The debt service fund's fund balance increased by \$296,991 due to proceeds received from the sale of the bonds exceeding debt service interest expenditures.

The capital projects fund's fund balance increased by \$145,863 due to proceeds received from the sale of bonds exceeding debt issuance costs and capital outlay expenditures.

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 property tax, sewer service, and tap connection and inspection fees revenues as well as contracted services, repairs and maintenance and tap connection expenditures being greater than anticipated. In addition, purchased services, capital outlay and lease expenditures incurred and developer advances and other income received were not budgeted. The fund balance as of February 28, 2025, was expected to be \$188,337 and the actual end-of-year fund balance was (\$63,418).

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 year and previous fiscal years are summarized below:

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

	<u>2025</u>	<u>2024</u>
Land and improvements	\$ 7,564,433	\$ 1,450,323
Water facilities	583,475	-
Wastewater facilities	750,234	-
Lease assets	1,672,862	-
Total capital and lease assets	<u>\$ 10,571,004</u>	<u>\$ 1,450,323</u>

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

Water and sewer facilities to serve Anniston, Section 2	\$ 1,364,021
Drainage easement acquisition	6,114,110
Leased wastewater treatment plant, Phase 1	1,744,813
Total additions to capital and lease assets	<u>\$ 9,222,944</u>

The developer within the District has constructed facilities on behalf of the District under the terms of a contract with the District. The District has agreed to reimburse the developer for these facilities from the proceeds of future bond issues, subject to the approval of the Commission, if required. As of February 28, 2025, a liability for developer-constructed capital assets of \$5,340,837 has been recorded in the government-wide financial statements.

Debt

The changes in the debt position of the District during the fiscal year ended February 28, 2025, are summarized as follows:

Long-term debt payable, beginning of year	\$ 1,731,563
Increases in long-term debt	15,298,159
Decreases in long-term debt	<u>(55,130)</u>
Long-term debt payable, end of year	<u>\$ 16,974,592</u>

At February 28, 2025, the District had \$426,500,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer, drainage and storm sewer systems within the District, \$99,500,000 of unlimited tax bonds authorized, but unissued, for the purposes of constructing recreational facilities within the District and \$160,400,000 of unlimited tax bonds authorized, but unissued, for the purpose of constructing and improving roads within the District.

The District's bonds do not carry an underlying or insured rating.

Other Relevant Factors

Contingencies

The developer of the District is constructing water, sewer, drainage, road and park facilities to serve the District. The District has agreed to reimburse the developer for a portion of these costs, plus interest, from the proceeds of future bond sales to the extent approved by the Commission, if required. The District's engineer has stated that the current construction contract amounts are approximately \$66,139,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Economic Dependency

The District's developer owns the majority of the taxable property in the District. The District's ability to meet its obligations is dependent on the developer's ability to pay future property taxes.

Since inception, the developer has advanced \$397,240 to the District for operations and \$5,963,572 for the acquisition of capital assets. The District does not have sufficient funds nor anticipated revenues sufficient to liquidate these advances during the forthcoming fiscal year. These advances have been recorded as liabilities in the government-wide financial statements.

Harris County Municipal Utility District No. 539
Statement of Net Position and Governmental Funds Balance Sheet
February 28, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 6,043,058	\$ -	\$ -	\$ 6,043,058	\$ -	\$ 6,043,058
Short-term investments	215,257	296,991	181,463	693,711	-	693,711
Receivables:						
Property taxes	28,055	-	-	28,055	-	28,055
Service accounts	88,480	-	-	88,480	-	88,480
Interfund receivable	35,600	-	-	35,600	(35,600)	-
Due from others	14,560	-	-	14,560	-	14,560
Prepaid expenditures	76,591	-	-	76,591	(54,240)	22,351
Capital and lease assets (net of accumulated depreciation and amortization:						
Land and improvements	-	-	-	-	7,564,433	7,564,433
Infrastructure	-	-	-	-	1,333,709	1,333,709
Lease assets	-	-	-	-	1,672,862	1,672,862
Total assets	\$ 6,501,601	\$ 296,991	\$ 181,463	\$ 6,980,055	\$ 10,481,164	\$ 17,461,219
Liabilities						
Accounts payable	\$ 6,330,014	\$ -	\$ -	\$ 6,330,014	\$ -	\$ 6,330,014
Accrued expenses	-	-	-	-	71,900	71,900
Customer deposits	91,950	-	-	91,950	-	91,950
Unearned tap connection fees	115,000	-	-	115,000	-	115,000
Interfund payable	-	-	35,600	35,600	(35,600)	-
Long-term liabilities:						
Due within one year	-	-	-	-	132,095	132,095
Due after one year	-	-	-	-	16,842,497	16,842,497
Total liabilities	6,536,964	-	35,600	6,572,564	17,010,892	23,583,456
Deferred Inflows of Resources						
Deferred property tax revenues	28,055	-	-	28,055	(28,055)	-
Fund Balances/Net Position						
Fund balances:						
Nonspendable, prepaid expenditures	76,591	-	-	76,591	(76,591)	-
Restricted:						
Unlimited tax road bonds	-	296,991	-	296,991	(296,991)	-
Roads	-	-	145,863	145,863	(145,863)	-
Unassigned	(140,009)	-	-	(140,009)	140,009	-
Total fund balances	(63,418)	296,991	145,863	379,436	(379,436)	-
Total liabilities, deferred inflows of resources and fund balances	\$ 6,501,601	\$ 296,991	\$ 181,463	\$ 6,980,055		
Net position:						
Net investment in capital assets					(148,766)	(148,766)
Restricted for debt service					2,893	2,893
Restricted for capital projects					1,980	1,980
Unrestricted					(5,978,344)	(5,978,344)
Total net position					\$ (6,122,237)	\$ (6,122,237)

Harris County Municipal Utility District No. 539
Statement of Activities and Governmental Funds Revenues,
Expenditures and Changes in Fund Balances
Year Ended February 28, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 255,993	\$ -	\$ -	\$ 255,993	\$ 28,032	\$ 284,025
Water service	110,637	-	-	110,637	-	110,637
Sewer service	153,465	-	-	153,465	-	153,465
Regional water fee	86,817	-	-	86,817	-	86,817
Penalty and interest	13,646	-	-	13,646	-	13,646
Tap connection and inspection fees	1,062,052	-	-	1,062,052	-	1,062,052
Investment income	1,928	2,893	1,980	6,801	-	6,801
Other income	165,996	-	-	165,996	-	165,996
Total revenues	1,850,534	2,893	1,980	1,855,407	28,032	1,883,439
Expenditures/Expenses						
Service operations:						
Purchased services	150,920	-	-	150,920	-	150,920
Regional water fee	90,253	-	-	90,253	-	90,253
Professional fees	210,037	-	-	210,037	-	210,037
Contracted services	156,251	-	-	156,251	-	156,251
Utilities	28,723	-	-	28,723	-	28,723
Repairs and maintenance	408,278	-	-	408,278	-	408,278
Tap connections	690,775	-	-	690,775	-	690,775
Other expenditures	35,403	-	-	35,403	-	35,403
Lease expenditures	108,480	-	-	108,480	(108,480)	-
Capital outlay	6,114,110	-	2,947,348	9,061,458	(9,061,458)	-
Conveyance of capital assets	-	-	-	-	5,473,841	5,473,841
Depreciation and amortization	-	-	-	-	102,263	102,263
Debt service:						
Interest and fees	-	33,689	-	33,689	53,350	87,039
Debt issuance costs	23,750	-	218,482	242,232	-	242,232
Total expenditures/expenses	8,016,980	33,689	3,165,830	11,216,499	(3,540,484)	7,676,015
Deficiency of Revenues Over Expenditures	<u>(6,166,446)</u>	<u>(30,796)</u>	<u>(3,163,850)</u>	<u>(9,361,092)</u>	<u>3,568,516</u>	
Other Financing Sources (Uses)						
Developer advances	6,079,572	-	-	6,079,572	(6,079,572)	
General obligation bonds issued	-	327,787	3,422,213	3,750,000	(3,750,000)	
Discount on debt issued	-	-	(112,500)	(112,500)	112,500	
Total other financing sources	<u>6,079,572</u>	<u>327,787</u>	<u>3,309,713</u>	<u>9,717,072</u>	<u>(9,717,072)</u>	
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(86,874)	296,991	145,863	355,980	(355,980)	
Change in Net Position					(5,792,576)	(5,792,576)
Fund Balances (Deficit)/Net Position						
Beginning of year	23,456	-	-	23,456	-	(329,661)
End of year	<u>\$ (63,418)</u>	<u>\$ 296,991</u>	<u>\$ 145,863</u>	<u>\$ 379,436</u>	<u>\$ -</u>	<u>\$ (6,122,237)</u>

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

Harris County Municipal Utility District No. 539 (the District) was created and is operating pursuant to a special act of the 84th Texas Legislature, now codified at Chapter 7904 of the Texas Special District Local Laws Code, effective June 18, 2015, in accordance with Article XVI, Section 59, of the Texas Constitution. The District operates in accordance with Chapter 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, construct, own and operate waterworks, wastewater, drainage, recreational and road 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 fund. 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.

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.

Harris County Municipal Utility District No. 539
Notes to Financial Statements
February 28, 2025

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 fund revenues, expenditures and changes in fund balance 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

fund 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.

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 February 28, 2025, include collections during the current period or within 60 days of year-end related to the 2024 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 February 28, 2025, the 2024 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.

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:

Water production and distribution facilities	10-45 years
Wastewater collection and treatment facilities	10-45 years
Drainage facilities	10-45 years
Park and recreational facilities	10-30 years

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. Bond premiums and discounts 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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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 Balance

Fund balance 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.

Harris County Municipal Utility District No. 539
Notes to Financial Statements
February 28, 2025

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.	\$ 10,571,004
Property tax revenue recognition and the related reduction of deferred inflows of resources, are subject to availability of funds in the fund financial statements.	28,055
Prepaid lease expenditures are not reported as assets in the government-wide financial statements.	(54,240)
Accrued expenses are not payable with current financial resources and are not reported in the funds.	(71,900)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(16,974,592)</u>
Adjustment to fund balances to arrive at net position.	<u>\$ (6,501,673)</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.	\$ 355,980
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 expense. This is the amount by which capital outlay expenditures exceeded depreciation and amortization expense and conveyance of capital assets in the current period.	3,485,354
Governmental funds report developer advances as other financing sources or uses as amounts are received or paid. However, for government-wide financial statements, these amounts are recorded as an increase or decrease in due to developer.	(6,079,572)
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	112,500
Governmental funds report lease payments as expenditures. For the statement of activities, these are reported as a reduction of lease liability and as interest expense.	108,480

Harris County Municipal Utility District No. 539
Notes to Financial Statements
February 28, 2025

Governmental funds report proceeds from the sale of bonds because they provide current financial resources to governmental funds. Principal payments on debt are recorded as expenditures. None of these transactions, however, have any effect on net position.	\$ (3,750,000)
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.	28,032
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 governmental funds.	<u>(53,350)</u>
Change in net position of governmental activities.	<u>\$ (5,792,576)</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 February 28, 2025, 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,” certificates of deposit of financial institutions domiciled in Texas, 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 TexSTAR, an external investment pool that is not registered with the Securities and Exchange Commission. A Board of Directors, made up of participants and representatives of the administrator and investment manager, has oversight of TexSTAR. The District’s investments may be redeemed at any time.

Harris County Municipal Utility District No. 539
Notes to Financial Statements
February 28, 2025

At February 28, 2025, the District had the following investments and maturities:

Type	Maturities in Years				
	Amortized Cost	Less Than 1	1-5	6-10	More Than 10
TexSTAR	\$ 693,711	\$ 693,711	\$ -	\$ -	\$ -

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 February 28, 2025, the District's investments in TexSTAR 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 and statement of net position at February 28, 2025, as follows:

Carrying value:	
Deposits	\$ 6,043,058
Investments	693,711
Total	<u>\$ 6,736,769</u>

Investment Income

Investment income of \$6,801 for the year ended February 28, 2025, consisted of interest income.

Note 3. Capital and Lease Assets

A summary of changes in capital and lease assets for the year ended February 28, 2025, is presented below:

Governmental Activities	Balances, Beginning of Year	Additions	Balances, End of Year
Capital assets, non-depreciable:			
Land and improvements	\$ 1,450,323	\$ 6,114,110	\$ 7,564,433
Capital and lease assets, depreciable:			
Water production and distribution facilities	-	596,736	596,736
Wastewater collection and treatment facilities	-	767,285	767,285
Lease assets - equipment	-	1,744,813	1,744,813
Total capital and lease assets, depreciable	-	3,108,834	3,108,834

Harris County Municipal Utility District No. 539
Notes to Financial Statements
February 28, 2025

Governmental Activities (Continued)	Balances, Beginning of Year	Additions	Balances, End of Year
Less accumulated depreciation and amortization:			
Water production and distribution facilities	\$ -	\$ (13,261)	\$ (13,261)
Wastewater collection and treatment facilities	-	(17,051)	(17,051)
Lease assets - equipment	-	(71,951)	(71,951)
Total accumulated depreciation and amortization	-	(102,263)	(102,263)
Total governmental activities, net	<u>\$ 1,450,323</u>	<u>\$ 9,120,681</u>	<u>\$ 10,571,004</u>

Note 4. Long-Term Liabilities

Changes in long-term liabilities for the year ended February 28, 2025, were as follows:

Governmental Activities	Balances, Beginning of Year	Increases	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:					
General obligation bonds	\$ -	\$ 3,750,000	\$ -	\$ 3,750,000	\$ -
Less discounts on bonds	-	112,500	2,567	109,933	-
	-	3,637,500	(2,567)	3,640,067	-
Due to developer	1,450,323	3,890,514	-	5,340,837	-
Developer advances - operations	281,240	116,000	-	397,240	-
Developer advances - capital assets	-	5,963,572	-	5,963,572	-
Lease liability	-	1,690,573	57,697	1,632,876	132,095
Total governmental activities long-term liabilities	<u>\$ 1,731,563</u>	<u>\$ 15,298,159</u>	<u>\$ 55,130</u>	<u>\$ 16,974,592</u>	<u>\$ 132,095</u>

General Obligation Bonds Issued

	Road Series 2024
Amount outstanding, February 28, 2025	\$3,750,000
Interest rates	4.000% to 4.625%
Maturity dates, serially beginning/ending	September 1, 2026/2051
Interest payment dates	March 1/ September 1
Callable date*	September 1, 2031

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

Harris County Municipal Utility District No. 539
Notes to Financial Statements
February 28, 2025

Annual Debt Service Requirements

The District has been paying the amount due March 1 within the fiscal year preceding the due date, and the following schedule has been prepared according to this practice. The schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at February 28, 2025:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ -	\$ 163,894	\$ 163,894
2027	70,000	162,494	232,494
2028	75,000	159,593	234,593
2029	80,000	156,494	236,494
2030	85,000	153,194	238,194
2031-2035	475,000	711,418	1,186,418
2036-2040	625,000	597,781	1,222,781
2041-2045	810,000	443,481	1,253,481
2046-2050	1,035,000	238,338	1,273,338
2051-2052	495,000	23,241	518,241
Total	<u>\$ 3,750,000</u>	<u>\$ 2,809,928</u>	<u>\$ 6,559,928</u>

The bonds are payable from 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, drainage and storm sewer system facilities	\$ 426,500,000
Recreational facilities	99,500,000
Road facilities	164,150,000

Bonds sold:

Road facilities	3,750,000
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Refunding bonds voted:

Water, sewer, drainage and storm sewer facilities	426,500,000
Recreational facilities	99,500,000
Road facilities	164,150,000

Due to Developer

The developer within the District has constructed facilities on behalf of the District under the terms of a contract with the District. The District has agreed to reimburse the developer for these facilities from the proceeds of future bond issues, subject to the approval of the Commission, if applicable. As of February 28, 2025, a liability for developer-constructed capital assets of \$5,340,837 has been recorded in the government-wide financial statements.

Lease Liability

The following schedule shows the annual lease requirements to pay principal and interest on the lease liability outstanding at February 28, 2025.

Harris County Municipal Utility District No. 539
Notes to Financial Statements
February 28, 2025

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 132,095	\$ 193,345	\$ 325,440
2027	149,270	176,170	325,440
2028	168,679	156,761	325,440
2029	190,611	134,829	325,440
2030	182,799	110,541	293,340
2031-2033	809,422	208,370	1,017,792
Total	<u>\$ 1,632,876</u>	<u>\$ 980,016</u>	<u>\$ 2,612,892</u>

Note 5. Significant Bond Resolution and Commission Requirements

- (A) The Bond Resolution requires that the District levy and collect an ad valorem road debt service tax sufficient to pay interest and principal on road bonds when due. During the year ended February 28, 2025, the District did not levy an ad valorem road debt service tax. The interest requirements to be paid in 2025 from available resources are \$115,636, of which \$33,689 has been paid and \$81,947 is due September 1, 2025.
- (B) In accordance with the Series 2024 Road Bond Resolution, a portion of the bond proceeds were deposited into the debt service fund and reserved for the payment of bond interest. This bond interest reserve is reduced as the interest is paid.

Bond interest reserve, beginning of year	\$ -
Additions--Interest appropriated from bond proceeds, Road Series 2024	327,787
Deductions--Appropriation from bond interest paid, Road Series 2024	<u>33,689</u>
Bond interest reserve, end of year	<u>\$ 294,098</u>

Note 6. Maintenance Taxes

At an election held May 7, 2022, 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 February 28, 2025, the District levied an ad valorem maintenance tax at the rate of \$1.5000 per \$100 of assessed valuation, which resulted in a tax levy of \$282,099 on the taxable valuation of \$18,806,630 for the 2024 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

At an election held May 7, 2022, voters authorized a road maintenance tax not to exceed \$0.25 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended February 28, 2025, the District did not levy an ad valorem road maintenance tax for the 2024 tax year. The road maintenance tax, if levied, will be used by the general fund to pay expenditures for maintenance of certain roads within the District.

Note 7. Lease Agreements

On November 8, 2023, the District entered into an agreement to lease a 164,000 gallons-per-day (gpd) wastewater treatment facility. Monthly lease payments of \$27,120 will remain in effect for 60 months and will begin on the first

Harris County Municipal Utility District No. 539
Notes to Financial Statements
February 28, 2025

day of the month following substantial completion of the leased equipment. After the first 60 months, the District may extend the agreement on a month-to-month basis with monthly payments of \$19,095. During the current year the District recorded \$108,480 in expenditures related to the lease.

On December 11, 2024, the District entered into a Phase 2 lease agreement for equipment for the 164,000 gallons-per-day (gpd) wastewater treatment facility. Monthly lease payments of \$6,430 will remain in effect for 60 months and will begin on the first day of the month following substantial completion of the leased equipment. After the first 60 months, the District may extend the agreement on a month-to-month basis with monthly payments of \$3,810. During the current year the District paid \$12,860 for the first and last month's rent. The lease has not commenced as of year-end.

Note 8. 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 February 28, 2025, the Authority was billing the District \$3.95 per 1,000 gallons of water pumped from its wells. This amount is subject to future adjustments.

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 since the inception of the District.

Note 10. Contingencies

The developer of the District is constructing water, sewer, drainage, road and park facilities to serve the District. The District has agreed to reimburse the developer for a portion of these costs, plus interest, from the proceeds of future bond sales to the extent approved by the Commission, if required. The District's engineer has stated that the current construction contract amounts are approximately \$66,139,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Note 11. Economic Dependency

The District's developer owns the majority of the taxable property in the District. The District's ability to meet its obligations is dependent on the developer's ability to pay future property taxes.

Since inception, the developer has advanced \$397,240 to the District for operations and \$5,963,572 for the acquisition of capital assets. The District does not have sufficient funds nor anticipated revenues sufficient to liquidate these advances during the forthcoming fiscal year. These advances have been recorded as liabilities in the government-wide financial statements.

Note 12. Deficit Fund Balance

At February 28, 2025, the District's general fund had a deficit fund balance of \$63,418. The District anticipates that growth within the District will generate revenues sufficient to pay costs of operating the District.

Note 13. Adoption of New Accounting Standard

Effective March 1, 2024, the District adopted new accounting and financial reporting guidance, Governmental Accounting Standards Board Statement No. 87 (Statement No. 87), *Leases*.

Statement No. 87 creates one model for recognizing leases for both lessees and lessors. Substantially, all leases are recognized on the lessee's statement of net position. In the activity statement, lessees no longer report lease expense for the previously classified operating leases but instead report interest expense on the liability and amortization expense related to the asset.

There was no effect on beginning net position as a result of the adoption of Statement No. 87.

Required Supplementary Information

Harris County Municipal Utility District No. 539
Budgetary Comparison Schedule – General Fund
Year Ended February 28, 2025

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ -	\$ 164,781	\$ 255,993	\$ 91,212
Water service	-	50,000	110,637	60,637
Sewer service	-	10,000	153,465	143,465
Regional water fee	-	20,000	86,817	66,817
Penalty and interest	-	3,000	13,646	10,646
Tap connection and inspection fees	-	820,000	1,062,052	242,052
Investment income	-	3,000	1,928	(1,072)
Other income	-	-	165,996	165,996
Total revenues	-	1,070,781	1,850,534	779,753
Expenditures				
Service operations:				
Purchased services	-	-	150,920	(150,920)
Regional water fee	-	40,000	90,253	(50,253)
Professional fees	105,000	156,900	210,037	(53,137)
Contracted services	10,800	40,800	156,251	(115,451)
Utilities	-	15,000	28,723	(13,723)
Repairs and maintenance	-	100,000	408,278	(308,278)
Tap connections	-	500,000	690,775	(190,775)
Other expenditures	33,195	53,200	35,403	17,797
Lease expense	-	-	108,480	(108,480)
Debt service, debt issuance costs	-	-	23,750	(23,750)
Capital outlay	-	-	6,114,110	(6,114,110)
Total expenditures	148,995	905,900	8,016,980	(7,111,080)
Excess (Deficiency) of Revenues Over Expenditures	(148,995)	164,881	(6,166,446)	(6,331,327)
Other Financing Sources				
Developer advances	148,995	-	6,079,572	6,079,572
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	-	164,881	(86,874)	(251,755)
Fund Balance, Beginning of Year	23,456	23,456	23,456	-
Fund Balance (Deficit), End of Year	\$ 23,456	\$ 188,337	\$ (63,418)	\$ (251,755)

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 amended during fiscal 2025.

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. 539
Other Schedules Included Within This Report
February 28, 2025

(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
- [X] Board Members, Key Personnel and Consultants

Harris County Municipal Utility District No. 539
Schedule of Services and Rates
Year Ended February 28, 2025

1. Services provided by the District:

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

2. Retail service providers

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

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels	
Water:	\$ 24.00	5,000	N	\$ 1.00	5,001 to	10,000
				\$ 1.50	10,001 to	20,000
				\$ 2.00	20,001 to	No Limit
Wastewater:	\$ 50.00	-	Y			
Regional water fee:	\$ 4.35	1,000	N	\$ 4.35	1,001 to	No Limit

Does the District employ winter averaging for wastewater usage? Yes ☐ No ☒

Total charges per 10,000 gallons usage (including fees): Water \$ 72.50 Wastewater \$ 50.00

b. Water and wastewater retail connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC*
Unmetered	-	-	x1.0	-
≤ 3/4"	797	797	x1.0	797
1"	2	2	x2.5	5
1 1/2"	-	-	x5.0	-
2"	7	7	x8.0	56
3"	-	-	x15.0	-
4"	-	-	x25.0	-
6"	-	-	x50.0	-
8"	-	-	x80.0	-
10"	-	-	x115.0	-
Total water	806	806		858
Total wastewater	797	797	x1.0	797

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

Gallons pumped into the system:	48,790
Gallons billed to customers:	16,357
Water accountability ratio (gallons billed/gallons pumped):	33.53%

*"ESFC" means equivalent single-family connections

Harris County Municipal Utility District No. 539
Schedule of General Fund Expenditures
Year Ended February 28, 2025

Personnel (including benefits)		\$ -
Professional Fees		
Auditing	\$ 11,900	
Legal	158,233	
Engineering	39,904	
Financial advisor	-	210,037
Purchased Services for Resale		
Bulk water and wastewater service purchases		150,920
Regional Water Fee		90,253
Contracted Services		
Bookkeeping	14,150	
General manager	-	
Appraisal district	2,722	
Tax collector	10,612	
Security	-	
Other contracted services	118,022	145,506
Utilities		28,723
Repairs and Maintenance		408,278
Administrative Expenditures		
Directors' fees	8,810	
Office supplies	8,656	
Insurance	8,517	
Other administrative expenditures	9,420	35,403
Capital Outlay		
Capitalized assets	6,114,110	
Expenditures not capitalized	-	6,114,110
Tap Connection Expenditures		690,775
Solid Waste Disposal		10,745
Fire Fighting		-
Parks and Recreation		-
Lease Expenditures		108,480
Other Expenditures		23,750
Total expenditures		\$ 8,016,980

Harris County Municipal Utility District No. 539
Schedule of Temporary Investments
February 28, 2025

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Face Amount</u>	<u>Accrued Interest Receivable</u>
General Fund				
TexSTAR	4.38%	Demand	\$ 215,257	\$ -
Debt Service Fund				
TexSTAR	4.38%	Demand	296,991	-
Capital Projects Fund				
TexSTAR	4.38%	Demand	<u>181,463</u>	<u>-</u>
Totals			<u><u>\$ 693,711</u></u>	<u><u>\$ -</u></u>

Harris County Municipal Utility District No. 539
Analysis of Texas Levied and Receivable
Year Ended February 28, 2025

	Maintenance Taxes	
Receivable, Beginning of Year	\$	23
Additions and corrections to prior years' taxes		<u>1,926</u>
Adjusted receivable, beginning of year		<u>1,949</u>
2024 Original Tax Levy		239,674
Additions and corrections		<u>42,425</u>
Adjusted tax levy		<u>282,099</u>
Total to be accounted for		284,048
Tax collections: Current year		(255,970)
Prior years		<u>(23)</u>
Receivable, end of year	\$	<u><u>28,055</u></u>
Receivable, by Years		
2024	\$	26,129
2023		<u>1,926</u>
Receivable, end of year	\$	<u><u>28,055</u></u>
	2024	2023
Property Valuations		
Land	\$ 18,764,009	\$ 239,570
Improvements	162,130	-
Personal property	82,472	-
Exemptions	<u>(201,981)</u>	<u>-</u>
Total property valuations	<u><u>\$ 18,806,630</u></u>	<u><u>\$ 239,570</u></u>
Tax Rates per \$100 Valuation		
Maintenance tax rates*	<u>\$ 1.5000</u>	<u>\$ 1.5000</u>
Tax Levy	<u>\$ 282,099</u>	<u>\$ 3,593</u>
Percent of Taxes Collected to Taxes Levied**	<u>91%</u>	<u>46%</u>

*Maximum tax rate approved by voters: \$1.50 on May 7, 2022

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

Harris County Municipal Utility District No. 539
Schedule of Long-Term Debt Service Requirements by Years
February 28, 2025

Due During Fiscal Years Ending February 28	Road Series 2024		
	Principal Due September 1	Interest Due March 1, September 1	Total
2026	\$ -	\$ 163,894	\$ 163,894
2027	70,000	162,494	232,494
2028	75,000	159,593	234,593
2029	80,000	156,494	236,494
2030	85,000	153,194	238,194
2031	85,000	149,793	234,793
2032	90,000	146,294	236,294
2033	95,000	142,535	237,535
2034	100,000	138,512	238,512
2035	105,000	134,284	239,284
2036	110,000	129,850	239,850
2037	120,000	125,031	245,031
2038	125,000	119,825	244,825
2039	130,000	114,406	244,406
2040	140,000	108,669	248,669
2041	145,000	102,522	247,522
2042	155,000	95,959	250,959
2043	160,000	89,069	249,069
2044	170,000	81,850	251,850
2045	180,000	74,081	254,081
2046	185,000	65,869	250,869
2047	195,000	57,319	252,319
2048	205,000	48,319	253,319
2049	220,000	38,619	258,619
2050	230,000	28,212	258,212
2051	240,000	17,344	257,344
2052	255,000	5,897	260,897
Totals	<u>\$ 3,750,000</u>	<u>\$ 2,809,928</u>	<u>\$ 6,559,928</u>

The District pays the amount due March 1 prior to that date. This schedule has been prepared assuming this practice will continue in the future.

Harris County Municipal Utility District No. 539
Changes in Long-Term Bonded Debt
Year Ended February 28, 2025

	Bond Issue Road Series 2024
Interest rates	4.000% to 4.625%
Dates interest payable	March 1/ September 1
Maturity dates	September 1, 2026/2051
Bonds outstanding, beginning of the current year	\$ -
Bonds sold during the current year	3,750,000
Retirements, principal	-
Bonds outstanding, end of current year	<u>\$ 3,750,000</u>
Interest paid during the current year	<u>\$ 33,689</u>
Paying agent's name and address:	
Series 2024 - BOKE, N.A., Dallas, Texas	

Bond authority:	WSD Bonds	Road Bonds	Park Bonds	Refunding Bonds
Amount authorized by voters	\$ 426,500,000	\$ 164,150,000	\$ 99,500,000	\$ 690,150,000
Amount issued	\$ -	\$ 3,750,000	\$ -	\$ -
Remaining to be issued	<u>\$ 426,500,000</u>	<u>\$ 160,400,000</u>	<u>\$ 99,500,000</u>	<u>\$ 690,150,000</u>
Debt service fund cash and temporary investment balances as of February 28, 2025:				<u>\$ 296,991</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:				<u>\$ 242,960</u>

Harris County Municipal Utility District No. 539
Comparative Schedule of Revenues and Expenditures – General Fund
Year Ended February 28, 2025 and Year Ended February 29, 2024

	Amounts		Percent of Fund Total Revenues	
	2025	2024	2025	2024
General Fund				
Revenues				
Property taxes	\$ 255,993	\$ 1,644	13.8 %	99.40 %
Water service	110,637	-	6.0	-
Sewer service	153,465	-	8.3	-
Regional water fee	86,817	-	4.7	-
Penalty and interest	13,646	10	0.7	0.6
Tap connection and inspection fees	1,062,052	-	57.4	-
Investment income	1,928	-	0.1	-
Other income	165,996	-	9.0	-
Total revenues	1,850,534	1,654	100.0	100.00
Expenditures				
Service operations:				
Purchased services	150,920	8,680	8.1	524.8
Regional water fee	90,253	-	4.9	-
Professional fees	210,037	111,971	11.3	6,769.7
Contracted services	156,251	19,577	8.4	1,183.6
Utilities	28,723	-	1.6	-
Repairs and maintenance	408,278	-	22.1	-
Tap connections	690,775	-	37.3	-
Other expenditures	35,403	15,683	1.9	948.2
Lease expenditures	108,480	-	5.9	-
Capital outlay	6,114,110	-	330.4	-
Debt service, debt issuance costs	23,750	-	1.3	-
Total expenditures	8,016,980	155,911	433.2	9,426.3
Deficiency of Revenues Over Expenditures	(6,166,446)	(154,257)	<u>(333.2) %</u>	<u>(9,326.3) %</u>
Other Financing Sources				
Developer advances	6,079,572	192,240		
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(86,874)	37,983		
Fund Balance (Deficit), Beginning of Year	23,456	(14,527)		
Fund Balance (Deficit), End of Year	<u>\$ (63,418)</u>	<u>\$ 23,456</u>		
Total Active Retail Water Connections	<u>806</u>	<u>-</u>		
Total Active Retail Wastewater Connections	<u>797</u>	<u>-</u>		

Harris County Municipal Utility District No. 539
Schedule of Revenues and Expenditures – Debt Service Fund
Year Ended February 28, 2025

	<u>Amounts</u>	<u>Percent of Fund Total Revenues</u>
Debt Service Fund		
Revenues		
Investment income	\$ 2,893	100.0 %
Expenditures		
Debt service, interest and fees	<u>33,689</u>	<u>1,164.5</u>
Deficiency of Revenues Over Expenditures	(30,796)	<u>(1,064.5) %</u>
Other Financing Sources		
General obligation bonds issued	<u>327,787</u>	
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	296,991	
Fund Balance, Beginning of Year	<u>-</u>	
Fund Balance, End of Year	<u><u>\$ 296,991</u></u>	

Harris County Municipal Utility District No. 539
Board Members, Key Personnel and Consultants
Year Ended February 28, 2025

Complete District mailing address:	Harris County Municipal Utility District No. 539 c/o Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, Texas 77027
District business telephone number:	713.860.6400
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 45.054):	March 8, 2023
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>
James C. Potter III	Elected 05/24- 05/28	\$ 2,071	\$ -	President
David Schwarz	Elected 05/22- 05/26	2,071	-	Vice President
Ryan O. Smith	Elected 05/24- 05/28	967	-	Secretary
Max Monzon	Appointed 03/23- 05/26	1,630	-	Assistant Vice President
Matthew Strange	Elected 05/22- 05/26	2,071	-	Assistant Secretary

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

**Harris County Municipal Utility District No. 539
Board Members, Key Personnel and Consultants
Year Ended February 28, 2025**

(Continued)

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Allen Boone Humphries Robinson LLP	09/30/21	\$ 141,311 93,750	General Counsel Bond Counsel
B&A Municipal Tax Service, LLC	07/08/22	11,812	Tax Assessor/ Collector
Forvis Mazars, LLP	08/09/23	21,300	Auditor
Harris Central Appraisal District	Legislative Action	2,722	Appraiser
LJA Engineering, Inc.	09/30/21	114,140	Engineer
Masterson Advisors, LLC	09/30/21	78,732	Financial Advisor
Myrtle Cruz, Inc.	02/09/22	14,915	Bookkeeper
Purdue, Brandon, Fielder, Collins & Mott, L.L.P.	05/10/22	15	Delinquent Tax Attorney
TNG Utility Corp.	05/10/23	1,252,045	Operator
Investment Officer			
Mary Jarmon	02/09/22	N/A	Bookkeeper

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

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN