

OFFICIAL STATEMENT DATED OCTOBER 14, 2025

IN THE OPINION OF BOND COUNSEL (HEREIN DEFINED), UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS, AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION, THE BONDS ARE VALID OBLIGATIONS OF THE DISTRICT, AND INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND IS NOT INCLUDED IN THE ALTERNATIVE MINIMUM TAXABLE INCOME OF INDIVIDUALS; HOWEVER, SUCH INTEREST IS TAKEN INTO ACCOUNT IN DETERMINING THE ANNUAL ADJUSTED FINANCIAL STATEMENT INCOME OF APPLICABLE CORPORATIONS FOR THE PURPOSE OF DETERMINING THE ALTERNATIVE MINIMUM TAX IMPOSED ON CORPORATIONS. SEE “LEGAL MATTERS” HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

THE DISTRICT HAS DESIGNATED THE BONDS AS “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS. SEE “LEGAL MATTERS—QUALIFIED TAX-EXEMPT OBLIGATIONS.”

NEW ISSUE—Book-Entry-Only

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

\$5,475,000
LAGO BELLO MUNICIPAL UTILITY DISTRICT NO. 1A OF HARRIS COUNTY
(A political subdivision of the State of Texas located within Harris County)
UNLIMITED TAX ROAD BONDS
SERIES 2025

The bonds described above (the “Bonds”) are obligations solely of Lago Bello Municipal Utility District No. 1A of Harris County (the “District”) and are not obligations of the State of Texas, Harris County or any entity other than the District. THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS 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.”

Dated: November 1, 2025

Due: September 1, as shown below

Interest Accrual Date: Date of Delivery

Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A. in Houston, Texas (the “Paying Agent/Registrar”). Interest on the Bonds accrues from the initial date of delivery (expected to be on or about November 18, 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 below.

The Bonds will be registered and delivered only in the name of Cede & Co., as nominee for the Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. Beneficial Owners (as herein defined) 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 a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company (“BAM” or the “Insurer”). See “MUNICIPAL BOND INSURANCE” herein.

MATURITY SCHEDULE

Due (Sept. 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)	Due (Sept. 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)
2027	\$ 105,000	6.750 %	2.750 %	507070 BB5	2041	\$ 225,000 (c)	4.375 %	4.375 %	507070 BR0
2028	115,000	6.750	2.750	507070 BC3	2042	240,000 (c)	4.375	4.450	507070 BS8
2029	120,000	6.750	2.780	507070 BD1	2043	250,000 (c)	4.500	4.500	507070 BT6
2030	125,000	6.750	2.930	507070 BE9	2044	265,000 (c)	4.500	4.550	507070 BU3
2031	135,000	6.750	3.080	507070 BF6	2045	280,000 (c)	4.500	4.590	507070 BV1
2032	140,000	6.750	3.230	507070 BG4	2046	295,000 (c)	4.500	4.620	507070 BW9
2033	150,000 (c)	6.750	3.380	507070 BH2	2047	310,000 (c)	4.500	4.650	507070 BX7
2034	155,000 (c)	6.750	3.530	507070 BJ8	2048	330,000 (c)	4.625	4.670	507070 BY5
***	***	***	***	***	2049	345,000 (c)	4.625	4.690	507070 BZ2
2039	205,000 (c)	4.250	4.150	507070 BP4	2050	365,000 (c)	4.625	4.710	507070 CA6
2040	215,000 (c)	4.250	4.270	507070 BQ2	2051	385,000 (c)	4.625	4.720	507070 CB4

\$340,000 Term Bonds due September 1, 2036 (c), 507070 BL3 (b), 4.250% Interest Rate, 3.900 % Yield (a)

\$380,000 Term Bonds due September 1, 2038 (c), 507070 BN9 (b), 4.250% Interest Rate, 4.050 % Yield (a)

- (a) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Underwriter (as defined herein) for offers to the public and which may be subsequently changed by the Underwriter and is the sole responsibility of the Underwriter. The initial reoffering yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date.
- (b) 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.
- (c) Bonds maturing on or after September 1, 2033, are subject to redemption prior to maturity at the option of the District, in whole or, from time to time, in part, on September 1, 2032, or on any date thereafter, at a price equal to par plus accrued interest from the most recent interest payment date to the date fixed for redemption. The Term Bonds (as defined herein) are also subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS—Redemption Provisions.”

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, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein.

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Coats Rose, P.C., Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about November 18, 2025.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, contracts, audited financial statements, engineering and other related reports set forth in this OFFICIAL STATEMENT are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Coats Rose, P.C., 9 Greenway Plaza, 10th Floor, Houston, Texas, 77046 upon payment of the costs of duplication therefor.

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 THE 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 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 "Underwriter") bearing the interest rates shown on the cover page hereof, at a price of 97.00% of the par value thereof which resulted in a net effective interest rate of 4.825826% as calculated pursuant to Chapter 1204, Texas Government Code (the IBA method).

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

Securities Laws

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

OFFICIAL STATEMENT SUMMARY

The following is a brief summary of certain information contained herein which is qualified in its entirety by the more 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 that certain Order Dividing Lago Bello Municipal Utility District No. 1 of Harris County, dated May 6, 2021, in accordance with House Bill 2687, 85th Session of the Texas Legislature, Regular Session effective September 1, 2017, codified as Ch. 7990, Texas Special District Local Laws Code (the “Act”). The District has 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 consists of approximately 729 acres of land. See “THE DISTRICT.”

Location...

The District is located within unincorporated areas of Harris County and within the Crosby Independent School District. The District is located approximately 20 miles northeast of the central downtown business district of the City of Houston and one mile east of the intersection of State Highway 90 and Crosby Lynchburg Road. The District is bounded by Crosby Cedar-Bayou Road to the north, Harris County Municipal Utility District 50 and Eagleton Road to the west, undeveloped land and Sralla Road to the east, and undeveloped land and Barbers Hills Road to the south. See “THE DISTRICT” and “AERIAL LOCATION MAP.”

The Developers and Principal Landowners...

Lago Bello, L.L.C., a Texas limited liability company (“Lago Bello”) is an entity formed by Silvestri Investments, Inc. (“Silvestri”) for the purpose of owning real estate, including approximately 717 acres of land in the District. Silvestri is a privately held real estate investment firm located in Houston, Texas. Lago Bello has conveyed approximately 199 acres of land within the District to Sweetgrass Development LLC, a Texas limited liability company (“Sweetgrass Development”) and continues to own approximately 376 acres of land in the District. Lago Bello, L.L.C. may convey additional tracts within the District to Sweetgrass Development LLC for development. Sweetgrass Development is a special single-purpose entity formed by Silvestri Investments for the development of Sweetgrass Village. To date, Sweetgrass Development has developed Sweetgrass Village, Sections One through Four consisting of 662 single-family residential lots on approximately 199 acres of land (including undevelopable acreage) in the District. Sweetgrass Development does not own any additional developable land in the District. Beazer Homes Texas LP and Lennar Homes are actively marketing or building homes in Sweetgrass Village, Sections One and Two and CastleRock Communities is marketing and building homes in Sweetgrass Village, Section Three.

Century Land Holdings of Texas, LLC, a Colorado limited liability company (“Century Land”) acquired approximately 142 acres of land from Lago Bello for the development of Barrett Crossing. Century Land is a special purpose entity created solely for the purpose of developing land located in Texas. Century Land is a Texas limited liability company owned by Century Communities, Inc. (“Century Communities”). Century Communities is a publicly traded corporation, based out of Colorado, whose stock is traded on the New York Stock Exchange under the ticker symbol “CCS.” To date, Century Land has developed Barrett Crossing, Section One consisting of 174 single-family residential lots on approximately 29 acres of land in the District. Century Land is the sole homebuilder in Barrett Crossing and continues to own approximately 113 acres of additional land in the District.

Sweetgrass Development and Century Land are collectively referred to herein as the “Developers.” Neither of the Developers nor any of their affiliates are obligated to pay any principal of or interest on the Bonds. See “RISK FACTORS—Dependence on Principal Taxpayers and the Developers,” “THE DEVELOPERS” and “TAX DATA—Principal Taxpayers.”

Status of Development...

Single-family residential development in the District consists of Sweetgrass Village, Sections One through Four (662 single-family residential lots on approximately 100 acres) and Barrett Crossing, Section One (174 single-family residential lots on approximately 29 acres). As of September 9, 2025, 224 homes were completed, (223 occupied), 144 homes were under construction or in a builder’s name and 468 vacant developed lots were available for home construction. According to the Developers, the sales prices in Sweetgrass Village range from approximately \$270,000 to \$290,000 and the average sales price in Barrett Crossing is approximately \$271,000.

Additionally, construction of a gas station and convenience store is underway on approximately 2 acres with completion estimated in the first quarter of 2026. The remainder of the District is comprised of approximately 340 acres that are not developable (amenity/detention facilities, pipeline easements, street right-of-way, drill sites, parks and recreation sites and utility sites), and approximately 258 developable acres that have not been provided with utility service. See “THE DISTRICT—Land Use,” “—Status of Development,” and “—Future Development.

Homebuilding...

Beazer Homes Texas LP, Lennar Homes and CastleRock Communities are actively marketing or building homes in Sweetgrass Village and Century Land is actively marketing and building homes in Barrett Crossing. See “THE DISTRICT—Homebuilding.”

Payment Record...

The District has previously issued \$5,850,000 principal amount of of unlimited tax bonds in one series for road facilities, all of which remains outstanding as of the date hereof (the “Outstanding Bonds”). Twenty-four months of interest was capitalized from proceeds of the Outstanding Bonds in December 2024. The District will capitalize twelve (12) months of interest from proceeds of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.” The District has never defaulted in the payment of principal and interest on the Outstanding Bonds.

THE BONDS

Description...

Lago Bello Municipal Utility District No. 1A of Harris County Unlimited Tax Road Bonds, Series 2025, in the aggregate principal amount of \$5,475,000 maturing serially on September 1 in each of the years 2027 through 2034, both inclusive, and in each of the years 2039 through 2051, both inclusive, and as term bonds maturing on September 1 in each of the years 2036 and 2038 (the “Term Bonds”). The Bonds are dated November 1, 2025, and interest on the Bonds accrues from the Date of Delivery at the rates per annum set forth on the cover page hereof, and is payable on March 1, 2026, and each September 1 and March 1 thereafter until the earlier of stated maturity or redemption. The Bonds will be issued as fully registered bonds, pursuant to an order authorizing the issuance of the Bonds (the “Bond Order”), adopted by the Board of Directors of the District (the “Board”), in fully registered form only, in denominations of \$5,000 or any integral multiple of \$5,000. See “THE BONDS—General.”

Book-Entry-Only System...

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

Redemption...

Bonds maturing on or after September 1, 2033, 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, 2032, or on any date thereafter, at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. The Term Bonds are also subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS—Redemption Provisions.”

<i>Use of Proceeds...</i>	Proceeds of the Bonds will be used to pay for the items shown herein under “USE AND DISTRIBUTION OF BOND PROCEEDS.” In addition, Bond proceeds will be used to capitalize twelve (12) months of calculated interest on the Bonds; to pay Developers’ interest and to pay administrative costs and certain other costs and engineering fees related to the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”
<i>Authority for Issuance...</i>	The Bonds are the second series of bonds issued out of an aggregate of \$93,860,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of financing road facilities. The Bonds are issued by the District pursuant to the terms and conditions of the Bond Order, Article III, Section 52 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, the Act, 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 and such additional tax bonds as may hereafter be issued by the District are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The Bonds are obligations solely of District and are not obligations of the State of Texas, Harris County or any entity other than the District. See “THE BONDS—Source of and Security for 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 insured rating of “AA” (stable outlook) to the Bonds with the understanding that, upon issuance and delivery of the Bonds, a municipal bond insurance policy ensuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company (“BAM” or the “Insurer”). No application has been made to a municipal rating company for an underlying rating on the Bonds, nor is it expected that the District would have received an investment grade rating if application had been made. See “RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance,” “MUNICIPAL BOND RATING,” “MUNICIPAL BOND INSURANCE” and “APPENDIX B.”
<i>Qualified Tax-Exempt Obligations...</i>	The Bonds have been designated as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended, and the District will represent that the total amount of tax-exempt bonds (including the Bonds) issued by it during calendar year 2025 is not expected to exceed \$10,000,000. See “LEGAL MATTERS—Qualified Tax-Exempt Obligations.”
<i>Bond Counsel...</i>	Coats Rose, P.C., Bond Counsel, Houston, Texas. See “MANAGEMENT OF THE DISTRICT” and “LEGAL MATTERS.”
<i>Disclosure Counsel...</i>	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
<i>Financial Advisor...</i>	Masterson Advisors LLC, Houston, Texas. See “MANAGEMENT OF THE DISTRICT” and “PREPARATION OF OFFICIAL STATEMENT.”
<i>Paying Agent/Registrar...</i>	The Bank of New York Mellon Trust Company, N.A. in Houston, Texas. See “THE BONDS—Method of Payment of Principal and Interest.”

RISK FACTORS

THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS 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	\$60,113,662	(a)
Estimated Taxable Assessed Valuation as of July 1, 2025	\$87,102,108	(b)
Gross Direct Debt Outstanding (the Outstanding Bonds and the Bonds)	\$11,325,000	(c)
Estimated Overlapping Debt.....	<u>3,497,474</u>	(d)
Gross Direct Debt and Estimated Overlapping Debt	\$14,822,474	(d)
Ratios of Gross Direct Debt to:		
2025 Taxable Assessed Valuation	18.84%	
Estimated Taxable Assessed Valuation as of July 1, 2025	13.00%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2025 Taxable Assessed Valuation	24.66%	
Estimated Taxable Assessed Valuation as of July 1, 2025	17.02%	
Debt Service Funds Available:		
Road Debt Service Fund Balance as of September 9, 2025.....	\$348,218	(e)
Capitalized Interest from Bond proceeds (Twelve (12) Months)	<u>268,238</u>	(e)
Total Funds Available for Debt Service	\$616,456	
Available General Operating Funds as of September 29, 2025	\$36,397	(f)
Available Road Capital Project Funds as of September 9, 2025	\$ 2,504	
2025 Debt Service Tax Rate	\$0.39	
2025 Maintenance and Operations Tax Rate	<u>1.11</u>	
2025 Total Tax Rate	\$1.50	
Average Annual Debt Service Requirement (2026-2051)		
of the Outstanding Bonds and the Bonds.....	\$750,153	(g)
Maximum Annual Debt Service Requirement (2050)		
of the Outstanding Bonds and the Bonds.....	\$802,013	(g)
Tax Rates Required to Pay Average Annual Debt Service (2026-2051) at a 95% Collection Rate		
Based upon 2025 Taxable Assessed Valuation	\$1.32	(h)
Based upon Estimated Taxable Assessed Valuation as of July 1, 2025	\$0.91	(h)
Tax Rates Required to Pay Maximum Annual Debt Service (2050) at a 95% Collection Rate		
Based upon 2025 Taxable Assessed Valuation	\$1.41	(h)
Based upon Estimated Taxable Assessed Valuation as of July 1, 2025	\$0.97	(h)
Status of Development as of September 9, 2025 (i):		
Total Developed Lots	836	
Homes Completed (223 Occupied).....	224	
Homes Under Construction or in a Builder's Name	144	
Lots Available for Homebuilding.....	468	
Estimated Population	780	(j)

- (a) The Harris Central Appraisal District (the "Appraisal District") has certified \$58,751,063 of taxable value and an additional \$1,362,599 of taxable value remains uncertified and is subject to review and downward adjustment. The 2025 Taxable Assessed Valuation shown throughout this OFFICIAL STATEMENT is the certified value plus the uncertified value. See "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for information purposes only. Such amount reflects increases in value occurring between January 1, 2025, and July 1, 2025. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year. No taxes will be levied upon such amount until it is certified by the Appraisal District. See "TAXING PROCEDURES."
- (c) After issuance of the Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."
- (d) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt."
- (e) The existing Road Debt Service Fund is solely capitalized interest from the Outstanding Bonds. The District will capitalize twelve (12) months of calculated interest from the Bond proceeds and deposit such funds in a Road Debt Service Fund. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
- (f) See "RISK FACTORS—Operating Funds."
- (g) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."
- (h) See "RISK FACTORS—Possible Impact on District Tax Rates" and "TAX DATA—Tax Adequacy for Debt Service."
- (i) See "THE DISTRICT—Land Use" and "—Status of Development."
- (j) Based upon 3.5 persons per occupied single-family residence.

OFFICIAL STATEMENT

\$5,475,000

LAGO BELLO MUNICIPAL UTILITY DISTRICT NO. 1A OF HARRIS COUNTY *(A political subdivision of the State of Texas located within Harris County)*

UNLIMITED TAX ROAD BONDS SERIES 2025

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Lago Bello Municipal Utility District No. 1A of Harris County (the “District”) of its \$5,475,000 Unlimited Tax Road Bonds, Series 2025 (the “Bonds”).

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 that certain Order Dividing Lago Bello Municipal Utility District No. 1 of Harris County, dated May 6, 2021, in accordance with House Bill 2687, 85th Session of the Texas Legislature, Regular Session effective September 1, 2017 (the “Act”) codified as Chapter 7990, Texas Special District Local Laws Code. The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution, the Act, Chapters 49 and 54 of the Texas Water Code, as amended, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas and an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the Board of Directors of the District (the “Board”).

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and certain other information about the District, Sweetgrass Development LLC, a Texas limited liability company (“Sweetgrass Development”), Century Land Holdings of Texas, LLC, a Colorado limited liability company (“Century Land”) 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 Coats Rose, P.C. (“Bond Counsel”), 9 Greenway Plaza, Suite 1000, Houston, Texas 77046 upon payment of the costs of duplication therefore.

RISK FACTORS

General

The Bonds are obligations solely of the District and are not obligations of the Harris County, the State of Texas, or any entity other than the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect taxes levied on taxable property within the District in an amount sufficient to service the District’s bonded debt or in the event of foreclosure, on the value of the taxable property in the District and the taxes levied by the District and other taxing authorities upon the property within the District. See “THE BONDS—Source of and Security for Payment.” The collection by the District of delinquent taxes owed to it and the enforcement by registered owners of the District’s obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that 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” herein.

Dependence on Principal Taxpayers and the Developers

The ten top taxpayers represent \$27,551,720 or 46.90% of the 2025 Certified Taxable Assessed Valuation of \$58,751,063 within the District as of January 1, 2025. The Developers represent \$16,382,702 or 27.88% of the 2025 Certified Taxable Assessed Valuation. See “THE DEVELOPERS” and “TAX DATA—Principal Taxpayers.” A principal taxpayer list related to the Estimated Taxable Assessed Valuation as of July 1, 2025, of \$87,102,108 is not available. The ability of any principal taxpayer to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District’s ability to meet its debt service obligations. If, for any reason, any one or more principal taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to levy additional taxes or use other funds available for debt service purposes. However, the District has not covenanted in the Bond Order, nor is it required by Texas law, to maintain any particular balance in its Debt Service Fund or any other funds to allow for any such delinquencies. Therefore, failure by one or more principal taxpayers to pay their taxes on a timely basis could have a material adverse effect upon the District’s ability to pay debt service on the Bonds on a current basis.

The Developers have informed the District that their current plans are to continue developing and/or building homes. Neither the Developers 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 Developers 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 Developers or any other landowners.

Undeveloped Acreage, Vacant Lots and Occupied Homes

There are approximately 258 developable acres of land within the District (excluding approximately 2 acres under construction for development of a gas station and convenience store) that have not been fully provided with water, wastewater and storm drainage facilities necessary to the construction of new development and 468 developed single-family residential lots that remained vacant as of September 9, 2025. The District makes no representation as to when or if development of the undeveloped acreage will occur or the success of any homebuilding programs. Future increases in value will result primarily from the constructions of homes by builders. Failure of the Developers to develop the developable land or of the Builders to construct homes on the developed lots could restrict the growth of taxable values in the District. See "THE DISTRICT—Land Use" and "— Status of Development."

Developers/Landowner Obligation to the District

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

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, undeveloped land and developed lots available for the construction of primary residences. The market value of such homes, lots and undeveloped land is related to general economic conditions in the greater Houston metropolitan region and the national economy and those conditions can affect the demand for residences. Demand for lots and undeveloped land of this type and the construction of residential and commercial improvements thereon can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values. See "Credit Markets and Liquidity in the Financial Markets" below and "THE DISTRICT—Homebuilding" and "THE DEVELOPERS."

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 developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, 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 20 miles northeast of 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 greater Houston metropolitan and regional economies and the national financial and credit markets. A downturn in the economic conditions of the greater Houston Metropolitan area and the nation could adversely affect development and 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, which is 20 miles northeast of the central downtown business district of the City of Houston, could be affected by competition from other residential developments, including other residential developments located in the northern portion of the Houston area market. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in the area of the District. Such homes could represent additional competition for new homes proposed to be sold within the District. The competitive position of the homebuilders in the sale of single-family residential houses within the District 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 and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developers 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 Developers or homebuilders 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 Developers or homebuilders.

Operating Funds

The District's current primary source of operating revenue is maintenance tax revenue and advances from the Developers. The District levied a 2025 maintenance tax rate in the amount of \$1.11 per \$100 taxable assessed valuation. The District's Operating Fund balance as of September 29, 2025, was \$36,397. The Developers have advanced \$2,694,232 for maintenance expenditures and water plant and wastewater treatment plant lease payments as of September 9, 2025. The revenue produced from a 2024 maintenance tax rate of \$1.50 per \$100 taxable assessed valuation and a 2025 maintenance tax rate of \$1.11 per \$100 taxable assessed valuation may not be sufficient to offset the operating expenses of the District. Continued maintenance of a positive Operating Fund balance may depend upon (1) cash subsidies from the Developers, and (2) continued development and increased amounts of maintenance tax revenue. If funds from these sources are not forthcoming, the District would have to increase its maintenance tax rate. See "Dependence on Principal Taxpayers and the Developers" herein, "THE DEVELOPERS," "THE SYSTEM—Waterworks and Sewer System Operating Statement" and "TAX DATA—Principal Taxpayers."

Potential Effects of Oil Price Fluctuations on the Houston Area

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

Specific Flood Type Risks

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

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

Severe 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.

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

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. 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. See “THE SYSTEM.”

Possible Impact on District Tax Rate

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2025 Taxable Assessed Valuation is \$87,102,108 (\$58,751,063 certified value plus \$1,362,599 uncertified value). After issuance of the Bonds, the maximum annual debt service requirement will be \$802,013 (2050), and the average annual debt service requirement will be \$750,153 (2026-2051 inclusive). Assuming no increase or decrease from the 2025 Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$1.41 and \$1.32 and per \$100 taxable assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. The Estimated Taxable Assessed Valuation as of July 1, 2025 is \$87,102,108, which reduces the above calculations to \$0.97 and \$0.91 per \$100 of taxable assessed valuation, respectively. Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds based upon the 2025 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of July 1, 2025, the District can make no representations regarding the future level of assessed valuation within the District. 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 uncertified portion of the 2025 Taxable Assessed Valuation or the Estimate of Taxable Assessed Valuation as of July 1, 2025, will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See “TAXING PROCEDURES” and “TAX DATA—Tax Adequacy for Debt Service.”

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

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

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Texas law requires municipal utility districts such as the District, to obtain the approval of the TCEQ (as defined herein) as a condition to seeking relief under the Federal Bankruptcy Code.

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

A district may not be forced into bankruptcy involuntarily.

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 corporate purpose. After reimbursements with proceeds of the Bonds, the District will continue to owe the Developers approximately \$33,040,000 plus interest for advances made for engineering and construction of water, wastewater, drainage, and road facilities, which will be financed with future bond issues. A total of \$300,800,000 principal amount of unlimited tax bonds for financing water, wastewater and drainage facilities, \$150,400,000 amount of unlimited tax bonds for refunding bonds issued for water, wastewater and drainage facilities, \$93,860,000 principal amount of unlimited tax bonds for the purpose of financing road facilities, \$46,930,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued for road facilities, \$34,470,000 principal amount of unlimited tax bonds for financing park and recreational facilities and \$17,235,000 principal amount of unlimited tax bonds for refunding bonds issued for park and recreational facilities have been authorized by the District's voters. All of the authorized bonds for water, sewer and drainage facilities and refundings, parks and recreation and refundings and road refundings are authorized but unissued. After issuance of the Bonds, \$82,535,000 principal amount of unlimited tax bonds for financing road facilities will remain authorized but unissued.

In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The District is authorized to issue bonds to refund or redeem its outstanding debt. 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. The issuance of bonds for water, wastewater and drainage facilities and park and recreational facilities is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds, but the issuance of road bonds is not. 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." The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds.

Environmental Regulation and Air Quality

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 released into the air, water, or 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 Service Area. 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), with an effective date of March 5, 2018, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain non-stormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district’s ability to obtain and maintain compliance with TPDES permits.

The 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 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.

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.

Continuing Compliance with Certain Covenants

Failure of the District to comply with certain covenants contained in the Bond Order 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 "LEGAL MATTERS—Tax Exemption."

Risk Factors Related to the Purchase of Municipal Bond Insurance

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

The long-term ratings on the Bonds are dependent in part on the financial strength of the insurer and its claims 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) of 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 have 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.

Future and Proposed Legislation

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

THE BONDS

General

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

The Bonds will be dated November 1, 2025, and will accrue interest from the Date of Delivery with interest payable on each March 1 and September 1, commencing March 1, 2026, until the earlier of maturity or prior redemption. The Bonds mature on September 1 in the principal amounts and years and accrue interest at the rates shown on the cover page of this OFFICIAL STATEMENT. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

Authority for Issuance

At a bond election held within the District on November 2, 2021, the voters of the District authorized the issuance of a total of \$93,860,000 principal amount of unlimited tax bonds for the purpose of financing road facilities. The Bonds are issued pursuant to such authorization. See "Issuance of Additional Debt" herein.

The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order, Article III, Section 52 of the Texas Constitution, the Act, 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.

Source of and Security for Payment

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

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

Record Date

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

Funds

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

Twelve (12) months of capitalized interest on the Bonds shall be deposited into the Road Debt Service Fund upon receipt. The remaining proceeds from sale of the Bonds, including interest earnings thereon, shall be deposited into the Capital Projects Fund, to pay the costs financing road facilities, to pay developer interest and to pay the costs of issuing the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS" for a more complete description of the use of Bond proceeds.

No Arbitrage

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

Redemption Provisions

Mandatory Redemption: The Bonds maturing on September 1 in each of the years 2036 and 2038 (the “Term Bonds”) shall be redeemed at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption, on September 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District’s reserved right of optional redemption, as provided under “Optional Redemption” below):

\$340,000 Term Bonds		\$380,000 Term Bonds	
Due September 1, 2036		Due September 1, 2038	
Mandatory Redemption Date	Principal Amount	Mandatory Redemption Date	Principal Amount
2035	\$ 165,000	2037	\$ 185,000
2036 (maturity)	175,000	2038 (maturity)	195,000

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

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds maturing on or after September 1, 2033, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 2032, or on any date thereafter, at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities of Bonds to be redeemed shall be selected by the District. If less than all the Bonds of any maturity are redeemed at any time, the particular Bonds within a maturity to be redeemed shall be selected by the Paying Agent/Registrar by lot or other customary method of selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

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

Registration and Transfer

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the register at its principal payment office in Houston, Texas 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 Order. While the Bonds are in the Book-Entry-Only system, the Bonds will be registered in the name of Cede & Co. and will not be transferred. See “BOOK-ENTRY-ONLY SYSTEM.”

In the event the “Book-Entry-Only” System is 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 a 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.

Method of Payment of Principal and Interest

The Board has appointed The Bank of New York Mellon Trust Company, N.A., having its principal corporate trust office and its principal payment office in Houston, Texas, as the initial Paying Agent/Registrar for the Bonds. The principal of and interest on the Bonds shall be paid to DTC, which will make distribution of the amounts so paid to the Beneficial Owners of the Bonds. In the event the book-entry system is discontinued, principal of the Bonds shall be payable upon presentation and surrender of the Bonds as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Houston, Texas and interest on each Bond shall be payable by check payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the Registered Owner of record as of the close of business on the February 15 or August 15 immediately preceding each Interest Payment Date (defined herein as the “Record Date”), to the address of such Registered Owner as shown on the Paying Agent/Registrar’s records (the “Register”) or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners. See “BOOK-ENTRY-ONLY SYSTEM.”

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 Order.

Replacement of Paying Agent/Registrar

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

Lost, Stolen or Destroyed Bonds

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

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

Issuance of Additional Debt

The District may issue additional bonds necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. After issuance of the Bonds, the District will have \$82,535,000 principal amount of unlimited tax bonds for the purpose of financing road facilities authorized but unissued. The voters of the District also have authorized \$46,930,000 principal amount of unlimited tax bonds for refunding road facilities, \$300,800,000 principal amount of unlimited tax bonds for the purpose of financing water, wastewater and drainage improvements and facilities, \$150,400,000 principal amount of unlimited tax bonds for the purpose of refunding unlimited tax bonds for water, wastewater and drainage improvements and facilities, \$34,470,000 principal amount of unlimited tax bonds for financing park and recreational facilities and \$17,235,000 principal amount of unlimited tax bonds for refunding unlimited tax bonds for park and recreational facilities. The District’s voters could authorize additional amounts. The District’s voters have also authorized a maintenance tax not to exceed \$0.10 per \$100 taxable assessed valuation for maintenance of recreational facilities. 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; however, the outstanding principal amount of such bonds may exceed one percent (1%) but not three percent (3%) of the value of the taxable property in the District if the District has (i) a ratio of

debt to certified assessed valuation of ten percent (10%) or less; (ii) a credit rating that conforms to the TCEQ rules; (iii) a credit enhanced rating on the District's bond issue that conforms to the TCEQ rules; or (iv) a contract with a political subdivision or an entity acting on behalf of a political subdivision under which the subdivision or the entity agrees to provide to the District taxes or other revenues, as consideration for the District's development or acquisition of the facility, including a contract under Section 49.108 of the Texas Water Code, as amended. The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters, or the amount ultimately issued by the District. See "RISK FACTORS—Future Debt."

After approval by the District's voters and the Texas Commission on Environmental Quality ("TCEQ"), the District may elect to issue unlimited tax bonds for the purpose of providing fire-fighting facilities. The District has not considered calling an election to authorize bonds for fire-fighting facilities at this time.

The issuance of additional debt for any of the above-described purposes and the levy of taxes to pay debt service on such debt could dilute the investment security for the Bonds.

Consolidation

A district (such as 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, with the water and wastewater systems of districts with which it is consolidating as well as its liabilities (which would include the Bonds). No representation is made concerning the likelihood of consolidation, but the District currently is not contemplating consolidation.

Remedies in Event of Default

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

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

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

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

BOOK-ENTRY-ONLY SYSTEM

The information in this section concerning Depository Trust Company (“DTC”), New York, NY and DTC’s book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this OFFICIAL STATEMENT. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedure” of DTC to be followed in dealing with DTC Direct Participants is on file with DTC.

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

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a rating of “AA+” from S & P Global Ratings. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not 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).

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or 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 to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information in this section concerning 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 thereof.

USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs below were compiled by Odyssey Engineering Group, LLC, the District's Engineer. Nonconstruction 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 reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and agreed-upon procedures are completed by an independent accountant. The surplus funds, if any, may be expended for any lawful purpose for which surplus construction funds may be used.

CONSTRUCTION COSTS

Sweetgrass Village, Section Two Paving.....	\$ 2,710,000
Barrett Crossing, Section One Street Dedication.....	295,000
Engineering.....	564,678
Construction Materials Testing.....	34,387
Stormwater Pollution Prevention Planning.....	76,317
Land Acquisition.....	422,053
Total Construction Costs.....	\$ 4,102,435

NON-CONSTRUCTION COSTS

Underwriter's Discount (a).....	\$ 164,250
Capitalized Interest (Twelve (12) Months)(a).....	268,238
Developer Interest.....	559,738
Total Non-Construction Costs.....	\$ 992,226

ISSUANCE COSTS AND FEES

Issuance Costs and Professional Fees.....	\$ 341,977
State Regulatory Fees.....	5,475
Contingency (a).....	32,888
Total Issuance Costs and Fees.....	\$ 380,339

TOTAL BOND ISSUE REQUIREMENT..... \$ 5,475,000

(a) Contingency represents the difference in the estimated and actual amounts of Underwriter's discount and capitalized interest.

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 that certain Order Dividing Lago Bello Municipal Utility District No. 1 of Harris County, dated May 6, 2021, in accordance with House Bill 2687, 85th Session of the Texas Legislature, Regular Session effective September 1, 2017 (the “Act”) codified as Chapter 7990, 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 is empowered to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; the control and diversion of storm water; to finance, develop and maintain parks and recreational facilities, and to acquire, construct, finance, improve and operate road facilities, among other things. The District may also provide solid waste collection and disposal service and contract for or employ peace officers. The District may operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, if approved by the voters and the TCEQ. The District is subject to the continuing supervision of the TCEQ. The District is required to obtain TCEQ approvals prior to acquiring, constructing and financing water, wastewater, drainage, recreation and fire-fighting facilities. See “THE SYSTEM—Regulation.”

Description and Location

The District consists of approximately 729 acres of land and is located within unincorporated areas of Harris County and within the Crosby Independent School District. The District is located approximately 20 miles northeast of the central downtown business district of the City of Houston and one mile east of the intersection of State Highway 90 and Crosby Lynchburg Road. The District is bounded by Crosby Cedar-Bayou Road to the north, Harris County Municipal Utility District 50 and Eagleton Road to the west, undeveloped land and Sralla Road to the east, and undeveloped land and Barbers Hills Road to the south. See “AERIAL LOCATION MAP.”

Land Use

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

	Approximate	
<u>Single-Family Residential</u>	<u>Acres</u>	<u>Lots</u>
Sweetgrass Village, Section One.....	23	170
Sweetgrass Village, Section Two.....	32	208
Sweetgrass Village, Section Three.....	17	148
Sweetgrass Village, Section Four.....	28	136
Subtotal.....	100	662
Barrett Crossing, Section One	29	174
<i>Future Development (a)</i>	260	---
<i>Undevelopable (b)</i>	340	---
Subtotal.....	600	---
Totals.....	729	836

(a) Includes approximately 2 acres under construction for a gas station and convenience store with expected completion in the first quarter of 2026.

(b) Consists of street easements, drainage detention, parks and recreation space, right-of-way and utility sites.

Status of Development

Single-family residential development in the District consists of Sweetgrass Village, Sections One through Four (662 single-family residential lots on approximately 100 acres) and Barrett Crossing, Section One (174 single-family residential lot on approximately 29 acres). As of September 9, 2025, 224 homes were completed (223 occupied), 144 homes were under construction or in a builder’s name and 468 vacant developed lots were available for home construction. According to the Developers, the sales price in Sweetgrass Village ranges from approximately \$270,000 to \$290,000 and the average sales price in Barrett Crossing is approximately \$271,000.

The remainder of the District is comprised of approximately 340 acres that are not developable (amenity/detention facilities, pipeline easements, street right-of-way, drill sites and utility sites), and approximately 258 developable acres that have not been provided with utility service. See “Land Use” and “Future Development” herein.

Homebuilding

Beazer Homes Texas LP, Lennar Homes and CastleRock Communities are actively marketing or building homes in Sweetgrass Village and Century Land is actively marketing and building homes in Barrett Crossing.

Future Development

The District anticipates issuing additional bonds to fund water, wastewater, drainage, road and park and recreational facilities within the District necessary to serve the land at full development. The Engineer has stated that under current development plans, the remaining authorized but unissued bonds (\$417,805,000) should be sufficient to finance the construction of water, wastewater, and drainage facilities, park and recreational facilities, and roads for the District. See “RISK FACTORS—Future Debt,” “THE BONDS—Issuance of Additional Debt” and “THE SYSTEM.”

THE DEVELOPERS

Role of a Developer

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 being financed with bond proceeds, a developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer’s right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds. See “RISK FACTORS.”

Prospective Bond purchasers should note that the prior real estate experience of the Developers 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.”

None the Developers, nor any affiliates of the Developers are responsible for, liable for, or have made any commitment for payment of the Bonds or other obligations of the District. Neither the Developers, nor any affiliates of the Developers have any legal commitment to the District or the owners of the Bonds to continue development of the land within the District, and the Developers may sell or otherwise dispose of property within the District, or any assets, at any time. Further, the financial condition of the Developers are subject to change.

Lago Bello, L.L.C. and Sweetgrass Development LLC

Lago Bello, L.L.C., a Texas limited liability company (“Lago Bello”) is an entity formed by Silvestri Investments, Inc. (“Silvestri”) for the purpose of owning real estate, including approximately 717 acres of land in the District. Silvestri is a privately held real estate investment firm located in Houston, Texas. Lago Bello has conveyed approximately 199 acres of land within the District to Sweetgrass Development LLC, a Texas limited liability company (“Sweetgrass Development”) and continues to own approximately 376 acres of additional land in the District. Lago Bello, L.L.C. may convey additional tracts within the District to Sweetgrass Development for development. Sweetgrass Development is a special single-purpose entity formed by Silvestri Investments for the development Sweetgrass Village. To date, Sweetgrass Development has developed Sweetgrass Village, Sections One through Four consisting of 662 single-family residential lots on approximately 199 acres of land (including undevelopable acres) in the District. Sweetgrass Development does not own any additional developable land in the District. Beazer Homes Texas LP and Lennar Homes are actively marketing or building homes in Sweetgrass Village, Sections One and Two and CastleRock Communities LLC is actively marketing and building homes in Sweetgrass Village, Section Three. See “RISK FACTORS—Dependence on Principal Taxpayers and the Developers” and “TAX DATA—Principal Taxpayers.”

Development Financing: The financing for the acquisition and development of Sweetgrass Village by the Developer has been provided through previous bank loans which have been repaid in full. The Developer does not intend to use additional financing for future development.

Century Land Holdings of Texas, LLC

Century Land Holdings of Texas, LLC, a Colorado limited liability company (“Century Land”) acquired approximately 142 acres of land from Lago Bello for the development of Barrett Crossing. Century Land is a special purpose entity created solely for the purpose of developing land located in Texas. Century Land is a Texas limited liability company owned by Century Communities, Inc. (“Century Communities”). Century Communities is a publicly traded corporation, based out of Colorado, whose stock is traded on the New York Stock Exchange under the ticker symbol “CCS.” To date, Century Land has developed Barrett Crossing, Section One consisting of 174 single-family residential lots on approximately 29 acres of land in the District. Century Land is the sole homebuilder in Barrett Crossing and continues to own approximately 113 acres of additional land in the District.

Century Communities is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the SEC. Reports, proxy statements and other information filed by Century Communities, can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. The SEC maintains a World Wide Web site on the Internet at <http://www.sec.gov> that contains reports, proxy information statements and other information regarding registrants that file electronically with the SEC. None of the information on or accessed through such website is incorporated by reference into this OFFICIAL STATEMENT. Reference to the financial information concerning Century Communities is relevant, among other reasons, to the ability of Century Land to continue to develop land in the District and to pay taxes levied by the District and other taxing entities. See “RISK FACTORS—Dependence on Principal Taxpayers and the Developers” and “TAX DATA—Principal Taxpayers.”

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 staggered four-year terms and elections are held on the first Saturday of May of even numbered years. All of the Board members own land within the District subject to a note and deed of trust in favor of Lago Bello. The current members and officers of the Board along with their titles and terms are listed as follows:

<u>Name</u>	<u>District Board Title</u>	<u>Term Expires</u>
Javier Hernandez	President	May 2026
Walt Krey	Vice President	May 2028
Janet Marie Baccus	Secretary	May 2028
Robert John McClelland	Assistant Secretary	May 2028
Casey Collins	Assistant Secretary	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 and General Counsel: Coats Rose, P.C. serves as Bond Counsel to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. In addition, Coats Rose, P.C. serves as general counsel to the District on matters other than the issuance of bonds.

Disclosure Counsel: McCall, Parkhurst & Horton L.L.P. serves as Disclosure Counsel to the District in connection with the issuance of the Bonds. Fees for services rendered by Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

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 March 31, 2025, and for the year then ended, included in this offering document, have been audited by McCall Gibson Swedlund Barfoot Ellis PLLC, independent auditors, as stated in their report appearing herein. See “APPENDIX A.”

Engineer: The District’s consulting engineer is Odyssey Engineering Group, LLC.

Tax Appraisal and Collections: 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.

Operator: The operation and maintenance of the District’s water and wastewater systems are overseen by Municipal District Services, LLC (the “Operator”).

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, Harris County and, in some instances, the TCEQ. Harris County also exercises 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

Water supply to the District is currently provided by a leased water plant from AUC Group, LLC. This facility is operated by the District and consists of two 500 gallons per minute (“gpm”) water wells, a 15,000-gallon hydropneumatic pressure tank, a 245,000-gallon ground storage tank and booster pump capacity totaling 3,600 gpm along with 250 kilowatt diesel generator for emergency power. The current facility is capable of serving approximately 750 equivalent single-family connections (“ESFCs”). As of September 9, 2025, the District was serving approximately 223 active ESFCs. According to the District’s Engineer, the District’s existing water supply facilities provide adequate capacity to serve the existing development in the District, including the lots that are under construction. The expansion of the water plant to serve 1,667 ESFCs is under design and construction is expected to commence in the first quarter of 2026.

Subsidence District Requirements

The District is within the boundaries of the Harris-Galveston Subsidence District (the “Subsidence District”) which regulates groundwater withdrawal. The District’s authority to pump groundwater is subject to an annual permit issued by the Subsidence District. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in areas within the Subsidence District’s jurisdiction.

The District has developed a Groundwater Reduction Plan (“GRP”) and obtained Subsidence District approval of its GRP on March 13, 2024. The District’s GRP sets forth its plan to comply with Subsidence District regulations including limiting groundwater withdrawals to the greatest extent possible by identifying water conservation measures and no later than fifteen (15) years from the original GRP approval, reduce and maintain its groundwater withdrawals to comprise no more than twenty percent (20%) of its total water demand. The District has entered into a Water Supply Contract with the San Jacinto Water Authority (“SJRA”), effective May 1, 2023 and amended on August 1, 2023, to obtain treated surface water from the SJRA. The Water Supply Contract states that the SJRA will reserve up to 1,549,000 gallons of untreated surface water per day (“Reserve Quantity”) to the District provided that, commencing January 1, 2036, the District shall purchase a minimum of 413,500 gpd (the “Demand Quantity”) and may increase such Demand Quantity thereafter from time to time until January 1, 2041, when such Demand Quantity becomes fixed. The District may request quantities up to, but not in excess of 110% of the demand quantity. During fiscal year 2025, the District made water reservation payments in the amount of \$77,146 in accordance with the Contract. The Water Supply Contract is in effect for a term of 30 years.

Wastewater Treatment

Wastewater treatment capacity is provided by a leased plant from AUC Group, LLC. This facility is operated by the District and has capacity of 150,000 gallons per day (“gpd”) and is capable of serving 500 ESFCs. As of September 9, 2025, the District was serving approximately 223 active ESFCs. A 150,000 gpd expansion of the wastewater treatment to serve an additional 500 ESFCs is under design and construction is expected to commence in the second quarter of 2027.

Water Distribution, Wastewater, Collection and Storm Drainage

Water distribution, wastewater collection and storm drainage facilities have been constructed to serve 836 single-family residential lots. See “THE DISTRICT—Land Use.”

Flood Protection

“Flood Insurance Rate Map” or “FIRM” means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The “100-year flood plain” (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rainstorm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. Currently there are approximately 5 acres of developable land in the District that is within the 100-year flood plain according to FEMA maps. Such acreage has been filled above the 100-year flood plain elevation, and the District’s Engineer is currently preparing a LOMR-F application for submittal to FEMA and Harris County Flood Control District for removal from the 100-year flood plain. See “RISK FACTORS—Severe Weather.”

Waterworks and Sewer System Operating Statement

The Bonds and the Outstanding Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Net revenues, if any, derived from the operation of the District's water and wastewater operations are not pledged to the payment of the Bonds but are available for any lawful purpose including payment of debt service on the Bonds and the Outstanding Bonds, at the discretion and upon action of the Board. It is not anticipated that any significant revenues will be available for the payment of debt service on the Bonds. The following statement sets forth in condensed form the historical results of operation of the District's General Fund as derived from the District's audited financial statements for the fiscal years ended March 31, 2022 through 2025. Reference is made to "APPENDIX A" for further and complete information.

	Fiscal Year Ended March 31			
	2025	2024	2023	2022
Revenues:				
Property Taxes	\$ 467,566	\$ 245,423	\$ 13,786	\$ -
Water Service	45,706	9,307	-	-
Wastewater Service	70,108	10,824	-	-
Water Authority Fees	29,988	1,200	-	-
Penalty and Interest	6,122	2,533	690	-
Tap Connection and Inspection Fees	399,236	148,240	-	-
Investment and Miscellaneous Revenues	7,323	2,046	90	2
Total Revenues	\$ 1,026,049	\$ 419,573	\$ 14,566	\$ 2
Expenditures:				
Professional Fees	\$ 263,622	\$ 258,567	\$ 199,621	\$ 125,818
Contracted Services	90,186	32,315	16,314	17,692
Purchased Water Service	77,146	63,112	-	-
Utilities	24,695	13,935	-	-
Repairs and Maintenance	691,286	115,163	-	-
Other	208,088	130,935	18,533	16,503
Capital Outlay	20,082	202,686	-	-
Debt Service: Lease Principal and Interest (a)	588,600	588,600	-	-
Total Expenditures	\$ 1,963,705	\$ 1,405,313	\$ 234,468	\$ 160,013
NET REVENUES	\$ (937,656)	\$ (985,740)	\$ (219,902)	\$ (160,011)
Other Financing Sources (Uses)				
Interfund Transfers In	\$ -	\$ -	\$ -	\$ -
Developer Advances Received (b)	\$ 737,088	\$ 1,199,093	\$ 233,984	\$ 240,152
General Operating Fund Balance (Beginning of Year)	\$ 308,645	\$ 95,292	\$ 81,210	\$ 1,069
General Operating Fund Balance (End of Year)	\$ 108,077	\$ 308,645	\$ 95,292	\$ 81,210

(a) Represents lease payments to AUC Group LLC for the Wastewater Treatment Plant and Water Plant No. 1.

(b) See "RISK FACTORS—Operating Funds."

ROADS

The road system (the “Roads”) serves the residents of the District by providing access to the major thoroughfares from Sweetgrass Village and Barrett Crossing. The roads to be financed by the Bonds consist of internal streets within Sweetgrass Village, Section Two and Barrett Crossing Section One. See “USE AND DISTRIBUTION OF BOND PROCEEDS.” Upon completion, the Roads have been or will be accepted by Harris County for operation and maintenance in accordance with the procedures of Harris County. The District will not operate or maintain the Roads. See “RISK FACTORS—Future Debt” and “THE BONDS—Issuance of Additional Debt.”

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2025 Taxable Assessed Valuation	\$60,113,662	(a)
Estimated Taxable Assessed Valuation as of July 1, 2025	\$87,102,108	(b)
Gross Direct Debt Outstanding (the Outstanding Bonds and the Bonds)	\$11,325,000	(c)
Estimated Overlapping Debt	<u>3,497,474</u>	(d)
Gross Direct Debt and Estimated Overlapping Debt	\$14,822,474	(d)
Ratios of Gross Direct Debt to:		
2025 Taxable Assessed Valuation	18.84%	
Estimated Taxable Assessed Valuation as of July 1, 2025	13.00%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2025 Taxable Assessed Valuation	24.66%	
Estimated Taxable Assessed Valuation as of July 1, 2025	17.02%	
Debt Service Funds Available:		
Road Debt Service Fund Balance as of September 9, 2025	\$348,218	(e)
Capitalized Interest from Bond proceeds (Twelve (12) Months)	<u>268,238</u>	(e)
Total Funds Available for Debt Service	\$616,456	
Available General Operating Funds as of September 9, 2025	\$36,397	(f)
Available Road Capital Projects Funds as of September 9, 2025	\$ 2,504	

- (a) The Harris Central Appraisal District (the “Appraisal District”) has certified \$58,751,063 of taxable value and an additional \$1,362,599 of taxable value remains uncertified and is subject to review and downward adjustment. The 2025 Taxable Assessed Valuation shown throughout this OFFICIAL STATEMENT is the certified value plus the uncertified value. See “TAXING PROCEDURES.”
- (b) Provided by the Appraisal District for information purposes only. Such amount reflects increases in value occurring between January 1, 2025, and July 1, 2025. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year. No taxes will be levied upon such amount until it is certified by the Appraisal District. See “TAXING PROCEDURES.”
- (c) After issuance of the Bonds. See “—Outstanding Bonds” herein.
- (d) See “—Estimated Overlapping Debt” herein.
- (e) The existing Road Debt Service Fund is solely capitalized interest from the Outstanding Bonds. The District will capitalize twelve (12) months of calculated interest from the Bond proceeds and deposit such funds in a Road Debt Service Fund. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”
- (f) See “RISK FACTORS—Operating Funds.”

Outstanding Bonds

The District has previously issued one series of unlimited tax road bonds in the initial principal amount of \$5,850,000 for the purpose of acquiring or constructing road facilities, all of which remains outstanding (the “Outstanding Bonds”) as of the date hereof.

Investments of the District

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended. The District’s goal is to preserve principal and maintain liquidity while securing a competitive yield 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’s investment portfolio.

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 and will capitalize twelve (12) months of interest from proceeds of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Year	Outstanding Bonds Debt Service Requirements	The Bonds			Total Debt Service Requirements
		Principal	Interest	Total	
2026	\$ 383,887.50	\$ -	\$ 210,864.48	\$ 210,864.48	594,751.98
2027	388,418.75	105,000	268,237.50	373,237.50	761,656.25
2028	387,512.50	115,000	261,150.00	376,150.00	763,662.50
2029	386,387.50	120,000	253,387.50	373,387.50	759,775.00
2030	390,043.75	125,000	245,287.50	370,287.50	760,331.25
2031	388,262.50	135,000	236,850.00	371,850.00	760,112.50
2032	391,262.50	140,000	227,737.50	367,737.50	759,000.00
2033	388,825.00	150,000	218,287.50	368,287.50	757,112.50
2034	391,168.75	155,000	208,162.50	363,162.50	754,331.25
2035	393,075.00	165,000	197,700.00	362,700.00	755,775.00
2036	389,543.75	175,000	190,687.50	365,687.50	755,231.25
2037	390,793.75	185,000	183,250.00	368,250.00	759,043.75
2038	391,606.25	195,000	175,387.50	370,387.50	761,993.75
2039	391,981.25	205,000	167,100.00	372,100.00	764,081.25
2040	396,918.75	215,000	158,387.50	373,387.50	770,306.25
2041	396,200.00	225,000	149,250.00	374,250.00	770,450.00
2042	395,043.75	240,000	139,406.25	379,406.25	774,450.00
2043	398,450.00	250,000	128,906.25	378,906.25	777,356.25
2044	401,200.00	265,000	117,656.25	382,656.25	783,856.25
2045	397,925.00	280,000	105,731.25	385,731.25	783,656.25
2046	399,200.00	295,000	93,131.25	388,131.25	787,331.25
2047	399,800.00	310,000	79,856.25	389,856.25	789,656.25
2048	399,725.00	330,000	65,906.25	395,906.25	795,631.25
2049	403,975.00	345,000	50,643.75	395,643.75	799,618.75
2050	402,325.00	365,000	34,687.50	399,687.50	802,012.50
2051	-	385,000	17,806.25	402,806.25	402,806.25
Total	\$ 9,843,531.25	\$ 5,475,000	\$ 4,185,458.23	\$ 9,660,458.23	\$ 19,503,989.48

Average Annual Debt Service Requirements (2026-2051) \$750,153
Maximum Annual Debt Service Requirement (2050) \$802,013

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 (a).....	\$ 2,358,264,736	8/31/2025	0.009%	\$ 205,985
Harris County Flood Control District.....	963,805,000	8/31/2025	0.009%	85,972
Harris County Hospital District.....	867,820,000	8/31/2025	0.009%	77,398
Harris County Department of Education.....	28,960,000	8/31/2025	0.009%	2,616
Port of Houston Authority.....	406,509,397	8/31/2025	0.009%	36,268
Crosby Independent School District.....	176,140,000	8/31/2025	1.754%	3,089,235
Total Estimated Overlapping Debt.....				\$ 3,497,474
The District.....	\$ 11,325,000	(b)	100.00%	11,325,000
Total Direct and Estimated Overlapping Debt.....				\$ 14,822,474

Direct and Estimated Overlapping Debt as a Percentage of:

2025 Taxable Assessed Valuation of \$60,113,662.....	24.66%
Estimated Taxable Assessed Valuation as of July 1, 2025 of \$87,102,108.....	17.02%

- (a) Excludes the Harris County Toll Road Unlimited Tax Bonds in the principal amount of \$97,400,000. Historically, Harris County has provided for payment of such debt service from toll road revenues and certain other funds and no ad valorem tax revenue has been required to pay debt service on the Bonds.
- (b) The Bonds and the Outstanding Bonds.

Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest imposed on such property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with tax liens of taxing authorities shown below. In addition to ad valorem taxes required to pay debt service on bonded debt of the District and other taxing authorities (see "Estimated Overlapping Debt" above), certain taxing jurisdictions, including the District, are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below is the tax rate for the 2025 tax year for the District and all of the taxes levied for the 2024 by all taxing jurisdictions overlapping the District. No recognition is given to local assessments for civic association dues, fire department contributions 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) (a).....	\$ 0.63326
Crosby Independent School District.....	1.23520
Harris County Emergency Services District No. 80 (b).....	0.05611
Total Overlapping Tax Rate.....	1.92457
The District.....	1.50000
Total Tax Rate.....	\$ 3.42457

- (a) Represents the 2025 tax rate for Harris County Flood Control District, Harris County Hospital District, and Port of Houston Authority.
- (b) Represents the 2025 tax rate.

TAX DATA

Debt Service Tax

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds and the Outstanding Bonds remain outstanding and unpaid, the tax adequate to provide funds to pay the principal of and interest on the Bonds and the Outstanding Bonds. See “Tax Rate Distribution” and “Tax Roll Breakdown” below.

Maintenance and Operations Tax

The Board 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 November 2, 2021, and voters of the District authorized the Board, among other things, to levy a maintenance tax at a rate not to exceed \$1.50 per \$100 taxable assessed valuation for water, sewer and drainage purposes, and \$1.50 per \$100 taxable assessed valuation for road purposes. In addition, at the November 2, 2021 election, the voters of the District also authorized to levy a maintenance tax rate not to exceed \$0.10 per \$100 taxable assessed valuation specifically related to maintenance of park and recreational facilities. Any maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds. See “Debt Service Tax” above.

Tax Exemption

The District currently grants no exemptions from ad valorem taxes.

Tax Rate Distribution

	2025	2024	2023	2022	2021
Debt Service	\$ 0.39	\$ -	\$ -	\$ -	\$ -
Maintenance and Operations	1.11	1.50	1.50	1.50	1.50
Total	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50

Historical Tax Collections

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

Tax Year	Certified Taxable		Total Tax Levy	Total Collections as of August 31, 2025 (b)	
	Assessed Valuation (a)	Tax Rate		Amount	Percent
2021	\$ 598,241	\$ 1.50	\$ 8,974	\$ 6,729	74.99% (c)
2022	620,058	1.50	9,301	7,056	75.87% (c)
2023	16,662,805	1.50	249,942	247,698	99.10%
2024	31,481,208	1.50	472,218	466,795	98.85%

(a) As certified by the Appraisal District.

(b) Unaudited.

(c) The Appraisal District corrected the District’s tax roll to include an additional account. According to the Tax Assessor Collector, taxes on the additional taxable value resulting from such correction were collected as of September 8, 2025, and tax years 2021 and 2022 are now 100% collected.

Tax Roll Breakdown

The District's appraised 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 2021 through 2025 Taxable Assessed Valuations. Accurate breakdowns related to the uncertified portion (\$1,362,599) of the 2025 Taxable Assessed Valuation or the Estimated Taxable Assessed Valuation as of July 1, 2025 of \$87,102,108, are not available from the Appraisal District.

Tax Year	Type of Property			Gross Assessed Valuation	Deferments and Exemptions (a)	Taxable Assessed Valuation
	Land	Improvements	Personal Property			
2021	\$ 546,508	\$ 51,733	\$ -	\$ 598,241	\$ -	\$ 598,241
2022	540,590	79,468	-	620,058	-	620,058
2023	16,568,846	79,468	38,022	16,686,336	(23,531)	16,662,805
2024	24,447,612	7,312,460	111,369	31,871,441	(390,233)	31,481,208
2025	32,948,603	26,132,084	73,858	59,154,545	(403,482)	58,751,063

(a) See "TAXING PROCEDURES."

Principal Taxpayers

The following table represents the ten principal taxpayers and their taxable appraised value as a percentage of the certified portion (\$58,751,063) of the 2025 Taxable Assessed Valuation of \$60,113,662. This represents certified ownership as of January 1, 2025. An accurate principal taxpayer list related to the uncertified portion (\$1,362,599) of the 2025 Taxable Assessed Valuation or the Estimated Taxable Assessed Valuation as of July 1, 2025, of \$87,102,108 are not available.

Taxpayer	2025 Certified Taxable Assessed Valuation	% of 2025 Certified Taxable Assessed Valuation
Sweetgrass Development LLC (a)	\$ 11,674,364	19.87%
Century Land Holdings of Texas LLC (a)	4,708,338	8.01%
Millrose Properties Texas LLC	3,612,668	6.15%
STW300k Investments LLC	1,736,262	2.96%
Beazer Homes Texas LP	1,676,267	2.85%
Lago Bello LLC	1,232,510	2.10%
Castlerock Communities LLC	1,057,779	1.80%
Lennar Homes of Texas Land & Const LTD	1,018,836	1.73%
Owner Finance Co	478,467	0.81%
Individual	356,229	0.61%
Total	\$ 27,551,720	46.90%

(a) See "RISK FACTORS—Dependence on Principal Taxpayers and the Developers" and "THE DEVELOPERS."

(b) See "THE DISTRICT—Homebuilding."

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 debt service requirements on the Bonds if no growth in the District's tax base occurred beyond the 2025 Taxable Assessed Valuation of \$60,113,662 (\$58,751,063 certified and \$1,362,599 uncertified) or the Estimated Taxable Assessed Valuation as of July 1, 2025, of \$87,102,108. The calculations contained in the following table merely represent the tax rates required to pay principal and interest on the Bonds and the Outstanding Bonds when due, assuming no further increase or any decrease in the taxable value in the District, collection of ninety-five percent (95%) of taxes levied, and the sale of no additional bonds. 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).....	\$750,153
\$1.32 Tax Rate on 2025 Taxable Assessed Valuation	\$753,825
\$0.91 Tax Rate on Estimated Taxable Assessed Valuation as of July 1, 2025	\$752,998
Maximum Annual Debt Service Requirement (2050).....	\$802,013
\$1.41 Tax Rate on 2025 Taxable Assessed Valuation	\$805,223
\$0.97 Tax Rate on Estimated Taxable Assessed Valuation as of July 1, 2025	\$802,646

No representation or suggestion is made that the uncertified portion (\$1,362,599) of the 2025 Taxable Assessed Valuation or the Estimate of Taxable Assessed Valuation as of July 1, 2025 will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See "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 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 Order to levy such a tax from year to year as described more fully herein under "THE BONDS—Source of and Security for Payment." Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and for the payment of certain contractual obligations. See "TAX DATA."

Property Tax Code and County-Wide Appraisal District

The Texas Property 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; travel trailers; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding 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 depending on the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a residence homestead exemption equal to exemption received by the deceased spouse until such surviving spouse remarries. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed or fatally injured in the line of duty is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See "TAX DATA."

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) (not less than \$5,000) 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 by August 1. The District currently does not grant 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.

Tax Abatement

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

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Generally, assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. In determining market value, either the replacement cost or the income or the market data method of valuation may be used, whichever is appropriate. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of residence homesteads are limited by the Texas Constitution to a cumulative 10 percent annual increase regardless of the market value of the property.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all 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.

During the 2nd Special Session, the Texas Legislature passed Senate Bill 2 ("SB 2"), which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5,000,000 (the "Maximum Property Value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property (collectively, the "Appraisal Cap"). After the 2024 tax year, through December 31, 2026, the Maximum Property Value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in consumer price index, as applicable, to the Maximum Property Value. SB 2 was signed into law by the Governor on July 22, 2023; and took effect January 1, 2024.

Disaster Exemption

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

District and Taxpayer Remedies

Under certain circumstances taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code. The Property Tax Code 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. However, a person who is (i) 65 years of age or older, (ii) disabled or (iii) a disabled veteran, entitled by law to pay current taxes on his residential homestead in installments or to receive a deferral or abatement of delinquent taxes without penalty during the time he owns or occupies his property as his residential homestead. 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. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. 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, 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 equal monthly installments and must extend for a period of at least 12 months and no more than 36 months. 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, may be rejected.

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 described for each classification below. Debt service and contract tax rates cannot be reduced by a tax rate 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, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus 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, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus 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. For the 2025 tax year, the Board designated the District as a Developing District. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "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 above under “Levy and Collection of Taxes”. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the cost of suit and sale, by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser’s deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. The District’s ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See “RISK FACTORS—Tax Collection Limitations and Foreclosure Remedies.”

LEGAL MATTERS

Legal Opinions

Issuance of the Bonds is subject to (i) the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District payable from a continuing, direct annual ad valorem tax levied without limit as to rate or amount upon all taxable property within the District, and (ii) the legal opinion of Bond Counsel, based upon examination of the transcript of the proceedings incident to authorization and issuance of the Bonds, to the effect that the Bonds are valid and legally binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors’ rights or the exercise of judicial discretion in accordance with general principles of equity, and are payable from annual ad valorem taxes, which are not limited by applicable law in rate or amount, levied against all property within the District which is not exempt from taxation by or under applicable law. Bond Counsel’s opinion also will address the matters described below under “Tax Exemption.” The legal opinion of Bond Counsel will be printed on the Bonds. Such opinion will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds.

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

No-Litigation Certificate

The District will furnish the Underwriter a certificate, dated as of the date of delivery of the Bonds, executed by both the President and Secretary of the Board, to the effect that no litigation of any nature is then pending against or, to the best knowledge of the certifying officers, threatened against the District contesting or attacking the Bonds or the Bond Order; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority of proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the Bond Order, the corporate existence or boundaries of the District or the titles of the then present officers of the Board.

No Material Adverse Change

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

Tax Exemption

On the date of initial delivery of the Bonds, Coats Rose, P.C., Houston, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”), (1) interest on the Bonds for federal income tax purposes will be excludable from the “gross income” of the holders thereof, except that such interest is taken into account in determining the annual adjusted financial statement of income of applicable corporations (as defined in section 59(k) of the Internal Revenue Code of 1986 (the “Code”)) for the purpose of determining the alternative minimum tax imposed on corporations, and (2) the Bonds will not be treated as “specified private activity bonds” the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Code (the “Code”). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

In rendering such opinion, Bond Counsel will rely upon representations and certifications of the District made in a certificate pertaining to the use, expenditure, and investment of the proceeds of the Bonds and certain other funds and will assume continuing compliance by the District with the representations and warranties in and covenants of the Bond Order subsequent to the issuance of the Bonds. Failure to comply with any of these covenants would cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of issuance of the Bonds.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state or local tax consequences under present law or proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, "S" corporations with "subchapter C" earnings and profits, owners of interests in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry (or who have paid or incurred certain expenses allocable to) tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Tax Accounting Treatment of Discount and Premium on Certain Bonds

The initial public offering price of certain Bonds (the "Discount Bonds") is less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Bonds described above under "Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during his taxable year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, "S" corporations with "subchapter C" earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of interests in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Bonds and with respect to the state and local tax consequences of owning Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain Bonds (the "Premium Bonds") is greater than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium. Such reduction in basis will increase the amount of any gain or decrease the amount of any loss to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity. Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium with respect to the state and local tax consequences of owning Premium Bonds.

Qualified Tax-Exempt Obligations

Section 265 of the Code provides, in general, that interest expense to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, section 265 of the Code generally disallows 100% of any deduction for interest expense which is incurred by “financial institutions” described in such section and is allocable, as computed in such section, to tax-exempt interest on obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this interest disallowance rule for interest expense allocable to tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) bonds) which are designated by an issuer as “qualified tax-exempt obligations.” An issuer may designate obligations as “qualified tax-exempt obligations” only if the amount of the issue of which they are a part, when added to the amount of all other tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) obligations and other than certain refunding bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed \$10,000,000.

The District has designated the Bonds as “qualified tax-exempt obligations” and will certify its expectation that the above described \$10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Bonds will not be subject to the 100% disallowance of interest expense allocable to interest on the Bonds under section 265(b) of the Code. However, the deduction for interest expense incurred by a financial institution which is allocable to the interest on the Bonds will be reduced by 20% pursuant to section 291 of the Code.

MUNICIPAL BOND RATING

S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, (“S&P”) has assigned a municipal bond rating of “AA” (stable outlook) with the understanding that, upon delivery of the Bonds, a municipal bond insurance policy ensuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company (“BAM”). An explanation of the rating may be obtained from S&P. No application has been made to a municipal rating company for an underlying rating on the Bonds, nor is it expected that the District would have received an investment grade rating if application had been made. See “RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance,” “MUNICIPAL BOND INSURANCE” and “APPENDIX B.”

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

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

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

Build America Mutual Assurance Company

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

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

The financial data and other information contained in this OFFICIAL STATEMENT has been obtained primarily from the District's records, the Developers, the Engineer, the Tax Assessor/Collector, the Appraisal District and information from other sources. 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 to such effect except as described below under "Certification of Official Statement." Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, orders, 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, 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.

Bond Counsel

Coats Rose, P.C. is employed as Bond Counsel for the District and has reviewed the information appearing in this OFFICIAL STATEMENT under the captions "THE BONDS," "THE DISTRICT—General," "TAXING PROCEDURES," "LEGAL MATTERS," AND "CONTINUING DISCLOSURE OF INFORMATION." Bond Counsel has reviewed the information under the aforementioned sections solely to determine whether such information fairly summarizes the law or documents referred to in such sections. Bond Counsel has not independently verified other factual information contained in this OFFICIAL STATEMENT nor 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 the limited participation of such firm as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

Consultants

In approving this OFFICIAL STATEMENT, the District has relied upon the following consultants that have provided information used herein.

Engineer: The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the System and, in particular that information included in the sections entitled "THE DISTRICT," and "THE SYSTEM" has been provided by Odyssey Engineering Group, LLC, and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Auditor: The financial statements of the District as of March 31, 2025, and for the year then ended, included in this offering document, have been audited by McCall, Gibson, Swedlund, Barfoot PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX A."

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

Tax Assessor/Collector: The information contained in this OFFICIAL STATEMENT relating to the historical breakdown of the District's assessed valuations and certain other historical data concerning tax rates and tax collections 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.

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 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 (but not more than 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

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 certification, the official executing this OFFICIAL STATEMENT may state that he has relied in part on his examination of records of the District relating to matters within his own area of responsibility, and his 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 Order, the District has made the following agreement for the benefit of the registered and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the “MSRB”). The MSRB has established the Electronic Municipal Market Access (“EMMA”) System.

Annual Reports

The District will provide certain financial information and operating data annually to the MSRB through EMMA. 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 “THE SYSTEM—Waterworks and Sewer System Operating Statement,” “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)” (except “Estimated Overlapping Debt” and “Overlapping Taxes”), “TAX DATA,” and in APPENDIX A (Independent Auditor’s Report and Financial Statements of the District and Supplemental Schedules). The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2026. Any financial statements so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable 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 end is March 31. Accordingly, it must provide updated information by September 30 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Specified Event Notices

The District will provide timely notices of certain specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the “Rule”); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an 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 within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The terms “material” and “financial obligation” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond

Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operational data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information from MSRB

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public without charge through its Electronic Municipal Market Access 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 or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although 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 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 holders of a majority in aggregate principal amount of the outstanding bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Order if the SEC amends or repeals the applicable provisions of 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 Underwriters 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 its first issuance of bonds in 2025, the District has complied in all material respects with all continuing disclosure agreements made by the District in accordance with SEC Rule 15c2-12.

MISCELLANEOUS

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

This OFFICIAL STATEMENT was approved by the Board of Directors of Lago Bello Municipal Utility District No. 1A of Harris County, as of the date shown on the cover page.

/s/ Javier Hernandez
President, Board of Directors

ATTEST:

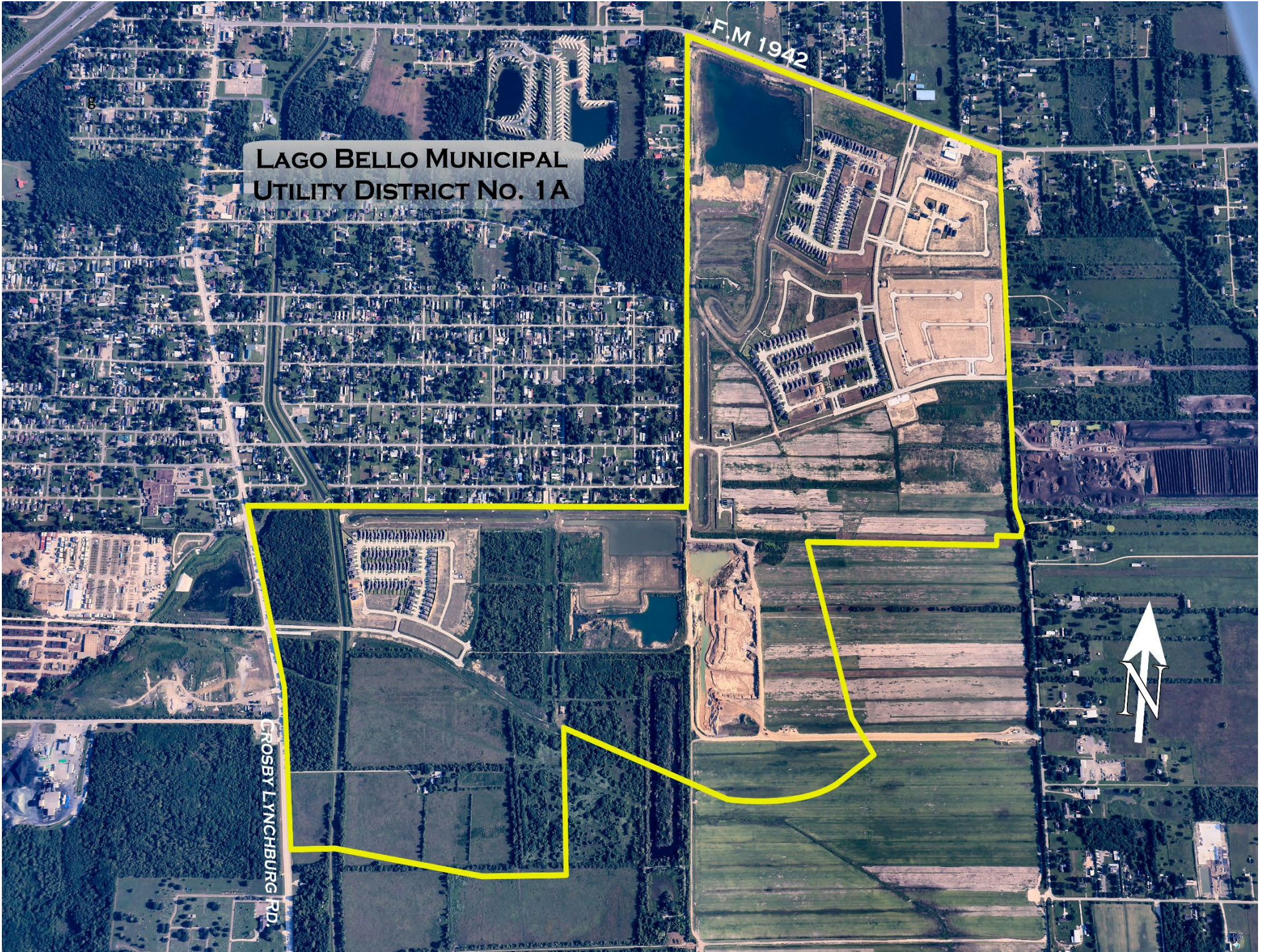
/s/ Janet Marie Baccus
Secretary, Board of Directors

AERIAL LOCATION MAP
(Approximate Boundaries as of September 2025)

**LAGO BELLO MUNICIPAL
UTILITY DISTRICT NO. 1A**

F.M 1942

GROSBY LYNCHBURG RD.



PHOTOGRAPHS OF THE DISTRICT
(Taken September 2025)













APPENDIX A

Independent Auditor's Report and Financial Statements of the District for the fiscal year ended March 31, 2025

LAGO BELLO MUNICIPAL UTILITY DISTRICT NO. 1A
HARRIS COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
MARCH 31, 2025

McCALL GIBSON SWEDLUND BARFOOT ELLIS PLLC
Certified Public Accountants

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McCall Gibson Swedlund Barfoot Ellis PLLC

Certified Public Accountants

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

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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Lago Bello Municipal Utility District No. 1A
Harris County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Lago Bello Municipal Utility District No. 1A (the "District") as of and for the year ended March 31, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of March 31, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

McCall Gibson Swedlund Barfoot Ellis PLLC

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

July 8, 2025

LAGO BELLO MUNICIPAL UTILITY DISTRICT NO. 1A
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2025

Management's discussion and analysis of Lago Bello Municipal Utility District No. 1A's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended March 31, 2025. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for property taxes, charges for services, developer advances, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**LAGO BELLO MUNICIPAL UTILITY DISTRICT NO. 1A
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2025**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets by \$13,669,211 as of March 31, 2025.

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

LAGO BELLO MUNICIPAL UTILITY DISTRICT NO. 1A
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2025

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2025	2024	Change Positive (Negative)
Current and Other Assets	\$ 841,390	\$ 409,312	\$ 432,078
Right-of-Use Assets (Net of Accumulated Amortization)	5,533,525	5,661,966	(128,441)
Capital Assets (Net of Accumulated Depreciation)	15,085,739	12,942,718	2,143,021
Total Assets	\$ 21,460,654	\$ 19,013,996	\$ 2,446,658
Due to Developer	\$ 23,565,655	\$ 21,331,969	\$ (2,233,686)
Lease Liabilities	5,507,094	5,648,905	141,811
Bonds Payable	5,780,013		(5,780,013)
Other Liabilities	277,103	98,393	(178,710)
Total Liabilities	\$ 35,129,865	\$ 27,079,267	\$ (8,050,598)
Net Position:			
Net Investment in Capital Assets	\$ (11,818,182)	\$ (6,697,962)	\$ (5,120,220)
Restricted	449,283		449,283
Unrestricted	(2,300,312)	(1,367,309)	(933,003)
Total Net Position	\$ (13,669,211)	\$ (8,065,271)	\$ (5,603,940)

The following table provides a summary of the District's operations for the years ending March 31, 2025 and March 31, 2024.

	Summary of Changes in the Statement of Activities		
	2025	2024	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 472,219	\$ 247,697	\$ 224,522
Charges for Services	551,160	172,104	379,056
Other Revenues	13,787	2,046	11,741
Total Revenues	\$ 1,037,166	\$ 421,847	\$ 615,319
Expenses for Services	6,641,106	8,103,274	1,462,168
Change in Net Position	\$ (5,603,940)	\$ (7,681,427)	\$ 2,077,487
Net Position, Beginning	(8,065,271)	(383,844)	(7,681,427)
Net Position, Ending	\$ (13,669,211)	\$ (8,065,271)	\$ (5,603,940)

**LAGO BELLO MUNICIPAL UTILITY DISTRICT NO. 1A
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2025**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of March 31, 2025, were \$578,934, an increase of \$270,289 from the prior year.

The District's General Fund fund balance as of March 31, 2025, was \$108,077 a decrease of \$200,568 from the prior year. The District used developer advances of \$737,088 to pay for current year costs.

The Debt Service Fund fund balance increased by \$470,857, primarily due to the structure of the District's outstanding debt. The District closed on the sale of its Series 2024 Road Bonds in the current year and deposited capitalized interest into the Debt Service Fund.

The Capital Projects Fund fund balance was \$ -0- at year-end. The District closed on the sale of its Series 2024 Road Bonds in the current year and used the proceeds to fund current year capital costs and bond issuance costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current year. Actual revenues were \$118,574 more than budgeted revenues, actual expenditures were \$421,058 more than budgeted expenditures and actual developer advances were \$101,916 more than budgeted. This resulted in a negative budget variance of \$200,568. See the budget to actual comparison for more information.

CAPITAL ASSETS

Capital assets as of March 31, 2025, total \$15,085,739 (net of accumulated depreciation) and includes the water, wastewater and drainage systems.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2025	2024	Change Positive (Negative)
Capital Assets, Net of Accumulated Depreciation:			
Water System	\$ 2,685,597	\$ 2,741,914	\$ (56,317)
Wastewater System	4,656,745	4,767,136	(110,391)
Drainage System	7,743,397	5,433,668	2,309,729
Total Net Capital Assets	<u>\$ 15,085,739</u>	<u>\$ 12,942,718</u>	<u>\$ 2,143,021</u>

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

LAGO BELLO MUNICIPAL UTILITY DISTRICT NO. 1A
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2025

RIGHT-OF-USE ASSETS

In accordance with the requirements of GASB Statement No. 87, the District has classified certain capital assets to right-of-use assets. Right-of-use assets consisted of the water plant and wastewater treatment plant \$5,779,850, had current year amortization expense of \$128,441, and had an accumulated amortization balance of \$246,325 as of March 31, 2025. Additional information on the District's right-of-use assets can be found in Note 10 of this report.

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had total long-term lease debt payable of \$5,507,094. The changes in the debt position of the District during the fiscal year ended March 31, 2025, are summarized as follows:

Lease Payable, April 1, 2024	\$ 5,648,905
Less: Lease Principal Paid	<u>141,811</u>
Lease Payable, March 31, 2025	<u>\$ 5,507,094</u>

At the end of the current fiscal year, the District had total long-term bond debt payable of \$5,850,000. The changes in the debt position of the District during the fiscal year ended March 31, 2025, are summarized as follows:

Bond Debt Payable, April 1, 2024	\$ - 0 -
Add: Bond Sale	<u>5,850,000</u>
Bond Debt Payable, March 31, 2025	<u>\$ 5,850,000</u>

The District's bonds do not carry an underlying rating or insured rating as of March 31, 2025.

As of March 31, 2025, the District recorded an amount due to Developer of \$23,565,655 which consists of payments for operating advances and various projects made by the Developer since inception.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Lago Bello Municipal Utility District No. 1A, c/o Coats Rose, P.C., 9 Greenway Plaza, Suite 1000, Houston, Texas 77046.

LAGO BELLO MUNICIPAL UTILITY DISTRICT NO. 1A
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MARCH 31, 2025

	<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS		
Cash	\$ 172,254	\$
Investments	46,526	470,857
Receivables:		
Property Taxes	6,927	
Service Accounts	19,671	
Due from Other Funds	2,624	
Prepaid Costs	122,531	
Right-of-Use Assets (Net of Accumulated Amortization)		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	<u>\$ 370,533</u>	<u>\$ 470,857</u>
LIABILITIES		
Accounts Payable	\$ 164,634	\$
Accrued Interest Payable		
Due to Developers		
Due to Other Funds		
Security Deposits	90,895	
Long Term Liabilities:		
Lease Payable, Due Within One Year		
Lease Payable, Due After One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	<u>\$ 255,529</u>	<u>\$ -0-</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 6,927	\$ -0-
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 122,531	\$
Restricted for Authorized Construction:		
Restricted for Debt Service		470,857
Unassigned	(14,454)	
TOTAL FUND BALANCES	<u>\$ 108,077</u>	<u>\$ 470,857</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 370,533</u>	<u>\$ 470,857</u>
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 2,624	\$ 174,878	\$	\$ 174,878
	517,383		517,383
	6,927		6,927
	19,671		19,671
	2,624	(2,624)	
	122,531		122,531
		5,533,525	5,533,525
		15,085,739	15,085,739
<u>\$ 2,624</u>	<u>\$ 844,014</u>	<u>\$ 20,616,640</u>	<u>\$ 21,460,654</u>
\$	\$ 164,634	\$	\$ 164,634
		21,574	21,574
		23,565,655	23,565,655
2,624	2,624	(2,624)	
	90,895		90,895
		265,012	265,012
		5,242,082	5,242,082
		5,780,013	5,780,013
<u>\$ 2,624</u>	<u>\$ 258,153</u>	<u>\$ 34,871,712</u>	<u>\$ 35,129,865</u>
<u>\$ -0-</u>	<u>\$ 6,927</u>	<u>\$ (6,927)</u>	<u>\$ - 0 -</u>
\$	\$ 122,531	\$ (122,531)	\$
	470,857	(470,857)	
	(14,454)	14,454	
<u>\$ - 0 -</u>	<u>\$ 578,934</u>	<u>\$ (578,934)</u>	<u>\$ - 0 -</u>
<u>\$ 2,624</u>	<u>\$ 844,014</u>		
		\$ (11,818,182)	\$ (11,818,182)
		449,283	449,283
		(2,300,312)	(2,300,312)
		<u>\$ (13,669,211)</u>	<u>\$ (13,669,211)</u>

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

LAGO BELLO MUNICIPAL UTILITY DISTRICT NO. 1A
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
MARCH 31, 2025

Total Fund Balances - Governmental Funds	\$	578,934
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets and right-of-use assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		20,619,264
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Deferred inflows of resources related to property tax revenues for the 2024 tax levy became part of recognized revenue in the governmental activities of the District.		6,927
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year-end consist of:

Due to Developer	\$ (23,565,655)	
Accrued Interest Payable	(21,574)	
Lease Payable Within One Year	(265,012)	
Lease Payable After One Year	(5,242,082)	
Bonds Payable After One Year	<u>(5,780,013)</u>	<u>(34,874,336)</u>
Total Net Position - Governmental Activities		<u>\$ (13,669,211)</u>

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

LAGO BELLO MUNICIPAL UTILITY DISTRICT NO. 1A
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2025

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 467,566	\$
Water Service	45,706	
Wastewater Service	70,108	
Water Authority Fees	29,988	
Penalty and Interest	6,122	
Tap Connection and Inspection Fees	399,236	
Investment and Miscellaneous Revenues	7,323	6,298
TOTAL REVENUES	\$ 1,026,049	\$ 6,298
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 263,622	\$
Contracted Services	88,186	
Purchased Water Service	77,146	
Utilities	24,695	
Repairs and Maintenance	691,286	
Depreciation/Amortization		
Other	208,088	
Conveyance of Assets		
Developer Interest		
Capital Outlay	20,082	
Debt Service:		
Lease Principal	141,811	
Lease Interest	446,789	
Bond Interest		53,216
Bond Issuance Costs	2,000	
TOTAL EXPENDITURES/EXPENSES	\$ 1,963,705	\$ 53,216
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (937,656)	\$ (46,918)
OTHER FINANCING SOURCES (USES)		
Long-Term Debt Issued	\$	\$ 517,775
Bond Discount		
Bond Premium		
Developer Advances	737,088	
TOTAL OTHER FINANCING SOURCES (USES)	\$ 737,088	\$ 517,775
NET CHANGE IN FUND BALANCES	\$ (200,568)	\$ 470,857
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - APRIL 1, 2024	308,645	
FUND BALANCES/NET POSITION - MARCH 31, 2025	\$ 108,077	\$ 470,857

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 467,566	\$ 4,653	\$ 472,219
	45,706		45,706
	70,108		70,108
	29,988		29,988
	6,122		6,122
	399,236		399,236
166	13,787		13,787
<u>\$ 166</u>	<u>\$ 1,032,513</u>	<u>\$ 4,653</u>	<u>\$ 1,037,166</u>
\$	\$ 263,622	\$	\$ 263,622
	88,186		88,186
	77,146		77,146
	24,695		24,695
	691,286		691,286
		562,694	562,694
235	208,323		208,323
		3,534,014	3,534,014
193,804	193,804		193,804
4,594,607	4,614,689	(4,614,689)	
	141,811	(141,811)	
	446,789		446,789
	53,216	22,348	75,564
472,983	474,983		474,983
<u>\$ 5,261,629</u>	<u>\$ 7,278,550</u>	<u>\$ (637,444)</u>	<u>\$ 6,641,106</u>
<u>\$ (5,261,463)</u>	<u>\$ (6,246,037)</u>	<u>\$ 642,097</u>	<u>\$ (5,603,940)</u>
\$ 5,332,225	\$ 5,850,000	\$ (5,850,000)	\$
(87,266)	(87,266)	87,266	
16,504	16,504	(16,504)	
	737,088	(737,088)	
<u>\$ 5,261,463</u>	<u>\$ 6,516,326</u>	<u>\$ (6,516,326)</u>	<u>\$ -0-</u>
\$ - 0 -	\$ 270,289	\$ (270,289)	\$
		(5,603,940)	(5,603,940)
	308,645	(8,373,916)	(8,065,271)
<u>\$ -0-</u>	<u>\$ 578,934</u>	<u>\$ (14,248,145)</u>	<u>\$ (13,669,211)</u>

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

LAGO BELLO MUNICIPAL UTILITY DISTRICT NO. 1A
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2025

Net Change in Fund Balances - Governmental Funds	\$	270,289
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.		4,653
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Governmental funds do not account for depreciation and amortization. However, in the Statement of Net Position, capital assets are depreciated and amortized, and the depreciation and amortization expense is recorded in the Statement of Activities.		(562,694)
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Governmental funds record capital asset costs as expenditures in the period purchased. However, in the government-wide financial statements, capital assets are increased by new purchases that meet the District's threshold for capitalization, and are owned and maintained by the District. All other capital asset purchases are expensed in the Statement of Activities.		1,080,675
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Governmental funds report bond discounts and bond premiums as other financing sources/uses in the year paid. However, in the Statement of Net Position, bond discounts and bond premiums are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.		70,762
--	--	--------

Governmental funds report principal payments as expenditures. However, in the Statement of Net Position, principal payments are reported as decreases in long-term liabilities.		141,811
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Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.		(22,348)
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Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.		(5,850,000)
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Governmental funds report developer advances as other financing sources. However, in the Statement of Net Position, developer advances, net any amount paid to the developer, are recorded as a liability.		(737,088)
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Change in Net Position - Governmental Activities	\$	<u><u>5,603,940</u></u>
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The accompanying notes to the financial
statements are an integral part of this report.

LAGO BELLO MUNICIPAL UTILITY DISTRICT NO. 1A
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 1. CREATION OF DISTRICT

Lago Bello Municipal Utility District No. 1 of Harris County was created pursuant to House Bill 2687, 85th Texas Legislature of the State of Texas, codified at Chapter 7990, Texas Special District Local Laws Code, as a conservation and reclamation district created under and essential to accomplish the purpose of Section 59, Article XVI and, Section 52, Article III of the Texas Constitution and operating pursuant to Chapters 49 and 54 of the Texas Water Code. The District was created by Order Dividing Lago Bello Municipal Utility District No. 1 of Harris County creating the District and Lago Bello Municipal Utility District No. 1B on May 6, 2021. The District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, wastewater service, storm sewer drainage, irrigation, to construct roads, and to construct parks and recreational facilities for the residents of the District. The Board of Directors held its first meeting on May 11, 2021 and the first bonds were sold on December 17, 2024.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

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

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

LAGO BELLO MUNICIPAL UTILITY DISTRICT NO. 1A
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

LAGO BELLO MUNICIPAL UTILITY DISTRICT NO. 1A
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

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

General Fund - To account for property taxes, charges for services, developer advances, operating costs and general expenditures.

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

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

Basis of Accounting

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

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

LAGO BELLO MUNICIPAL UTILITY DISTRICT NO. 1A
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Right-of-Use Assets

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

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

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

In accordance with GASB Statement No. 87, the District has recorded its leased water plant and wastewater treatment plant as right-of-use assets (see Note 10). The right-of-use assets are being amortized over the term of the leases using the straight-line method of amortization.

Budgeting

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

Pensions

A pension plan has not been established. The District does not have employees, except that the Internal Revenue Service has determined that directors are considered "employees" for federal payroll tax purposes only.

LAGO BELLO MUNICIPAL UTILITY DISTRICT NO. 1A
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

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

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

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

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

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

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

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

LAGO BELLO MUNICIPAL UTILITY DISTRICT NO. 1A
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 3. LONG-TERM DEBT

The District's bonds payable at March 31, 2025, consist of the following unlimited tax bonds:

	Road Series 2024
Amount Outstanding – March 31, 2025	\$ 5,850,000
Interest Rates	4.375% - 4.50%
Maturity Dates – Serially Beginning/Ending	September 1, 2026/2050
Interest Payment Dates	March 1/ September 1
Callable Dates	September 1, 2031*

* Or any date thereafter, callable at par plus accrued interest to the date fixed for redemption, in whole or in part, at the option of the District. The Series 2024 road term bonds maturing on September 1, 2039, 2043, 2047, and 2050 are scheduled for mandatory redemption beginning September 1, 2035, 2040, 2044, and 2048, respectively.

The following is a summary of transactions regarding the changes in long-term liabilities for the year ended March 31, 2025:

	April 1, 2024	Additions	Retirements	March 31, 2025
Bonds Payable	\$	\$ 5,850,000	\$	\$ 5,850,000
Unamortized Discounts		(87,266)	(956)	(86,310)
Unamortized Premiums		16,504	181	16,323
Bonds Payable, Net	\$ -0-	\$ 5,779,238	\$ (775)	\$ 5,780,013
		Amount Due Within One Year		\$ -0-
		Amount Due After One Year		5,780,013
		Bonds Payable, Net		\$ 5,780,013

LAGO BELLO MUNICIPAL UTILITY DISTRICT NO. 1A
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 3. LONG-TERM DEBT (Continued)

As of March 31, 2025, the debt service requirements on the bonds outstanding were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$	\$ 258,888	\$ 258,888
2027	125,000	256,153	381,153
2028	135,000	250,465	385,465
2029	140,000	244,450	384,450
2030	145,000	238,216	383,216
2031-2035	845,000	1,086,077	1,931,077
2036-2040	1,055,000	878,923	1,933,923
2041-2045	1,340,000	618,315	1,958,315
2046-2050	1,680,000	282,825	1,962,825
2051	385,000	8,663	393,663
	<u>\$ 5,850,000</u>	<u>\$ 4,122,975</u>	<u>\$ 9,972,975</u>

As of March 31, 2025, the District had authorized but unissued bonds in the amount of \$300,800,000 for the purchase or construction of water, sewer, and drainage facilities and \$150,400,000 for the refunding of bonds issued for same, \$34,470,000 for the purchase or construction of parks and recreational facilities and \$17,235,000 for the refunding of bonds issued for same, and \$88,010,000 for the purchase or construction of road facilities and \$46,930,000 for the refunding of bonds for same.

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

During the year ended March 31, 2025, the District did not levy an ad valorem debt service tax. The bond resolutions require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes; see Note 7 for maintenance tax levy.

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

LAGO BELLO MUNICIPAL UTILITY DISTRICT NO. 1A
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 4. SIGNIFICANT BOND RESOLUTIONS AND LEGAL REQUIREMENTS

The bond resolutions state that any profits realized from or interest accruing on investments shall belong to the fund from which the monies for such investments were taken; provided, however, that at the discretion of the Board of Directors, the profits realized from and interest accruing on investments made from any fund may be transferred to the Debt Service Fund.

The bond resolutions state that the District is required to provide to the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access system (“EMMA”) continuing disclosure of certain annual financial information and operating data with respect to the District. The information, along with the audited annual financial statements, must be filed within six months after the end of each fiscal year of the District.

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

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District’s deposits was \$174,878 and the bank balance was \$ 125,994. The District was not exposed to custodial credit risk.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at March 31, 2025, as listed below:

	<u>Cash</u>
GENERAL FUND	\$ 172,254
CAPITAL PROJECTS FUND	<u>2,624</u>
TOTAL DEPOSITS	<u><u>\$ 174,878</u></u>

LAGO BELLO MUNICIPAL UTILITY DISTRICT NO. 1A
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments

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

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

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

The District invests in the Texas Short Term Asset Reserve Program ("TexSTAR"), an external public funds investment pool that is not SEC-registered. J. P. Morgan Investment Management Inc. and related entities provide investment management, custodial, fund accounting and depository services and Hilltop Securities Inc., provides participant services. Investments held by TexSTAR are marked-to-market daily. The investments are considered to be Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District's position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from TexSTAR.

LAGO BELLO MUNICIPAL UTILITY DISTRICT NO. 1A
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

As of March 31, 2025, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$ 46,526	\$ 46,526
<u>DEBT SERVICE FUND</u>		
TexSTAR	<u>470,857</u>	<u>470,857</u>
TOTAL INVESTMENTS	<u>\$ 517,383</u>	<u>\$ 517,383</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At March 31, 2025, the District's investments in Texpool and TexSTAR were rated "AAAm" by Standard and Poor's.

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

Restrictions

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

LAGO BELLO MUNICIPAL UTILITY DISTRICT NO. 1A
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 6. CAPITAL ASSETS

Capital asset activity for year ended March 31, 2025 is as follows:

	April 1, 2024	Increases	Decreases	March 31, 2025
Capital Assets Subject to Depreciation				
Water System	\$ 2,808,887	\$ 11,901	\$	\$ 2,820,788
Wastewater System	4,896,748	8,181		4,904,929
Drainage System	<u>5,564,743</u>	<u>2,557,192</u>		<u>8,121,935</u>
Total Capital Assets Subject to Depreciation	<u>\$ 13,270,378</u>	<u>\$ 2,577,274</u>	<u>\$ - 0 -</u>	<u>\$ 15,847,652</u>
Accumulated Depreciation				
Water System	\$ 66,973	\$ 68,218	\$	\$ 135,191
Wastewater System	129,612	118,572		248,184
Drainage System	<u>131,075</u>	<u>247,463</u>		<u>378,538</u>
Total Accumulated Depreciation	<u>\$ 327,660</u>	<u>\$ 434,253</u>	<u>\$ - 0 -</u>	<u>\$ 761,913</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u><u>\$ 12,942,718</u></u>	<u><u>\$ 2,143,021</u></u>	<u><u>\$ - 0 -</u></u>	<u><u>\$ 15,085,739</u></u>

NOTE 7. MAINTENANCE TAX

On November 2, 2021, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's facilities as well as any other lawfully authorized purpose. During the current fiscal year, the District levied an ad valorem maintenance tax rate of \$1.50 per \$100 of assessed valuation, which resulted in a tax levy of \$469,974 on the adjusted taxable valuation of \$31,331,579 for the 2024 tax year.

On November 2, 2021, the voters of the District approved the levy and collection of a road maintenance tax not the exceed \$1.50 per \$100 of assessed valuation to be used for constructing and maintaining the District's roads. As of March 31, 2025, the District has not levied a road maintenance tax.

On November 2, 2021, the voters of the District approved the levy and collection of a parks and recreational facilities maintenance tax not the exceed \$0.10 per \$100 of assessed valuation to be used for constructing and maintaining the District's parks and recreational facilities. As of March 31, 2025, the District has not levied a parks and recreational facilities maintenance tax.

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

LAGO BELLO MUNICIPAL UTILITY DISTRICT NO. 1A
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 8. RISK MANAGEMENT

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

NOTE 9. UNREIMBURSED COSTS

The District has entered into certain financing and reimbursement agreements with a Developer within the District which provides for the Developer to make payments on behalf of the District for various projects and operating advances. The District has an obligation to reimburse the Developer for these costs from future bond issues to the extent approved by the Commission. The District has recorded a liability to the Developer of \$23,565,656, of which \$2,415,316 is for operating advances as of March 31, 2025. The actual amounts owed, including developer interest, will be calculated at the time debt is issued to reimburse the Developer. The following table summarizes the current fiscal year activity related to unreimbursed Developer costs:

Due to Developer, beginning of year	\$ 21,331,969
Additions	5,228,499
Reimbursements	<u>(2,994,812)</u>
Due to Developer, end of year	<u>\$ 23,565,656</u>

NOTE 10. LEASES

On December 14, 2021, the District entered into a lease agreement with AUC Group to finance a 0.150 MGD wastewater treatment plant in the amount of \$2,896,500. On September 13, 2022, the District entered into the First Amendment to the equipment lease agreement with AUC Group. The initial term of this lease is 120 months. Payments in the amount of \$25,300 are due for the first 24 months and payments in the amount of \$29,900 are due from the 25th month to the 120th month. Payments are due the first day of each month. The District has the option to purchase the wastewater treatment plant commencing on the 72nd month, per an amortization schedule in the lease agreement. Last month's lease payment has been recorded as a prepaid cost. Monthly lease payments of \$24,430 will be required for any additional months beyond the initial term.

LAGO BELLO MUNICIPAL UTILITY DISTRICT NO. 1A
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 10. LEASES (Continued)

On December 14, 2021, the District entered into a lease agreement with AUC Group to finance Water Plant 1, Phase 1 in the amount of \$2,820,000. On September 13, 2022, the District entered into the First Amendment to the equipment lease agreement with AUC Group. The initial term of this lease is 120 months. Payments in the amount of \$23,750 are due for the first 24 months and payments in the amount of \$28,100 are due from the 25th month to the 120th month. The District has the option to purchase the water plant at any time, per an amortization schedule in the lease agreement. Last month's lease payment has been recorded as a prepaid cost. Monthly lease payments of \$27,230 will be required for any additional months beyond the initial term.

During the prior fiscal year, on June 19, 2023, the District and AUC Group approved a Settlement Agreement stating the completion of the water and wastewater facilities and the commencement of the lease payments.

In accordance with the requirements of GASB Statement No. 87, the District reclassified the two remaining lease related capital assets above to right-of-use assets. Right-of-use assets, current year amortization expense, and accumulated amortization is summarized below:

	April 1, 2024	Increases	Decreases	March 31, 2025
Right-of-use Asset Subject to Amortization				
Water Treatment Plant	\$ 2,850,000	\$	\$	\$ 2,850,000
Wastewater Treatment Plant	<u>2,929,850</u>			<u>2,929,850</u>
Total Right-of-use Asset Subject to Amortization	<u>\$ 5,779,850</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 5,779,850</u>
Less Accumulated Amortization				
Water Treatment Plant	\$ 58,128	\$ 63,333	\$	\$ 121,461
Wastewater Treatment Plant	<u>59,756</u>	<u>65,108</u>		<u>124,864</u>
Total Accumulated Amortization	<u>\$ 117,884</u>	<u>\$ 128,441</u>	<u>\$ - 0 -</u>	<u>\$ 246,325</u>
Right-of-use Asset Net of Accumulated Amortization	<u><u>\$ 5,661,966</u></u>	<u><u>\$ (128,441)</u></u>	<u><u>\$ - 0 -</u></u>	<u><u>\$ 5,533,525</u></u>

LAGO BELLO MUNICIPAL UTILITY DISTRICT NO. 1A
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 10. LEASES (Continued)

The following is a summary of transactions regarding the lease payable for the year ended March 31, 2025:

Lease Payable, April 1, 2024	\$ 5,648,905
Less: Lease Principal Paid	<u>141,811</u>
Lease Payable, March 31, 2025	<u>\$ 5,507,094</u>
Lease Payable:	
Due Within One Year	\$ 265,012
Due After One Year	<u>5,242,082</u>
Lease Payable, March 31, 2025	<u>\$ 5,507,094</u>

The following is a schedule of future minimum lease payments under the lease as of March 31, 2025.

Fiscal Year	Principal	Interest	Total
2026	\$ 265,012	\$ 430,988	\$ 696,000
2027	287,006	408,994	696,000
2028	310,827	385,173	696,000
2029	336,625	359,375	696,000
2030	364,562	331,438	696,000
2031-2033	<u>3,943,062</u>	<u>802,497</u>	<u>4,745,559</u>
	<u>\$ 5,507,094</u>	<u>\$ 2,718,465</u>	<u>\$ 8,225,559</u>

NOTE 11. WATER SUPPLY CONTRACT

Effective May 1, 2023, the District entered into a Water Supply Contract (“Contract”) with the San Jacinto River Authority (the “Authority”). Effective August 1, 2023, The District entered into an amended Contract with the Authority. The Contract states the Authority will reserve up to 1,549,000 gallons of untreated surface water per day (“Reserve Quantity”) to the District provided that, commencing January 1, 2036, the District shall purchase a minimum of 413,500 gpd (the “Demand Quality”) and may increase such Demand Quality thereafter from time to time until January 1, 2041, when such Demand Quality becomes fixed. The District may request quantities up to, but not in excess of 110% of the demand quantity. During the current fiscal year, the District purchased water in the amount of \$77,146 in accordance with the Contract. The Contract is in effect for a term of 30 years.

LAGO BELLO MUNICIPAL UTILITY DISTRICT NO. 1A
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 12. INTERFUND PAYABLES AND RECEIVABLES

As of March 31, 2025, the Capital Projects Fund owed the General Fund \$2,624 for costs related to the issuance of the Series 2024 Road bonds.

NOTE 13. BOND SALE

On December 17, 2024, the District closed on the sale of its \$5,850,000 Unlimited Tax Road Bonds, Series 2024. Proceeds of the bonds were used to reimburse the developer for a portion of the costs associated: (i) Sweetgrass Village, Section One paving; (ii) Barrett Crossing, Section One paving; (iii) landscaping; (iv) engineering, construction materials testing and geotechnical engineering associated with the referenced projects; and (v) land acquisition. Bond proceeds were also used to fund capitalized interest, developer interest, and bond issuance costs.

LAGO BELLO MUNICIPAL UTILITY DISTRICT NO. 1A

REQUIRED SUPPLEMENTARY INFORMATION

MARCH 31, 2025

LAGO BELLO MUNICIPAL UTILITY DISTRICT NO. 1A
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2025

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 411,600	\$ 467,566	\$ 55,966
Water Service	59,700	45,706	(13,994)
Wastewater Service	85,666	70,108	(15,558)
Water Authority Fees	6,424	29,988	23,564
Penalty and Interest	60	6,122	6,062
Tap Connection and Inspection Revenues	334,800	399,236	64,436
Investment and Miscellaneous Revenues	<u>9,225</u>	<u>7,323</u>	<u>(1,902)</u>
TOTAL REVENUES	<u>\$ 907,475</u>	<u>\$ 1,026,049</u>	<u>\$ 118,574</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 139,500	\$ 265,622	\$ (126,122)
Contracted Services	141,570	88,186	53,384
Purchased Water Service	106,512	77,146	29,366
Utilities	30,000	24,695	5,305
Repairs and Maintenance/Capital Outlay	199,070	711,368	(512,298)
Other	337,395	208,088	129,307
Debt Service: Lease Principal and Interest	<u>588,600</u>	<u>588,600</u>	<u></u>
TOTAL EXPENDITURES	<u>\$ 1,542,647</u>	<u>\$ 1,963,705</u>	<u>\$ (421,058)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (635,172)</u>	<u>\$ (937,656)</u>	<u>\$ (302,484)</u>
OTHER FINANCING SOURCES(USES)			
Developer Advances	<u>\$ 635,172</u>	<u>\$ 737,088</u>	<u>\$ 101,916</u>
NET CHANGE IN FUND BALANCE	\$ -0-	\$ (200,568)	\$ (200,568)
FUND BALANCE - APRIL 1, 2024	<u>308,645</u>	<u>308,645</u>	<u></u>
FUND BALANCE - MARCH 31, 2025	<u>\$ 308,645</u>	<u>\$ 108,077</u>	<u>\$ (200,568)</u>

See accompanying independent auditor's report.

LAGO BELLO MUNICIPAL UTILITY DISTRICT NO. 1A
SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
MARCH 31, 2025

LAGO BELLO MUNICIPAL UTILITY DISTRICT NO. 1A
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2025

1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:

<u>X</u>	Retail Water	<u>N/A</u>	Wholesale Water	<u>X</u>	Drainage
<u>X</u>	Retail Wastewater	<u>N/A</u>	Wholesale Wastewater	<u>N/A</u>	Irrigation
<u>N/A</u>	Parks/Recreation	<u>N/A</u>	Fire Protection	<u>N/A</u>	Security
<u>X</u>	Solid Waste/Garbage	<u>N/A</u>	Flood Control	<u>N/A</u>	Roads
<u>N/A</u>	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
<u>N/A</u>	Other (specify): Storm Water Detention				

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):

Based on the rate order effective July 16, 2024.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 24.00	5,000	N	\$ 2.00	5,001 to 10,000
				2.50	10,001 to 15,000
				3.00	15,001 to 20,000
				4.00	20,001 and up
WASTEWATER:	\$ 42.42				
	includes garbage rate				
SURCHARGE:	\$4.00 per				
GRP Fees	1,000 gallons used				

District employs winter averaging for wastewater usage?

 X
Yes No

Total monthly charges per 10,000 gallons usage: Water: \$34.00 Wastewater: \$42.42 Surcharge: \$40.00

See accompanying independent auditor's report.

LAGO BELLO MUNICIPAL UTILITY DISTRICT NO. 1A
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2025

2. RETAIL SERVICE PROVIDERS (Continued)

a. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered			x 1.0	
≤¾"	<u>272</u>	<u>269</u>	x 1.0	<u>269</u>
1"	<u>4</u>	<u>4</u>	x 2.5	<u>10</u>
1½"			x 5.0	
2"	<u>5</u>	<u>5</u>	x 8.0	<u>40</u>
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u>281</u>	<u>278</u>		<u>319</u>
Total Wastewater Connections	<u>272</u>	<u>269</u>	x 1.0	<u>269</u>

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

Gallons billed to customers:	7,557,000	Water Accountability Ratio: 61.5% (Gallons billed/Gallons pumped)
Gallons pumped into system:	12,282,000	From: San Jacinto River Authority

See accompanying independent auditor's report.

LAGO BELLO MUNICIPAL UTILITY DISTRICT NO. 1A
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2025

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

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

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes ☒ No ☐

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely ☐ Partly ☐ Not at all ☒

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

Entirely ☐ Partly ☐ Not at all ☒

Are Board Members appointed by an office outside the District?

Yes ☐ No ☒

See accompanying independent auditor's report.

LAGO BELLO MUNICIPAL UTILITY DISTRICT NO. 1A
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2025

PROFESSIONAL FEES:	
Auditing	\$ 8,500
Engineering	115,674
Legal	139,187
Delinquent Tax Attorney	261
	<hr/>
TOTAL PROFESSIONAL FEES	\$ 263,622
	<hr/>
PURCHASED WATER SERVICE	\$ 77,146
	<hr/>
CONTRACTED SERVICES:	
Appraisal District	\$ 3,622
Bookkeeping	14,475
Operations and Billing	36,236
Solid Waste Disposal	14,670
Tax Collector	11,803
	<hr/>
TOTAL CONTRACTED SERVICES	\$ 80,806
	<hr/>
UTILITIES	\$ 24,695
	<hr/>
REPAIRS AND MAINTENANCE	\$ 691,286
	<hr/>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 12,133
Dues	750
Insurance	18,958
Legal Notices	1,498
Office Supplies and Postage	6,173
Travel and Meetings	796
	<hr/>
TOTAL ADMINISTRATIVE EXPENDITURES	\$ 40,308
	<hr/>
CAPITAL OUTLAY	\$ 20,082
	<hr/>
TAP CONNECTIONS	\$ 98,185
	<hr/>
SECURITY	\$ 7,380
	<hr/>
OTHER EXPENDITURES:	
Chemicals	\$ 7,117
Laboratory Fees	2,159
Permit Fees	2,086
Reconnection Fees	805
Inspection Fees	55,631
Regulatory Assessment	625
Other	1,172
	<hr/>
TOTAL OTHER EXPENDITURES	\$ 69,595
	<hr/>

See accompanying independent auditor's report.

LAGO BELLO MUNICIPAL UTILITY DISTRICT NO. 1A
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2025

BOND ISSUANCE COSTS	\$ <u>2,000</u>
DEBT SERVICE:	
Lease Principal	\$ 141,811
Lease Interest	<u>446,789</u>
TOTAL DEBT SERVICE	<u>\$ 588,600</u>
TOTAL EXPENDITURES	<u>\$ 1,963,705</u>

See accompanying independent auditor's report.

LAGO BELLO MUNICIPAL UTILITY DISTRICT NO. 1A
INVESTMENTS
MARCH 31, 2025

<u>Fund</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 46,526	\$ - 0 -
<u>DEBT SERVICE FUND</u>					
TexSTAR	XXXX3331	Varies	Daily	\$ 470,857	\$ - 0 -
TOTAL - ALL FUNDS				\$ 517,383	\$ - 0 -

See accompanying independent auditor's report.

LAGO BELLO MUNICIPAL UTILITY DISTRICT NO. 1A
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2025

	<u>Maintenance Taxes</u>	
TAXES RECEIVABLE -		
APRIL 1, 2024	\$ 2,274	
Adjustments to Beginning		
Balance	<u>2,245</u>	\$ 4,519
Original 2024 Tax Levy	\$ 467,385	
Adjustment to 2024 Tax Levy	<u>2,589</u>	<u>469,974</u>
TOTAL TO BE		
ACCOUNTED FOR		\$ 474,493
TAX COLLECTIONS:		
Prior Years	\$ 2,275	
Current Year	<u>465,291</u>	<u>467,566</u>
TAXES RECEIVABLE -		
MARCH 31, 2025		<u>\$ 6,927</u>
TAXES RECEIVABLE BY		
YEAR:		
2024		\$ 4,683
2021		<u>2,244</u>
TOTAL		<u>\$ 6,927</u>

See accompanying independent auditor's report.

LAGO BELLO MUNICIPAL UTILITY DISTRICT NO. 1A
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
PROPERTY VALUATIONS:				
Land	\$ 31,589,024	\$ 16,478,416	\$ 378,494	\$ 350,759
Improvements	21,419	20,269	91,943	97,853
Personal Property	111,383	38,022		
Exemptions	<u>(390,247)</u>	<u>(23,531)</u>		
TOTAL PROPERTY VALUATIONS	<u>\$ 31,331,579</u>	<u>\$ 16,513,176</u>	<u>\$ 470,437</u>	<u>\$ 448,612</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Maintenance	<u>1.50</u>	<u>1.50</u>	<u>1.50</u>	<u>1.50</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 1.50</u>	<u>\$ 1.50</u>	<u>\$ 1.50</u>	<u>\$ 1.50</u>
ADJUSTED TAX LEVY*	<u>\$ 469,974</u>	<u>\$ 247,697</u>	<u>\$ 7,057</u>	<u>\$ 6,729</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>99.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>66.65 %</u>

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

Maximum Tax – Maximum tax rate of \$1.50 per \$100 of assessed valuation approved by voter on November 2, 2021.

See accompanying independent auditor's report.

LAGO BELLO MUNICIPAL UTILITY DISTRICT NO. 1A
LONG-TERM DEBT SERVICE REQUIREMENTS
MARCH 31, 2025

S E R I E S - 2 0 2 4 R O A D			
Due During Fiscal Years Ending March 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2026	\$	\$ 258,888	\$ 258,888
2027	125,000	256,153	381,153
2028	135,000	250,465	385,465
2029	140,000	244,450	384,450
2030	145,000	238,216	383,216
2031	155,000	231,653	386,653
2032	160,000	224,762	384,762
2033	170,000	217,544	387,544
2034	175,000	209,997	384,997
2035	185,000	202,121	387,121
2036	195,000	193,810	388,810
2037	200,000	185,169	385,169
2038	210,000	176,200	386,200
2039	220,000	166,794	386,794
2040	230,000	156,950	386,950
2041	245,000	146,559	391,559
2042	255,000	135,622	390,622
2043	265,000	124,247	389,247
2044	280,000	112,325	392,325
2045	295,000	99,562	394,562
2046	305,000	86,063	391,063
2047	320,000	72,000	392,000
2048	335,000	57,262	392,262
2049	350,000	41,850	391,850
2050	370,000	25,650	395,650
2051	385,000	8,663	393,663
	<u>\$ 5,850,000</u>	<u>\$ 4,122,975</u>	<u>\$ 9,972,975</u>

See accompanying independent auditor's report.

LAGO BELLO MUNICIPAL UTILITY DISTRICT NO. 1A
CHANGES IN LONG-TERM DEBT
MARCH 31, 2025

Description	Original Bonds Issued	Bonds Outstanding April 1, 2024
Lago Bello Municipal Utility District No. 1A Unlimited Tax Road Bonds - Series 2024	\$ 5,850,000	\$ - 0 -
Bond Authority:	Tax Bonds	Refunding Bonds
Amount Authorized by Voters	\$ 300,800,000	\$ 214,565,000
Amount Issued		
Remaining to be Issued	\$ 300,800,000	\$ 214,565,000
	*	
Debt Service Fund cash, investments and cash with paying agent balances as of March 31, 2025:		\$ 470,857
Average annual debt service payment (principal and interest) for remaining term of all debt:		\$ 383,576

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

* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				<u>Paying Agent</u>
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding March 31, 2025</u>	
	<u>Principal</u>	<u>Interest</u>		
\$ 5,850,000	\$ - 0 -	\$ 53,216	\$ 5,850,000	The Bank of New York Mellon Trust Company, N.A. Houston, TX
<u>Road Bonds</u>				
\$ 93,860,000				
<u>5,850,000</u>				
<u>\$ 88,010,000</u>				

See accompanying independent auditor's report.

LAGO BELLO MUNICIPAL UTILITY DISTRICT NO. 1A
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – FOUR YEARS

	Amounts		
	2025	2024	2023
REVENUES			
Property Taxes	\$ 467,566	\$ 245,423	\$ 13,786
Water Service	45,706	9,307	
Wastewater Service	70,108	10,824	
Water Authority Fees	29,988	1,200	
Penalty and Interest	6,122	2,533	690
Tap Connection and Inspection Fees	399,236	148,240	
Investment and Miscellaneous Revenues	<u>7,323</u>	<u>2,046</u>	<u>90</u>
TOTAL REVENUES	<u>\$ 1,026,049</u>	<u>\$ 419,573</u>	<u>\$ 14,566</u>
EXPENDITURES			
Professional Fees	\$ 263,622	\$ 258,567	\$ 199,621
Contracted Services	90,186	32,315	16,314
Purchased Water Service	77,146	63,112	
Utilities	24,695	13,935	
Repairs and Maintenance	691,286	115,163	
Other	208,088	130,935	18,533
Capital Outlay	20,082	202,686	
Debt Service: Lease Principal and Interest	<u>588,600</u>	<u>588,600</u>	
TOTAL EXPENDITURES	<u>\$ 1,963,705</u>	<u>\$ 1,405,313</u>	<u>\$ 234,468</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (937,656)</u>	<u>\$ (985,740)</u>	<u>\$ (219,902)</u>
OTHER FINANCING SOURCES (USES)			
Developer Advances	<u>\$ 737,088</u>	<u>1,199,093</u>	<u>233,984</u>
NET CHANGE IN FUND BALANCE	<u>\$ (200,568)</u>	<u>\$ 213,353</u>	<u>\$ 14,082</u>
BEGINNING FUND BALANCE	<u>308,645</u>	<u>95,292</u>	<u>81,210</u>
ENDING FUND BALANCE	<u><u>\$ 108,077</u></u>	<u><u>\$ 308,645</u></u>	<u><u>\$ 95,292</u></u>

See accompanying independent auditor's report.

Percentage of Total Revenues				
2022	2025	2024	2023	2022
\$	45.6 %	58.5 %	94.7 %	%
	4.5	2.2		
	6.8	2.6		
	2.9	0.3		
	0.6	0.6	4.7	
	38.9	35.3		
2	0.7	0.5	0.6	100.0
\$ 2	100.0 %	100.0 %	100.0 %	100.0 %
\$ 125,818	25.7 %	61.6 %	1,370.5 %	6,290,900.0 %
17,692	8.8	7.7	112.0	884,600.0
	7.5	15.0		
	2.4	3.3		
	67.4	27.4		
16,503	20.3	31.2	127.2	825,150.0
	2.0	48.3		
	57.4	140.3		
\$ 160,013	191.5 %	334.8 %	1,609.7 %	8,000,650.0 %
\$ (160,011)	(91.5) %	(234.8) %	(1,509.7) %	(8,000,550.0) %
240,152				
\$ 80,141				
1,069				
\$ 81,210				

See accompanying independent auditor's report.

LAGO BELLO MUNICIPAL UTILITY DISTRICT NO. 1A
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND – FOUR YEARS

	Amounts		
	2025	2024	2023
REVENUES			
Investment and Miscellaneous Revenues	\$ 6,298	\$ - 0 -	\$ - 0 -
EXPENDITURES			
Debt Service Interest and Fees	\$ 53,216	\$ - 0 -	\$ - 0 -
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (46,918)	\$ - 0 -	\$ - 0 -
OTHER FINANCING SOURCES (USES)			
Long-Term Debt Issued	\$ 517,775	\$ - 0 -	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 470,857	\$ - 0 -	\$ - 0 -
BEGINNING FUND BALANCE			
ENDING FUND BALANCE	\$ 470,857	\$ - 0 -	\$ - 0 -
TOTAL ACTIVE RETAIL WATER CONNECTIONS	278	97	N/A
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	269	89	N/A

See accompanying independent auditor's report.

	Percentage of Total Revenue			
2022	2025	2024	2023	2022
\$ - 0 -	100.0 %	- 0 - %	- 0 - %	- 0 - %
\$ - 0 -	845.0 %	- 0 - %	- 0 - %	- 0 - %
\$ - 0 -	(745.0) %	N/A %	N/A %	N/A %
\$ - 0 -				
\$ - 0 -				
\$ - 0 -				
N/A				
N/A				

See accompanying independent auditor's report.

District Mailing Address - Lago Bello Municipal Utility District No. 1A
c/o Coats Rose, P.C.
9 Greenway Plaza, Suite 1000
Houston, TX 77046

District Telephone Number - (713) 653-5735

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

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution on May 11, 2021. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

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LAGO BELLO MUNICIPAL UTILITY DISTRICT NO. 1A
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MARCH 31, 2025

Consultants:	Date Hired	Fees for the year ended March 31, 2025	Title
Coats Rose, P. C.	05/11/21	\$ 139,187	General Counsel
		\$ 160,249	Bond Counsel
		\$ 261	Delinquent Tax Attorney
McCall Gibson Swedlund Barfoot Ellis PLLC	04/12/22	\$ 8,500	Auditor
		\$ 16,500	Bond Related
Myrtle Cruz, Inc.	05/11/21	\$ 20,360	Bookkeeper
Masterson Advisors	05/11/21	\$ 120,546	Financial Advisor
Odyssey Engineering Group	05/11/21	\$ 158,737	Engineer
B&A Municipal Tax Services, LLC	05/11/21	\$ 13,003	Tax Assessor/ Collector
Municipal District Services, LLC	11/15/21	\$ 824,875	Operator
Mary Jarmon	05/11/21	\$ -0-	Investment Officer

See accompanying independent auditor's report.

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:

200 Liberty Street, 27th floor

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN