

**OFFICIAL STATEMENT DATED NOVEMBER 24, 2025**

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3, OF HARRIS AND FORT BEND COUNTIES, TEXAS, AND INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION, SUBJECT TO THE MATTERS DESCRIBED UNDER "LEGAL MATTERS" HEREIN, INCLUDING THE ALTERNATIVE MINIMUM TAX ON CERTAIN CORPORATIONS. SEE "LEGAL MATTERS" HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

THE BONDS HAVE BEEN DESIGNATED 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)  
 Underlying Rating: S&P "A"  
 See "MUNICIPAL BOND RATING" and  
 "MUNICIPAL BOND INSURANCE" herein.

**\$4,925,000**  
**HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3,**  
**OF HARRIS AND FORT BEND COUNTIES, TEXAS**  
*(A political subdivision of the State of Texas located within Harris and Fort Bend Counties)*  
**UNLIMITED TAX PARK BONDS**  
**SERIES 2025**

**Dated Date: December 1, 2025**

**Due: April 1, as shown below**

**Interest Accrual Date: Date of Delivery**

Principal of the bonds described above (the "Bonds") is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially Regions Bank, Houston, Texas (the "Paying Agent/Registrar") upon surrender of the Bonds for payment. Interest on the Bonds accrues from the date of delivery (expected to be on or about December 23, 2025) (the "Date of Delivery"), and will be payable each April 1 and October 1, commencing April 1, 2026, until maturity or prior redemption. The Bonds will be issued only in fully registered form. The Bonds will be issued 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 defined herein under "BOOK-ENTRY-ONLY SYSTEM") of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the DTC participants. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent/Registrar, as herein defined, directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the Beneficial Owners. See "BOOK-ENTRY-ONLY SYSTEM."



The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM" or the "Insurer"). See "MUNICIPAL BOND INSURANCE" herein.

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS**

| Due<br>(April 1) | Principal<br>Amount | Interest<br>Rate | Initial<br>Reoffering<br>Yield (b) | CUSIP<br>Number (c) | Due<br>(April 1) | Principal<br>Amount | Interest<br>Rate | Initial<br>Reoffering<br>Yield (b) | CUSIP<br>Number (c) |
|------------------|---------------------|------------------|------------------------------------|---------------------|------------------|---------------------|------------------|------------------------------------|---------------------|
| 2027             | \$ 100,000          | 5.500%           | 2.800%                             | 41454T LJ8          | 2040             | \$ 230,000 (a)      | 4.000%           | 3.900%                             | 41454T LX7          |
| 2028             | 100,000             | 5.500            | 2.800                              | 41454T LK5          | 2041             | 245,000 (a)         | 4.000            | 4.000                              | 41454T LY5          |
| 2029             | 100,000             | 5.500            | 2.800                              | 41454T LL3          | 2042             | 255,000 (a)         | 4.000            | 4.050                              | 41454T LZ2          |
| 2030             | 100,000             | 5.500            | 2.800                              | 41454T LM1          | 2043             | 270,000 (a)         | 4.000            | 4.100                              | 41454T MA6          |
| 2031             | 100,000             | 5.500            | 2.850                              | 41454T LN9          | 2044             | 280,000 (a)         | 4.000            | 4.150                              | 41454T MB4          |
| 2032             | 100,000             | 5.500            | 2.950                              | 41454T LP4          | 2045             | 295,000 (a)         | 4.000            | 4.200                              | 41454T MC2          |
| 2033             | 100,000 (a)         | 5.500            | 3.050                              | 41454T LQ2          | 2046             | 310,000 (a)         | 4.000            | 4.250                              | 41454T MD0          |
| ***              | ***                 | ***              | ***                                | ***                 | 2047             | 325,000 (a)         | 4.000            | 4.270                              | 41454T ME8          |
| 2037             | 200,000 (a)         | 3.750            | 3.750                              | 41454T LU3          | 2048             | 345,000 (a)         | 4.000            | 4.300                              | 41454T MF5          |
| 2038             | 210,000 (a)         | 4.000            | 3.700                              | 41454T LV1          | 2049             | 360,000 (a)         | 4.000            | 4.350                              | 41454T MG3          |
| 2039             | 220,000 (a)         | 4.000            | 3.800                              | 41454T LW9          | 2050             | 380,000 (a)         | 4.000            | 4.400                              | 41454T MH1          |

\$300,000 Term Bonds due April 1, 2036 (a), 41454T LT6 (c), 3.625% Interest Rate, 3.625% Yield (b)

- (a) The Bonds maturing on or after April 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 April 1, 2032, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent Interest Payment Date (as herein defined) to the date fixed for redemption. The Term Bonds (as defined herein) are also subject to mandatory sinking fund redemption as more fully described herein. See "THE BONDS—Redemption Provisions."
- (b) Initial yield represents the initial offering yield to the public, which has been established by the Initial Purchaser (as herein defined) for offers to the public and which subsequently may be changed.
- (c) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.

The Bonds, when issued, will constitute valid and legally binding obligations of Harris-Fort Bend Counties Municipal Utility District No. 3, of Harris and Fort Bend Counties, Texas (the "District") and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, Fort Bend County, the City of Houston or any entity other than the District. Investment in the Bonds is subject to special investment considerations described herein. See "INVESTMENT CONSIDERATIONS."

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

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### USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

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

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

**OFFICIAL STATEMENT SUMMARY**

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

**THE FINANCING**

- The Issuer*.....Harris-Fort Bend Counties Municipal Utility District No. 3, of Harris and Fort Bend Counties, Texas (the “District”), a political subdivision of the State of Texas, is located in Harris and Fort Bend Counties, Texas. See “THE DISTRICT.”
- The Issue*.....\$4,925,000 Harris-Fort Bend Counties Municipal Utility District No. 3, of Harris and Fort Bend Counties, Unlimited Tax Park Bonds, Series 2025 (the “Bonds”), dated December 1, 2025. Interest on the Bonds will accrue from the Date of Delivery (expected to be on or about December 23, 2025) and will be payable on April 1 and October 1 of each year commencing April 1, 2026 until maturity or prior redemption. The Bonds mature serially on April 1 in each of the years from 2027 through 2033, both inclusive, and 2037 through 2050, both inclusive, and as term bonds maturing on April 1, 2036 (the “Term Bonds”) in the respective amounts and bear interest at the rates for each maturity shown on the cover page hereof. The Bonds maturing on or after April 1, 2033, are subject to optional redemption, in whole or, from time to time, in part, on April 1, 2032, or on any date thereafter, at a price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption. The Term Bonds are also subject to mandatory sinking fund redemption as more fully described herein. If less than all the Bonds are redeemed, the amounts thereof to be redeemed shall be selected by the District in integral multiples of \$5,000 in any one maturity. If less than all the Bonds within a maturity are redeemed, the Bonds to be redeemed shall be selected by DTC, as defined herein, in accordance with its procedures. The Bonds will be issued in fully registered form only, in denominations of \$5,000 or any integral multiple thereof. See “THE BONDS.”
- Book-Entry-Only System* .....The Bonds will be registered in the name of, and delivered only to, Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co. (DTC’s partnership nominee), or such other name as may be requested by an authorized representative of DTC, which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM.”
- Authority for Issuance* .....At an election held within the District on November 8, 2005, voters authorized a total of \$4,925,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing recreational facilities. The Bonds constitute the first issuance of bonds from such authorization. After issuance of the Bonds, no remaining principal amount of unlimited tax bonds for recreational facilities will remain authorized but unissued. The Bonds are issued by the District pursuant to the terms and provisions of the Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including, without limitation, Chapters 49 and 54 of the Texas Water Code, as amended, an election held within the District, an order of the Texas Commission on Environmental Quality (the “TCEQ” or the “Commission”) and an order authorizing the issuance of the Bonds (the “Bond Order”). See “THE BONDS—Authority for Issuance,” “—Issuance of Additional Debt” and “INVESTMENT CONSIDERATIONS—Future Debt.”
- Source of Payment*.....The Bonds are payable from a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. See “THE BONDS—Source and Security for Payment.”
- Use of Proceeds*.....Proceeds from the Bonds will be used to finance Phase One park and trail development. Bond proceeds will also be used to pay certain associated engineering costs, and costs associated with the issuance of the Bonds. See “THE SYSTEM—Use and Distribution of Bond Proceeds.”

*Payment Record* .....The Bonds are the District’s first issuance of unlimited tax bonds for recreational facilities. The District has previously issued \$60,940,000 principal amount of unlimited tax bonds for water, sanitary sewer and drainage facilities in eight series and \$25,365,000 principal amount of unlimited tax refunding bonds in four series (collectively, the “Previously Issued Bonds”). As of the date hereof, a total of \$44,935,000 principal amount of such bonds is outstanding (the “Outstanding Bonds”). The District has timely paid its debt service on the Previously Issued Bonds.

*Qualified Tax-Exempt Obligations* .....The District has designated the Bonds as “qualified tax-exempt obligations” pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See “LEGAL MATTERS—Qualified Tax-Exempt Obligations.”

*Legal Opinion*.....Schwartz, Page & Harding, L.L.P., Bond Counsel, Houston, Texas.

*Engineer* ..... Vogler & Spencer Engineering, Inc., Houston, Texas.

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

*Financial Advisor* .....Masterson Advisors LLC, Houston, Texas.

*Paying Agent/Registrar* .....Regions Bank, Houston, Texas.

*Municipal Bond Rating and Municipal Bond Insurance* .....It is expected that S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, (“S&P”) will assign a municipal bond rating of “AA” (stable outlook) to this issue of Bonds with the understanding that, upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company (“BAM” or the “Insurer”). S&P has also assigned an underlying credit rating of “A” on the Bonds. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance,” “MUNICIPAL BOND RATING,” “MUNICIPAL BOND INSURANCE” and “APPENDIX B.”

**THE DISTRICT**

*Description*.....The District is a political subdivision of the State of Texas, created by order of the Texas Water Rights Commission, a predecessor to the TCEQ, dated January 28, 1982. The District operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District consists of approximately 530 acres of land. See “THE DISTRICT.”

*Location*.....The District is located in Harris and Fort Bend Counties, approximately 25 miles west of the central downtown business district of the City of Houston. The District lies south of Interstate 10 West, and east and north of Katy-Fort Bend Road. The District is located within the extraterritorial jurisdiction of the City of Houston and within the boundaries of the Katy Independent School District. See “THE DISTRICT” and “AERIAL PHOTOGRAPH.”

*Status of Development*.....Approximately 138 acres of land within the District have been developed into Lakes of Grand Harbor, Sections One through Three, Estates of Grand Harbor, Section One and Harbor Shores, Section One, which collectively encompass 490 single-family residential lots. In addition, approximately 22 acres of land in the District have been developed as The Towns at Seville, a gated townhome development with 107 individually owned lots. As of September 30, 2025, there were 590 completed and occupied homes, and 7 completed and unoccupied homes. According to the 2025 tax rolls, homes in the District have an average taxable value of approximately \$359,000.

Located within the District are eight apartment complexes on approximately 117 acres of land, representing approximately 2,260 total units. Two of such apartment complexes, Katy Ranch Apartments and Premier at Katy, are owned by a public facility corporation and currently maintain a tax-exempt status and therefore are not subject to ad valorem taxation by the District. See “INVESTMENT CONSIDERATIONS—Certain Tax Exemptions Provided for Affordable Housing.” In addition, a 720-unit apartment complex is under construction and being developed by OHT Katy Gap, LLC (“OHT Katy Gap”) on approximately 13 acres in the District. The initial phase is expected to be completed in 2027 (360 units) with ultimate completion expected in 2028. A 320-unit apartment complex is under construction and being developed by Pelican Builders, Inc. on approximately 7 acres with completion expected in the second quarter of 2026. See “THE DISTRICT.”

Approximately 130 acres of land in the District have been developed for commercial purposes. Katy Ranch Crossing Development encompasses approximately 85 acres of the 130 acres and has been developed in five phases and includes a 750,000 square foot retail development. Some of the tenants in Katy Ranch Crossing include a Main Event, a Goodwill, a Guitar Center, a Dollar Tree, a Spec’s Wines, Spirits & Finer Foods, Floor and Décor, Boot Barn, Altitude Trampoline Park, Goodwill Industries, a senior living facility and a self-storage center as well as several small restaurants and small businesses. The Katy Creek Ranch Crossing Development also includes two office buildings, totaling 300,000 square feet of space with an adjacent parking garage.

Also included in the 130 acres of land developed for commercial purposes is multiple retail shopping centers containing several small businesses, numerous restaurants and fast-food establishments, the Falcon Ridge office condos, multiple medical office buildings, a Robert’s Carpet, a Meineke Car Care Center, a Tru by Hilton hotel, two pet care facilities, three gas station/convenience stores and two senior living facilities. The Katy Community Fellowship Church and a fire station for Harris County Emergency Services District No. 48 have also been constructed upon such acreage and are exempt from the payment of ad valorem taxes. See “THE DISTRICT.”

In addition, there are approximately 37 acres of developable but undeveloped land in the District and approximately 66 undevelopable acres consisting of drainage easements, rights-of-way, detention ponds and central utility plant sites. See “THE DISTRICT.”

### **INVESTMENT CONSIDERATIONS**

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

**SELECTED FINANCIAL INFORMATION (UNAUDITED)**

|   |                   |     |
|---|-------------------|-----|
| 2025 Taxable Assessed Valuation.....  | \$872,243,196     | (a) |
| Estimated Taxable Assessed Valuation as of September 1, 2025 .....                          | \$902,239,056     | (b) |
| Gross Direct Debt Outstanding .....   | \$49,860,000      | (c) |
| Estimated Overlapping Debt .....  | <u>42,110,237</u> | (d) |
| Total Gross Direct Debt and Estimated Overlapping Debt .....                                | \$91,970,237      |     |
| Ratios of Gross Direct Debt to:   |                   |     |
| 2025 Taxable Assessed Valuation.....  | 5.72%             |     |
| Estimated Taxable Assessed Valuation as of September 1, 2025 .....                          | 5.53%             |     |
| Ratios of Gross Direct Debt and Estimated Overlapping Debt to:                              |                   |     |
| 2025 Taxable Assessed Valuation.....  | 10.54%            |     |
| Estimated Taxable Assessed Valuation as of September 1, 2025 .....                          | 10.19%            |     |
| Debt Service Funds Available as of October 27, 2025.....                                    | \$4,093,205       | (e) |
| Operating Funds Available as of October 27, 2025 .....                                      | \$9,566,797       | (f) |
| Capital Projects Funds Available as of October 27, 2025 .....                               | \$ 946,669        |     |
| 2025 Debt Service Tax Rate.....   | \$0.44            |     |
| 2025 Maintenance Tax Rate.....  | <u>0.10</u>       |     |
| 2025 Total Tax Rate.....  | \$0.54            |     |
| Average Annual Debt Service Requirement (2026-2050).....                                    | \$2,705,461       | (g) |
| Maximum Annual Debt Service Requirement (2027).....   | \$3,956,006       | (g) |
| Tax Rates Required to Pay Average Annual Debt Service (2026-2050) at a 95% Collection Rate: |                   |     |
| Based upon 2025 Taxable Assessed Valuation.....   | \$0.33            | (h) |
| Based upon Estimated Taxable Assessed Valuation as of September 1, 2025.....                | \$0.32            | (h) |
| Tax Rates Required to Pay Maximum Annual Debt Service (2027) at a 95% Collection Rate:      |                   |     |
| Based upon 2025 Taxable Assessed Valuation.....   | \$0.48            | (h) |
| Based upon Estimated Taxable Assessed Valuation as of September 1, 2025.....                | \$0.47            | (h) |
| Water and Sewer Connections as of September 30, 2025 (i):                                   |                   |     |
| Completed Single-Family Homes (590 Occupied) .....  | 597               |     |
| Apartment Connections (2,260 Units).....  | 13                |     |
| Commercial Connections .....  | 36                |     |
| Other Connections.....  | 79                |     |
| Estimated Population .....  | 6,585             | (j) |

- (a) The Harris Central Appraisal District (“HCAD”) has certified \$833,975,875 of taxable value on the properties located within the District in Harris County. The Fort Bend Central Appraisal District (“FBCAD”) has certified \$14,256,736 on the properties located within the District in Fort Bend County. HCAD has indicated that there are additional properties that remain uncertified and that the owners’ opinion of the taxable value of the uncertified properties is \$24,010,585. The 2025 Taxable Assessed Valuation shown throughout the Official Statement is the certified value in Harris County plus the certified value in Fort Bend County plus the owners’ opinion of the uncertified properties in Harris County. See “TAX PROCEDURES.”
- (b) The Estimated Taxable Assessed Valuation within the District in Harris County as of August 1, 2025 is \$887,982,320 as provided by HCAD. The Estimated Taxable Assessed Valuation within the District in Fort Bend County as of September 1, 2025 is \$14,265,736 as provided by FBCAD. The estimated taxable assessed valuations are provided for informational purposes only and have no official status. Increases in value that occur between January 1, 2025 and August 1, 2025 or September 1, 2025 will be assessed for purposes of taxation on January 1, 2026. Taxes are levied based on value as certified by the applicable appraisal district as of January 1 of each year and therefore, this estimate will not be the basis for any tax levy by the District. See “TAX PROCEDURES.”
- (c) Includes the Bonds and the Outstanding Bonds. See “FINANCIAL STATEMENT (UNAUDITED)—Outstanding Bonds.”
- (d) See “ESTIMATED OVERLAPPING DEBT STATEMENT.”
- (e) Neither Texas law nor the Bond Order requires the District to maintain any particular balance in the Debt Service Fund. See “THE BONDS—Funds.”
- (f) The District has awarded a contract for park facilities in the amount of \$10,894,866. A portion of Bond proceeds will be used to pay for the park facilities and the remaining amount will be paid from surplus Operating Funds. See “THE SYSTEM—Use and Distribution of Bond Proceeds” and “FINANCIAL STATEMENT (UNAUDITED)—Cash and Investment Balances.”
- (g) See “DEBT SERVICE REQUIREMENTS.”
- (h) See “TAX DATA—Tax Adequacy for Debt Service” and “INVESTMENT CONSIDERATIONS—Impact on District Tax Rate.”
- (i) See “THE DISTRICT—Residential Development,” “—Commercial Development” and “—Other Development.”
- (j) Based upon 3.5 persons per occupied single-family residence and 2.0 persons per apartment unit.

## OFFICIAL STATEMENT

**\$4,925,000**

### **HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3, OF HARRIS AND FORT BEND COUNTIES, TEXAS**

*(A political subdivision of the State of Texas located within Harris and Fort Bend Counties)*

### **UNLIMITED TAX PARK BONDS SERIES 2025**

This Official Statement provides certain information in connection with the issuance by Harris-Fort Bend Counties Municipal Utility District No. 3, of Harris and Fort Bend Counties, Texas (the "District") of its \$4,925,000 Unlimited Tax Park Bonds, Series 2025 (the "Bonds").

The Bonds are issued by the District pursuant to the terms and provisions of Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas, Chapters 49 and 54 of the Texas Water Code, as amended, an order of the Texas Commission on Environmental Quality (the "TCEQ" or the "Commission") approving the issuance of the Bonds, an election held and for within the District, 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 the Bond Order, and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of documents may be obtained from the District c/o Schwartz, Page & Harding, L.L.P., 1300 Post Oak Boulevard, Suite 2400, Houston, Texas 77056, upon payment of the cost of duplication.

## THE BONDS

### **General**

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order, a copy of which is available from Bond Counsel upon payment of the costs of duplication therefor. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

### **Description**

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

### **Authority for Issuance**

At an election held within the District on November 8, 2005, voters of the District authorized a total of \$4,925,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing recreational facilities. The Bonds constitute the first issuance of bonds from such authorization. After the issuance of the Bonds, no remaining principal amount of unlimited tax bonds for recreational facilities will remain authorized but unissued. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; and an order of the Commission dated November 7, 2025.

**Source and Security for Payment**

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

**Funds**

The Bond Order confirms the establishment of the District's Construction Fund and the District's Bond Fund (the “Bond Fund”) created and established pursuant to the orders of the District authorizing the issuance of the Outstanding Bonds. All proceeds of the Bonds will be deposited in the Construction Fund. The Bond Fund, which constitutes a trust fund for the benefit of the owners of the Bonds, the Outstanding Bonds and any additional tax bonds issued by the District, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Bonds, the Outstanding Bonds and any of the District's duly authorized additional bonds payable in whole or in part from taxes. Amounts on deposit in the Bond Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds, the Outstanding Bonds, and any additional bonds payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

**Record Date**

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

**Redemption Provisions**

*Mandatory Redemption:* The Bonds maturing on April 1, 2036 (the “Term Bonds”) shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the “Redemption Date”), on April 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):

| <b>\$300,000 Term Bonds</b>   |                         |
|-------------------------------|-------------------------|
| <b>Due April 1, 2036</b>      |                         |
| <b><u>Mandatory</u></b>       | <b><u>Principal</u></b> |
| <b><u>Redemption Date</u></b> | <b><u>Amount</u></b>    |
| 2034                          | \$ 100,000              |
| 2035                          | 100,000                 |
| 2036 (maturity)               | 100,000                 |

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

*Optional Redemption:* The District reserves the right, at its option, to redeem the Bonds (including any Term Bonds) maturing on and after April 1, 2033, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on April 1, 2032, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Serial Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures so long as the Bonds are registered in accordance with the Book-Entry-Only System. See “BOOK-ENTRY-ONLY SYSTEM.” If less than all of the entire outstanding principal amount of a Term Bond is to be redeemed, the District will notify the Paying Agent/Registrar of the reduction in the remaining mandatory redemption amounts to result from the optional redemption. Notice of each exercise of the reserved right of optional redemption shall be given by the Paying Agent/Registrar at least thirty (30) calendar days prior to the redemption date, in the manner specified in the Bond Order.

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

### **Method of Payment of Principal and Interest**

The Board has appointed Regions Bank, 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. See "BOOK-ENTRY-ONLY SYSTEM."

### **Registration**

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

### **Replacement of Paying Agent/Registrar**

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

### **Legal Investment and Eligibility to Secure Public Funds in Texas**

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

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

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

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

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

### **Issuance of Additional Debt**

The District's voters have authorized the issuance of a total of \$4,925,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing recreational facilities and could authorize additional amounts. After the issuance of the Bonds, no remaining principal amount of unlimited tax bonds for recreational facilities will remain authorized but unissued. See "—Financing Recreational Facilities" herein. The District's voters have also authorized a total of \$67,450,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and a total of \$62,000,000 principal amount of unlimited tax refunding bonds for the purpose of refunding outstanding bonds of the District, and could authorize additional amounts. The District currently has \$6,510,000 principal amount of unlimited tax bonds authorized but unissued and \$59,944,277.26 principal amount of unlimited tax refunding bonds authorized but unissued.

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

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

### **Financing Road Facilities**

Pursuant to Chapter 54 of the Water Code, a municipal utility district may petition the Commission for the power to issue bonds supported by property taxes to finance roads. Before the District could issue such bonds, the District would be required to receive a grant of such power from the Commission, authorization from the District's voters to issue such bonds, and approval of the bonds by the Attorney General of Texas. The District has not considered filing an application to the Commission for "road powers" or calling such an election at this time. Issuance of bonds for roads could dilute the investment security for the Bonds.

### **Financing Recreational Facilities**

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

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

At an election held within the District on November 8, 2005, voters of the District authorized a total of \$4,925,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing recreational facilities, and could authorize additional amounts. Following the issuance of the Bonds, no remaining principal amount of unlimited tax bonds for recreational facilities will remain authorized but unissued. At such November 8, 2005 election, voters of the District also authorized a maintenance tax not to exceed \$0.10 per each \$100 of assessed valuation for maintenance of recreational facilities.

Issuance of additional bonds for recreational facilities could dilute the investment security for the Bonds.

### **Annexation**

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston (the "City"), the District may be annexed for full purposes by the City, subject to compliance by the City with various requirements of Chapter 43 of the Texas Local Government Code, as amended. Such requirements may include the requirement that the City hold an election in the District whereby the qualified voters of the District approve the proposed annexation. If the District is annexed, the City must assume the District's assets and obligations (including the Bonds and the Outstanding Bonds) and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and, therefore, the District makes no representation that the City will ever attempt to annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur. Under the terms of the SPA (as hereinafter defined) between the District and the City, however, the City has agreed not to annex the District for full purposes (a traditional municipal annexation) for at least thirty (30) years from the effective date of the SPA. See "THE DISTRICT—Strategic Partnership Agreement." The District could consent to a full purpose annexation prior to that time by agreeing to amend the SPA to such effect, however, the District currently has no intention to do so.

## **Consolidation**

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

## **Remedies in Event of Default**

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

## **Defeasance**

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

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

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as currently permitted under Texas law.

## BOOK-ENTRY-ONLY SYSTEM

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

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

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered 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](http://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.

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

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

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

The 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.

## **THE DISTRICT**

### **General**

The District is a municipal utility district created by an order of the Texas Water Commission, a predecessor to the Commission, dated January 28, 1982, under Article XVI, Section 59 of the Texas Constitution, and operates under the provisions of Chapter 49 and Chapter 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District, which lies wholly within the extraterritorial jurisdiction of the City of Houston, (except as described under "—Strategic Partnership Agreement") is subject to the continuing supervisory jurisdiction of the Commission.

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

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

### **Description and Location**

The District is located in Harris and Fort Bend Counties, approximately 25 miles west of the central downtown business district of the City of Houston. The District lies south of Interstate 10 West, and east and north of Katy–Fort Bend Road. The District is located within the extraterritorial jurisdiction of the City of Houston and within the boundaries of the Katy Independent School District. The District consists of approximately 530 acres of land. See "AERIAL PHOTOGRAPH."

## **Strategic Partnership Agreement**

The District and the City have entered into a First Amended and Restated Strategic Partnership Agreement dated and effective December 19, 2011 (the “SPA”) pursuant to Chapter 43 of the Texas Local Government Code. The SPA provides for a “limited purpose annexation” for that portion of the District which is developed for retail and commercial purposes in order to apply certain City health, safety, planning and zoning ordinances within the District. Areas of residential development within the District are not subject to the limited purpose annexation. The SPA also provides that the City will not annex the District for “full purposes” for at least thirty (30) years from the effective date of the SPA. Also, as a condition to full purpose annexation, any unpaid reimbursement obligations due to a developer by the District for water, wastewater and drainage facilities must be assumed by the City to the maximum extent permitted by Commission rules. The procedures for full purpose annexation under the SPA may differ from those otherwise applicable under Chapter 43, Texas Local Government Code, including any requirements for an election. See “THE BONDS—Annexation.”

As of the effective date of the SPA, the City was authorized to impose the one percent (1%) City sales and use tax within the portion of the District included in the limited purpose annexation. Such portion primarily includes retail and commercial development within the District. The City pays to the District an amount equal to one half (1/2) of all sales and use tax revenue generated within such area of the District and received by the City from the Comptroller of Public Accounts of the State of Texas (the “Sales Tax Revenue”). Pursuant to State law, the District is authorized to use Sales Tax Revenue generated under the SPA for any lawful purpose. None of the anticipated Sales Tax Revenue is pledged toward the payment of principal and interest on the Bonds or the Outstanding Bonds.

## **Development Agreement**

On February 23, 2009, the District entered into a Development Agreement (the “Agreement”) with a previous developer in the District, Ashford Park Limited Partnership, a Texas limited partnership, with Mach Products, Inc., a Texas corporation as its sole general partner, Bluecap, Ltd., a Texas limited partnership, with Mach Products, Inc., a Texas corporation as its sole general partner, and Capricorn, Ltd., a Texas limited partnership, with Mach Products, Inc., a Texas corporation as its sole general partner (collectively referred to as “Katy ABC Properties”). The Agreement states that seventy-five percent (75%) of sales tax revenues generated from businesses located within a defined area developed or being developed by Katy ABC Properties (the “Property”) and received by the District pursuant to the SPA will be paid to Katy ABC Properties in order to reimburse Katy ABC Properties for construction of certain improvements within the District. The District agrees to make payments to Katy ABC Properties no less frequently than once each calendar quarter beginning in the calendar quarter next following the calendar quarter in which the District first collects District sales tax revenue generated from retail activity within the Property. Payments from the District to Katy ABC Properties will continue until: a) the sum of the payments made by the District to Katy ABC Properties equals the total cost of the projects as determined under the Agreement, or b) the expiration of 15 years from the Effective Date of the Agreement, which is December 31, 2026, whichever comes first. Costs paid to Katy ABC Properties also include 7% interest, compounded annually, on the unpaid balance of costs beginning January 1<sup>st</sup> of the year following completion of the projects. The District began making payments to Katy ABC Properties pursuant to the terms of said agreement in 2013.

## **Residential Development**

Approximately 138 acres of land within the District have been developed into Lakes of Grand Harbor, Sections One through Three, Estates of Grand Harbor, Section One and Harbor Shores, Section One, which collectively encompass 490 single-family residential lots. In addition, approximately 22 acres of land in the District have been developed as The Towns at Seville, a gated townhome development with 107 individually owned lots. As of September 30, 2025, there were 590 completed and occupied homes, and 7 completed and unoccupied homes. According to the 2025 tax rolls, homes in the District have an average taxable value of approximately \$359,000.

Located within the District are eight apartment complexes on approximately 117 acres of land, representing approximately 2,260 total units. Two of such apartment complexes, Katy Ranch Apartments and Premier at Katy, are owned by a public facility corporation and currently maintain a tax-exempt status and therefore are not subject to ad valorem taxation by the District. The District amended its water and sewer utility rate order, effective January 1, 2025, to adopt a monthly fee for nontaxable entities and has collected such fee over the last ten months. The Premier at Katy has filed a petition with the Public Utility Commission of Texas contesting the nontaxable entity fee. No prediction can be made as to the outcome of the petition. The District does not expect the outcome to have a material impact on the financial or operating condition of the District. See “INVESTMENT CONSIDERATIONS—Certain Tax Exemptions Provided for Affordable Housing.” In addition, a 720-unit apartment complex is under construction and being developed by OHT Katy Gap, LLC (“OHT Katy Gap”) on approximately 13 acres in the District. The initial phase is expected to be completed in 2027 (360 units) with ultimate completion expected in 2028. A 320-unit apartment complex is under construction and being developed by Pelican Builders, Inc. on approximately 7 acres with completion expected in the second quarter of 2026.

**Commercial Development**

Approximately 130 acres of land in the District have been developed for commercial purposes. Katy Ranch Crossing Development encompasses approximately 85 acres of the 130 acres and has been developed in five phases and includes a 750,000 square foot retail development. Some of the tenants in Katy Ranch Crossing include a Main Event, a Goodwill, a Guitar Center, a Dollar Tree, a Spec’s Wines, Spirits & Finer Foods, Floor and Décor, Boot Barn, Altitude Trampoline Park, Goodwill Industries, a senior living facility, a self-storage center as well as several small restaurants and small businesses. The Katy Creek Ranch Crossing Development also includes two office buildings, totaling 300,000 square feet of space with an adjacent parking garage.

Also included in the 130 acres of land developed for commercial purposes is multiple retail shopping centers containing several small businesses, numerous restaurants and fast-food establishments, the Falcon Ridge office condos, multiple medical office buildings, a Robert’s Carpet, a Meineke Car Care Center, a Tru by Hilton hotel, two pet care facilities, three gas station/convenience stores and two senior living facilities. The Katy Community Fellowship Church and a fire station for Harris County Emergency Services District No. 48 have also been constructed upon such acreage and are exempt from the payment of ad valorem taxes.

**Undeveloped Acreage**

In addition, there are approximately 37 acres of developable but undeveloped land in the District and approximately 66 undevelopable acres consisting of drainage easements, rights-of-way, detention ponds and central utility plant sites.

**MANAGEMENT**

**Board of Directors**

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

| <u>Name</u>     | <u>Title</u>        | <u>Term Expires</u> |
|-----------------|---------------------|---------------------|
| Ron Welch       | President           | May 2026            |
| W. Derrell Witt | Vice President      | May 2028            |
| Frank Anzalotti | Secretary           | May 2028            |
| Richard Breihan | Assistant Secretary | May 2026            |
| Danny Williams  | Assistant Secretary | May 2026            |

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

**Tax Assessor/Collector**

Land and improvements in the District are being appraised for taxation by the Fort Bend Central Appraisal District and the Harris Central Appraisal District (together, the “Appraisal Districts”). The District contracts with Wheeler & Associates, Inc. to act as Tax Assessor/Collector for the District.

**System Operator**

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

**Bookkeeper**

The District contracts with Municipal Accounts & Consulting, L.P. for bookkeeping services for the District.

**Engineer**

The District’s consulting engineer is Vogler & Spencer Engineering, Inc. (the “Engineer”).

### **Auditor**

As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which audited financial statements are filed with the Commission. The financial statements of the District, as of December 31, 2024, and for the year then ended, included in this offering document, have been audited by McGrath & Co., PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's December 31, 2024, audited financial statements.

### **Bond Counsel and General Counsel**

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

### **Disclosure Counsel**

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

### **Financial Advisor**

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

## **THE SYSTEM**

### **Regulation**

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

### **Water Distribution and Sanitary Sewer Collection and Drainage System**

The District's System includes water, sanitary sewer and drainage facilities to serve the subdivisions and multi-family and commercial tracts described under the sections "THE DISTRICT—Residential Development," "—Commercial Development" and "—Other Development."

### **Water Supply**

The District owns and operates Water Plant No. 1 and Water Plant No. 2. Water Plant No. 1 includes one water well with a rated capacity of 700 gallons per minute ("gpm"), three 15,000 gallon hydropneumatic tanks, two 210,000 gallon ground storage tanks, and booster pump capacity of 3,000 gpm. Water Plant No. 2 includes one water well with a rated capacity of 1,500 gpm, two 20,000 gallon hydropneumatic tanks, two 214,000 gallon ground storage tanks, and booster pump capacity of 2,000 gpm. Cimarron Municipal Utility District and the District have also constructed a joint water plant which provides the District with an additional 633 equivalent single-family connections ("ESFCs"). According to the Engineer, the District's water plant facilities are sufficient to serve 3,199 ESFCs, of which the District is currently serving approximately 2,431 ESFCs.

The District has an emergency water supply interconnect with Cimarron Municipal Utility District. The District also has an emergency water supply interconnect with Harris–Fort Bend Counties Municipal Utility District No. 1 ("No. 1") and Harris–Fort Bend Counties Municipal Utility District No. 5 ("No. 5").

## **Subsidence District Requirements**

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

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

Under the Subsidence District regulations and the GRP, the Authority is required: (i) through the year 2024, to limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the Authority’s GRP; (ii) beginning in the year 2025, to limit groundwater withdrawals to no more than 40% of the total annual water demand of the water users within the Authority’s GRP; and (iii) beginning in the year 2035, to limit groundwater withdrawals to no more than 20% of the total annual water demand of the water users within the Authority’s GRP. If the Authority fails to comply with the above Subsidence District regulations or its GRP, the Authority is subject to a disincentive fee penalty (“Disincentive Fees”) imposed by the Subsidence District for any groundwater withdrawn in excess of 20% of the total annual water demand in the Authority’s GRP.

The District cannot predict the amount or level of fees and charges which may be due the Authority for future years, but anticipates the need to continue passing such fees through to its customers in higher water and sewer rates. In the event the Authority fails to reduce groundwater withdrawal to the levels specified in the Regulatory Plan by the deadlines established by the Subsidence District, then the District and others within the Authority’s GRP group will be required to pay a disincentive fee on withdrawn groundwater. This fee is expected to be substantial and the District expects it would need to pass such fee through to its customers through higher water and sewer rates or utilize portions of its maintenance tax revenues. This fee would be in addition to the Authority’s fee.

## **Wastewater Treatment Facilities**

Wastewater treatment for the District is provided by a 990,000 gallon per day (“gpd”) permanent wastewater treatment plant. According to the District’s engineer, the existing wastewater treatment plant is sufficient to serve 3,523 ESFCs, of which the District is currently serving approximately 2,063 ESFCs.

## **100-Year Flood Plain**

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

**Atlas 14**

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

**Use and Distribution of Bond Proceeds**

The estimated use and distribution of Bond proceeds, as approved by the Commission, is set forth below.

**CONSTRUCTION RELATED COSTS**

|  |                     |
|--|---------------------|
| Phase One Park and Trail Development.....    | \$ 4,445,000        |
| <b>Total Construction Related Costs.....</b> | <b>\$ 4,445,000</b> |

**NON-CONSTRUCTION COSTS**

|  |                   |
|--|-------------------|
| Underwriter's Discount (a).....          | \$ 147,035        |
| <b>Total Non-Construction Costs.....</b> | <b>\$ 147,035</b> |

**ISSUANCE COSTS AND FEES**

|   |                   |
|---|-------------------|
| Issuance Costs and Professional Fees..... | \$ 272,437        |
| Bond Application Report Costs.....        | 42,575            |
| State Regulatory Fees.....                | 17,238            |
| Contingency (a).....                      | 715               |
| <b>Total Issuance Costs and Fees.....</b> | <b>\$ 332,965</b> |

|                              |                     |
|------------------------------|---------------------|
| <b>TOTAL BOND ISSUE.....</b> | <b>\$ 4,925,000</b> |
|------------------------------|---------------------|

(a) The Commission approved a maximum Underwriter’s Discount of 3.00% of the Bonds. Contingency represents the difference in the estimated and actual amount of Underwriter’s Discount.

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

**Future Debt**

OHT Katy Gap is financing the engineering and construction costs of underground utilities and stormwater detention facilities to serve a multi-family development located in the District. As of October 12, 2025, OHT Katy Gap has expended approximately \$656,000 for the design, construction and acquisition of District utilities not yet reimbursed. The District also contains approximately 37 acres of developable land not presently served with water distribution, wastewater collection and storm drainage facilities. It is anticipated that additional bonds will be issued to finance the construction of additional facilities to serve the developable undeveloped acreage. The District can make no representation that any additional development will occur within the District. See “THE BONDS—Issuance of Additional Debt” and “INVESTMENT CONSIDERATIONS—Future Debt.”

## WATER AND SEWER OPERATIONS

### General

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

### Waterworks and Sewer System Operating Statement

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

|   | 1/1/2025 to<br>9/30/2025 (a) | Fiscal Year Ended December 31 |                      |                      |                       |
|---|------------------------------|-------------------------------|----------------------|----------------------|-----------------------|
|   |                              | 2024                          | 2023                 | 2022                 | 2021                  |
| <b>Revenues</b>                         |                              |                               |                      |                      |                       |
| Water Service                           | \$ 459,914                   | \$ 633,957                    | \$ 655,095           | \$ 589,576           | \$ 582,404            |
| Sewer Service                           | 463,271                      | 639,005                       | 606,868              | 582,205              | 563,200               |
| Property Taxes                          | 770,358                      | 843,027                       | 863,056              | 989,095              | 1,251,201             |
| Penalties and Interest                  | 28,780                       | 72,090                        | 33,441               | 25,532               | 22,269                |
| Tap Connection and Inspection           | 289,830                      | 171,775                       | 79,013               | 283,294              | 96,105                |
| Regional Water Authority Fees           | 592,878                      | 890,395                       | 898,042              | 808,282              | 709,053               |
| City of Houston Sales Tax Rebates       | 553,142                      | 578,999                       | 716,609              | 781,995              | 615,961               |
| Intergovernmental Revenue               | 20,790                       | 32,254                        | 23,478               | 27,083               | 35,253                |
| Miscellaneous                           | 305,828                      | 2,594                         | 2,250                | -                    | -                     |
| Investment Earnings                     | 409,259                      | 756,369                       | 715,227              | 194,002              | 20,247                |
| <b>Total Revenues</b>                   | <b>\$ 3,894,051</b>          | <b>\$ 4,620,465</b>           | <b>\$ 4,593,079</b>  | <b>\$ 4,281,064</b>  | <b>\$ 3,895,693</b>   |
| <b>Expenditures</b>                     |                              |                               |                      |                      |                       |
| Purchased Services                      | \$ 85,379                    | \$ 79,821                     | \$ 271,374           | \$ 32,668            | \$ 51,028             |
| Professional Fees                       | 589,317                      | 1,038,767                     | 304,611              | 264,737              | 253,924               |
| Contracted Services                     | 525,963                      | 755,055                       | 1,204,114            | 864,149              | 682,185               |
| Repairs and Maintenance                 | 502,457                      | 835,125                       | 734,409              | 444,478              | 419,311               |
| Temporary Lease                         | -                            | -                             | -                    | 15,000               | 15,000                |
| Utilities                               | 74,742                       | 127,218                       | 121,270              | 103,218              | 81,173                |
| Regional Water Authority Fees           | 544,555                      | 818,030                       | 727,357              | 960,318              | 573,506               |
| SPA Reimbursements                      | 187,788                      | 374,839                       | 390,743              | 338,179              | 288,845               |
| Administrative                          | 35,629                       | 122,140                       | 103,047              | 83,869               | 67,688                |
| Other                                   | 367,927                      | 15,870                        | 22,124               | 34,095               | 33,210                |
| Capital Outlay                          | 3,116,790 (b)                | 947,203                       | 86,799               | 916,086              | 2,800,713             |
| Interest and Fees                       | -                            | -                             | -                    | -                    | -                     |
| Developer Interest                      | -                            | -                             | -                    | 25,629               | 21,741                |
| <b>Total Expenditures</b>               | <b>\$ 6,030,546</b>          | <b>\$ 5,114,068</b>           | <b>\$ 3,965,848</b>  | <b>\$ 4,082,426</b>  | <b>\$ 5,288,324</b>   |
| <b>Net Revenues</b>                     | <b>\$ (2,136,495)</b>        | <b>\$ (493,603)</b>           | <b>\$ 627,231</b>    | <b>\$ 198,638</b>    | <b>\$ (1,392,631)</b> |
| <b>Other Financing Sources/(Uses)</b>   |                              |                               |                      |                      |                       |
| Insurance Proceeds                      | \$ -                         | \$ -                          | \$ -                 | \$ -                 | \$ 122,893            |
| Interfund Transfer                      | -                            | -                             | -                    | 3,970,298 (c)        | -                     |
| <b>Total Other Sources/(Uses)</b>       | <b>\$ -</b>                  | <b>\$ -</b>                   | <b>\$ -</b>          | <b>\$ 3,970,298</b>  | <b>\$ 122,893</b>     |
| <b>Fund Balance (Beginning of Year)</b> | <b>\$ 13,839,932</b>         | <b>\$ 14,333,535</b>          | <b>\$ 13,706,304</b> | <b>\$ 9,537,368</b>  | <b>\$ 10,807,106</b>  |
| <b>Fund Balance (End of Year)</b>       | <b>\$ 11,703,437</b>         | <b>\$ 13,839,932</b>          | <b>\$ 14,333,535</b> | <b>\$ 13,706,304</b> | <b>\$ 9,537,368</b>   |

(a) Unaudited. Provided by the District's bookkeeper.

(b) Capital expenditures related to parks and trails and the construction of Water Plant No. 2.

(c) Transfer to the General Fund as reimbursement for constructions costs related to Water Plant No. 2.

## FINANCIAL STATEMENT (UNAUDITED)

|  |                       |
|--|-----------------------|
| 2025 Taxable Assessed Valuation .....                              | \$872,243,196 (a)     |
| Estimated Taxable Assessed Valuation as of September 1, 2025 ..... | \$902,239,056 (b)     |
| <br>   |                       |
| Gross Direct Debt Outstanding .....                                | \$49,860,000 (c)      |
| Estimated Overlapping Debt .....                                   | <u>42,110,237 (d)</u> |
| Total Gross Direct Debt and Estimated Overlapping Debt .....       | \$91,970,237          |
| <br>   |                       |
| Ratios of Gross Direct Debt to:                                    |                       |
| 2025 Taxable Assessed Valuation .....                              | 5.72%                 |
| Estimated Taxable Assessed Valuation as of September 1, 2025 ..... | 5.53%                 |
| <br>   |                       |
| Ratios of Gross Direct Debt and Estimated Overlapping Debt to:     |                       |
| 2025 Taxable Assessed Valuation .....                              | 10.54%                |
| Estimated Taxable Assessed Valuation as of September 1, 2025 ..... | 10.19%                |

Area of District – 530 Acres  
Estimated 2025 Population – 6,585 (e)

- (a) The Harris Central Appraisal District (“HCAD”) has certified \$833,975,875 of taxable value on the properties located within the District in Harris County. The Fort Bend Central Appraisal District (“FBCAD”) has certified \$14,256,736 on the properties located within the District in Fort Bend County. HCAD has indicated that there are additional properties that remain uncertified and that the owners’ opinion of the taxable value of the uncertified properties is \$24,010,585. The 2025 Taxable Assessed Valuation shown throughout the Official Statement is the certified value in Harris County plus the certified value in Fort Bend County plus the owners’ opinion of the uncertified properties in Harris County. See “TAX PROCEDURES.”
- (b) The Estimated Taxable Assessed Valuation within the District in Harris County as of August 1, 2025 is \$887,982,320 as provided by HCAD. The Estimated Taxable Assessed Valuation within the District in Fort Bend County as of September 1, 2025 is \$14,265,736 as provided by FBCAD. The estimated taxable assessed valuations are provided for informational purposes only and have no official status. Increases in value that occur between January 1, 2025 and August 1, 2025 or September 1, 2025 will be assessed for purposes of taxation on January 1, 2026. Taxes are levied based on value as certified by the applicable appraisal district as of January 1 of each year and therefore, this estimate will not be the basis for any tax levy by the District. See “TAX PROCEDURES.”
- (c) Includes the Bonds and the Outstanding Bonds. See “—Outstanding Bonds” below.
- (d) See “ESTIMATED OVERLAPPING DEBT STATEMENT.”
- (e) Based upon 3.5 persons per occupied single-family residence and 2.0 persons per apartment unit

### Cash and Investment Balances (unaudited as of October 27, 2025)

|                       |                                |                 |
|-----------------------|--------------------------------|-----------------|
| Operating Fund        | Cash and Temporary Investments | \$9,566,797 (a) |
| Capital Projects Fund | Cash and Temporary Investments | \$ 946,669      |
| Debt Service Fund     | Cash and Temporary Investments | \$4,093,205 (b) |

- (a) The District has awarded a contract for park facilities in the amount of \$10,894,866. A portion of Bond proceeds will be used to pay for the park facilities and the remaining amount will be paid from surplus Operating Funds. See “THE SYSTEM—Use and Distribution of Bond Proceeds.”
- (b) Neither the Bond Order nor Texas law requires the District to maintain any particular balance in the Debt Service Fund.

### Outstanding Bonds

| Series                                     | Original<br>Principal<br>Amount | Outstanding<br>Bonds |
|--|---------------------------------|----------------------|
| Unlimited Tax Refunding Bonds, Series 2015 | \$ 6,765,000                    | \$ 3,600,000         |
| Unlimited Tax Bonds, Series 2015A          | 9,850,000                       | 6,475,000            |
| Unlimited Tax Bonds, Series 2017           | 5,680,000                       | 3,880,000            |
| Unlimited Tax Refunding Bonds, Series 2019 | 3,800,000                       | 2,610,000            |
| Unlimited Tax Refunding Bonds, Series 2020 | 3,585,000                       | 2,935,000            |
| Unlimited Tax Refunding Bonds, Series 2022 | 11,215,000                      | 9,630,000            |
| Unlimited Tax Bonds, Series 2022A          | 16,405,000                      | 15,805,000           |
|  | <u>\$57,300,000</u>             | <u>\$ 44,935,000</u> |

### District Investment Policy

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

**ESTIMATED OVERLAPPING DEBT STATEMENT**

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas or other publicly available information. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance, and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

| Taxing Jurisdiction  | Outstanding<br>Bonds | As of     | Overlapping |               |
|--|----------------------|-----------|-------------|---------------|
|  |                      |           | Percent     | Amount        |
| Fort Bend County.....  | \$ 1,235,264,389     | 9/30/2025 | 0.01%       | \$ 123,526    |
| Fort Bend County Drainage District.....  | 21,645,000           | 9/30/2025 | 0.01%       | 2,165         |
| Harris County.....   | 2,257,734,736        | 9/30/2025 | 0.13%       | 2,935,055     |
| Harris County Flood Control District.....  | 937,165,000          | 9/30/2025 | 0.13%       | 1,218,315     |
| Harris County Hospital District.....   | 867,820,000          | 9/30/2025 | 0.13%       | 1,128,166     |
| Harris County Department of Education.....   | 28,960,000           | 9/30/2025 | 0.13%       | 37,648        |
| Port of Houston Authority.....   | 406,509,397          | 9/30/2025 | 0.13%       | 528,462       |
| Katy Independent School District.....  | 2,657,125,000        | 9/30/2025 | 1.36%       | 36,136,900    |
| Total Estimated Overlapping Debt.....  |                      |           |             | \$ 42,110,237 |
| The District.....  | 49,860,000 (a)       | Current   | 100.00%     | 49,860,000    |
| Total Direct and Estimated Overlapping Debt.....                                   |                      |           |             | \$ 91,970,237 |
| Ratios of Direct and Estimated Overlapping Debt to:                                |                      |           |             |               |
| 2025 Taxable Assessed Valuation of \$872,243,196.....                              |                      |           |             | 10.54%        |
| Estimated Taxable Assessed Valuation as of September 1, 2025 of \$902,239,056..... |                      |           |             | 10.19%        |

(a) Includes the Bonds and the Outstanding Bonds.

**Overlapping Taxes for 2025**

|                                       | 2025 Tax Rate<br>per \$100 of Taxable<br>Assessed Valuation | 2025 Tax Rate<br>per \$100 of Taxable<br>Assessed Valuation |
|---------------------------------------|---|---|
| Fort Bend County.....                 | \$ 0.412000   |   |
| Harris County (a).....                | -   | \$ 0.628868   |
| Katy Independent School District..... | 1.117100  | 1.117100  |
| Harris County ESD No. 48.....         | -   | 0.099995  |
| Total Overlapping Tax Rate.....       | \$ 1.529100   | \$ 1.845963   |
| The District.....                     | 0.540000  | 0.540000  |
| Total Tax Rate.....                   | \$ 2.069100   | \$ 2.385963   |

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

## TAX DATA

### Tax Collections

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

| Tax Year | Certified<br>Taxable Assessed<br>Valuation | Tax<br>Rate | Total<br>Tax Levy | Total Collections<br>as of September 30, 2025 (a) |         |
|----------|--|-------------|-------------------|---|---------|
|          |  |             |                   | Amount  | Percent |
| 2020     | \$ 650,269,219                             | \$ 0.7000   | \$ 4,551,885      | \$ 4,545,335                                      | 99.86%  |
| 2021     | 667,593,324                                | 0.6700      | 4,472,875         | 4,465,804   | 99.84%  |
| 2022     | 719,197,608                                | 0.6200      | 4,459,025         | 4,450,855   | 99.82%  |
| 2023     | 772,811,113                                | 0.5700      | 4,405,023         | 4,375,232   | 99.32%  |
| 2024     | 819,705,265                                | 0.5450      | 4,467,394         | 4,279,203   | 95.79%  |
| 2025     | 848,232,611                                | 0.5400      | 4,580,456         | (b)   | (b)     |

(a) Unaudited.

(b) In process of collection. Taxes for 2025 are due by January 31, 2026.

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

### Tax Rate Distribution

|                            | 2025     | 2024     | 2023     | 2022     | 2021     |
|----------------------------|----------|----------|----------|----------|----------|
| Debt Service               | \$ 0.440 | \$ 0.445 | \$ 0.460 | \$ 0.500 | \$ 0.510 |
| Maintenance and Operations | 0.100    | 0.100    | 0.110    | 0.120    | 0.160    |
| Total                      | \$ 0.540 | \$ 0.545 | \$ 0.570 | \$ 0.620 | \$ 0.670 |

### Tax Rate Limitations

Debt Service: Unlimited (no legal limit as to rate or amount).  
 Maintenance and Operations: \$1.50 per \$100 Assessed Valuation  
 Recreational: \$0.10 per \$100 Assessed Valuation for maintenance of recreational facilities.

### Debt Service Tax

The Board will covenant in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax which, when added to other funds legally available to the District for payment of outstanding debt obligations, is adequate to provide funds to pay the principal of and interest on such debt. The District levied a debt service tax of \$0.44 in tax year 2025.

### Maintenance and Operations Tax

The District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by a vote of the District's electors. On May 6, 2000, voters in the District authorized the Board to levy such a maintenance tax in an amount not to exceed \$1.50 per \$100 of assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, and any additional unlimited tax bonds which may be issued in the future. The District levied a tax rate of \$0.10 for maintenance and operations in tax year 2025. Additionally, on November 8, 2005, voters in the District authorized the Board to levy a maintenance tax in an amount not to exceed \$0.10 per \$100 of assessed valuation for purposes of maintaining recreational facilities in the District. To date, the District has not levied a maintenance tax for such purposes and currently has no plans to levy such a tax.

### Tax Exemptions

For the 2025 tax year, the District granted a \$37,500 homestead exemption for persons over 65 or disabled and a 15% (but not less than \$5,000) homestead exemption. See "TAX PROCEDURES."

**Principal Taxpayers**

The following list of principal taxpayers was provided by the District's Tax Assessor/Collector based upon the certified portion (\$848,232,611) of the 2025 Taxable Assessed Valuation of \$872,243,196, which reflects ownership at January 1, 2025. Accurate principal taxpayer lists related to the uncertified portion (\$24,010,585) of the 2025 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of September 1, 2025 of \$902,239,056 are not available as of the date hereof.

| <u>Taxpayer</u>                     | <u>Type of Property</u> | <u>2025 Certified Taxable Assessed Valuation</u> | <u>% of 2025 Certified Taxable Assessed Valuation</u> |
|-------------------------------------|-------------------------|--|---|
| Tine Eleva 22A LLC                  | Apartment Complex       | \$ 59,732,410                                    | 7.04%   |
| TPG Katy Crossing LTD               | Apartment Complex       | 56,762,603                                       | 6.69%   |
| Dolce Living at Grand Harbour LLC   | Apartment Complex       | 50,713,246                                       | 5.98%   |
| Katy Ranch Offices LP               | Commercial              | 46,956,966                                       | 5.54%   |
| EHAJ Ltd.                           | Commercial              | 44,694,625                                       | 5.27%   |
| Bluecap Ltd.                        | Commercial              | 43,044,048                                       | 5.07%   |
| CHP Watercrest at Katy TX Owner LLC | Apartment Complex       | 41,981,934                                       | 4.95%   |
| Fund Grand Harbor LLC               | Apartment Complex       | 37,999,803                                       | 4.48%   |
| Regalia Bella Terra LLC             | Apartment Complex       | 36,296,323                                       | 4.28%   |
| Capricorn Ltd.                      | Commercial              | 27,597,902                                       | 3.25%   |
| <b>Total</b>                        |                         | <b>\$ 445,779,860</b>                            | <b>52.55%</b>   |

**Summary of Assessed Valuation**

The following breakdown of the 2021 through 2025 Taxable Assessed Valuation has been provided by the District's Tax Assessor/Collector based on information contained in the 2021 through 2025 tax rolls of the District. Accurate breakdowns related to the uncertified portion (\$24,010,585) of the 2025 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of September 1, 2025 of \$902,239,056 are not available as of the date hereof.

|                   | <u>2025</u>           | <u>2024</u>           | <u>2023</u>           | <u>2022</u>           | <u>2021</u>           |
|-------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Land              | \$ 265,314,860        | \$ 217,843,354        | \$ 218,761,119        | \$ 212,003,150        | \$ 166,544,977        |
| Improvements      | 675,768,205           | 653,701,731           | 662,204,641           | 532,409,652           | 500,952,793           |
| Personal Property | 34,681,161            | 34,273,745            | 33,010,757            | 29,797,732            | 27,488,497            |
| Exemptions        | (127,531,615)         | (86,113,565)          | (141,165,404)         | (55,012,926)          | (27,392,943)          |
| Uncertified Value | 24,010,585            | -                     | -                     | -                     | -                     |
| <b>Total</b>      | <b>\$ 872,243,196</b> | <b>\$ 819,705,265</b> | <b>\$ 772,811,113</b> | <b>\$ 719,197,608</b> | <b>\$ 667,593,324</b> |

**Tax Adequacy for Debt Service**

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2025 Taxable Assessed Valuation of \$872,243,196 (\$848,232,611 of certified value and \$24,010,585 of uncertified value) and the Estimated Taxable Assessed Valuation as of September 1, 2025 of \$902,239,056 and no use of bond funds on hand, and utilize tax rates necessary to pay the District's maximum and average annual debt service requirement at ninety-five percent (95%) collection of taxes levied. See "INVESTMENT CONSIDERATIONS—Impact on District Tax Rates."

|   |             |
|---|-------------|
| Average Annual Debt Service Requirement (2026-2050) .....                             | \$2,705,461 |
| \$0.33 Tax Rate on 2025 Taxable Assessed Valuation.....                               | \$2,734,482 |
| \$0.32 Tax Rate on Estimated Taxable Assessed Valuation as of September 1, 2025 ..... | \$2,742,807 |
| Maximum Annual Debt Service Requirement (2027) .....                                  | \$3,956,006 |
| \$0.48 Tax Rate on 2025 Taxable Assessed Valuation.....                               | \$3,977,429 |
| \$0.47 Tax Rate on Estimated Taxable Assessed Valuation as of September 1, 2025 ..... | \$4,028,497 |

No representation or suggestion is made that the uncertified portion of the 2025 Taxable Assessed Valuation or the Estimated Taxable Assessed Valuation as of September 1, 2025 for the District will be certified as taxable value by the Appraisal Districts, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See "TAX PROCEDURES."

## TAX PROCEDURES

### **Property Tax Code and County-Wide Appraisal District**

The Texas Tax Code (the “Property Tax Code”) requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas a single appraisal district with the responsibility for recording and appraising property for all taxing units within a county and a single appraisal review board with the responsibility for reviewing and equalizing the values established by the appraisal district. The District is located in Harris County and Fort Bend County. The Harris Central Appraisal District has the responsibility for appraising property in the District located within Harris County and the Fort Bend Central Appraisal District has the responsibility for appraising property in the District located within Fort Bend County. Such appraisal values are subject to review and change by the Harris County Appraisal Review Board or the Fort Bend County Appraisal Review Board, as applicable. Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of said appraisal review boards by filing a petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Absent any such appeal, the appraisal roll, as prepared by either the Harris Central Appraisal District or the Fort Bend Central Appraisal District, as applicable, and approved by the applicable appraisal review board, must be used by each taxing jurisdiction in establishing its tax roll and rate. The District is eligible, along with all other conservation and reclamation districts within Harris County and Fort Bend County, to participate in the nomination of and vote for a member of the Board of Directors of each county’s respective appraisal district.

### **Property Subject to Taxation by the District**

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2025 tax year, the District has granted an exemption of \$37,500 of assessed valuation for persons 65 years of age and older and to individuals who are under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran’s residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran’s exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of a member of the armed forces or a first responder (as defined under Texas law), who was (i) killed in action, or (ii) fatally injured in the line of duty, is subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

A “Freeport Exemption” applies to goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining oil or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A “Goods-in-Transit” Exemption is applicable to certain tangible personal property, as defined by the Property Tax Code, acquired in or imported into Texas for storage purposes and which is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. The exemption excludes oil, natural gas, petroleum products, aircraft and certain special inventory including dealer’s motor vehicles, dealer’s vessel and outboard motor vehicle, dealer’s heavy equipment and retail manufactured housing inventory. The exemption applies to covered property if it is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation. A property

owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. However, taxing units who took official action as allowed by prior law before October 1, 2011, to tax goods-in-transit property, and who pledged such taxes for the payment of debt, may continue to impose taxes against the goods-in-transit property until the debt is discharged without further action, if cessation of the imposition would impair the obligations of the contract by which the debt was created. The District has taken official action to allow taxation of all such goods-in-transit personal property, but may choose to exempt same in the future by further official action.

### **General Residential Homestead Exemption**

Texas law authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than \$5,000 if any exemption is granted, from ad valorem taxation. The law provides, however, that where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. For tax year 2025, the District has granted a 15% general residential homestead exemption; provided, however, that no such exemption shall be less than \$5,000.

### **Valuation of Property for Taxation**

Generally, property in the District must be appraised by the Appraisal Districts at market value as of January 1 of each year. Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements to the property. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. The Property Tax Code requires the Appraisal Districts to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by the Appraisal Districts at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal Districts or whether reappraisals will be conducted on a zone or county-wide basis.

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

### **District and Taxpayer Remedies**

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

Texas law provides for notice and hearing procedures prior to the adoption of an ad valorem tax rate by the District. Additionally, under certain circumstances, an election would be required to determine whether to approve the adopted total tax rate. See “—Rollback of Operation and Maintenance Tax Rate” herein. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

## **Agricultural, Open Space, Timberland and Inventory Deferment**

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

## **Tax Abatement**

The City of Houston, Harris County and Fort Bend County may designate all or part of the District as a reinvestment zone, and the District, Harris County and Fort Bend County, and (if it were to annex the area) the City of Houston may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and by the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. According to the District's Tax Assessor/Collector, to date, none of the area within the District has been designated as a reinvestment zone.

## **Levy and Collection of Taxes**

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

## **Rollback of Operation and Maintenance Tax Rate**

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

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

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

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

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

## **District’s Rights in the Event of Tax Delinquencies**

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

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

### DEBT SERVICE REQUIREMENTS

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

| Year  | Outstanding<br>Bonds<br>Debt Service<br>Requirements | Plus: Debt Service on the Bonds |              |              | Total<br>Debt Service<br>Requirements |
|-------|--|---------------------------------|--------------|--------------|---------------------------------------|
|       |  | Principal                       | Interest     | Total        |                                       |
| 2026  | \$ 3,678,475   |                                 | \$ 158,981   | \$ 158,981   | \$ 3,837,456                          |
| 2027  | 3,652,881  | \$ 100,000                      | 203,125      | 303,125      | 3,956,006                             |
| 2028  | 3,643,594  | 100,000                         | 197,625      | 297,625      | 3,941,219                             |
| 2029  | 3,624,584  | 100,000                         | 192,125      | 292,125      | 3,916,709                             |
| 2030  | 3,611,322  | 100,000                         | 186,625      | 286,625      | 3,897,947                             |
| 2031  | 3,593,094  | 100,000                         | 181,125      | 281,125      | 3,874,219                             |
| 2032  | 3,571,394  | 100,000                         | 175,625      | 275,625      | 3,847,019                             |
| 2033  | 3,557,691  | 100,000                         | 170,125      | 270,125      | 3,827,816                             |
| 2034  | 3,594,994  | 100,000                         | 165,563      | 265,563      | 3,860,556                             |
| 2035  | 3,563,681  | 100,000                         | 161,938      | 261,938      | 3,825,619                             |
| 2036  | 3,026,228  | 100,000                         | 158,313      | 258,313      | 3,284,541                             |
| 2037  | 2,857,631  | 200,000                         | 152,750      | 352,750      | 3,210,381                             |
| 2038  | 2,800,169  | 210,000                         | 144,800      | 354,800      | 3,154,969                             |
| 2039  | 2,739,356  | 220,000                         | 136,200      | 356,200      | 3,095,556                             |
| 2040  | 2,095,850  | 230,000                         | 127,200      | 357,200      | 2,453,050                             |
| 2041  | 2,029,950  | 245,000                         | 117,700      | 362,700      | 2,392,650                             |
| 2042  | 1,433,500  | 255,000                         | 107,700      | 362,700      | 1,796,200                             |
| 2043  | 1,386,500  | 270,000                         | 97,200       | 367,200      | 1,753,700                             |
| 2044  | 1,339,500  | 280,000                         | 86,200       | 366,200      | 1,705,700                             |
| 2045  | 1,292,500  | 295,000                         | 74,700       | 369,700      | 1,662,200                             |
| 2046  | 1,245,500  | 310,000                         | 62,600       | 372,600      | 1,618,100                             |
| 2047  | 1,198,500  | 325,000                         | 49,900       | 374,900      | 1,573,400                             |
| 2048  | -  | 345,000                         | 36,500       | 381,500      | 381,500                               |
| 2049  | -  | 360,000                         | 22,400       | 382,400      | 382,400                               |
| 2050  | -  | 380,000                         | 7,600        | 387,600      | 387,600                               |
| Total | \$ 59,536,894  | \$ 4,925,000                    | \$ 3,174,619 | \$ 8,099,619 | \$ 67,636,513                         |

|   |             |
|---|-------------|
| Maximum Annual Debt Service Requirement (2027) .....      | \$3,956,006 |
| Average Annual Debt Service Requirements (2026-2050)..... | \$2,705,461 |

## INVESTMENT CONSIDERATIONS

### General

The Bonds, which are obligations of the District and not obligations of the State of Texas, Harris County, Fort Bend County, the City of Houston, or any other political entity other than the District, will be secured by an annual ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property within the District. The ultimate security for payment of the principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or, in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities.

### Dependence on Principal Taxpayers

The ten principal taxpayers represent \$445,779,860 or approximately 52.55% of the certified portion (\$848,232,611) of the 2025 Taxable Assessed Valuation of \$872,243,196 which represents certified ownership as of January 1, 2025. See “TAX DATA—Principal Taxpayers.” Accurate principal taxpayer lists related to the uncertified portion (\$24,010,585) of the 2025 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of September 1, 2025 of \$902,239,056 are not available as of the date hereof. The ability of any principal taxpayer to make full and timely payments of taxes levied against its property by the District will directly affect the District’s ability to meet its debt service obligations. If, for any reason, any one or more principal taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to levy a higher tax rate or use other available funds 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 in amounts in excess of the District’s available funds could have a material adverse effect upon the District’s ability to pay debt service on the Bonds on a current basis.

### Certain Tax Exemptions Provided for Affordable Housing

A significant portion of the District’s tax base is comprised of multi-family residential developments. Certain multi-family housing may be exempt from ad valorem taxation by the District pursuant to Chapter 303 of the Texas Local Government Code (the “PFC Act”), Chapter 392 of the Texas Local Government Code (the “Housing Authority Act”), or Chapter 394 of the Texas Local Government Code (the “HFC Act”), if certain conditions are met.

The PFC Act authorizes cities, counties, school districts, housing authorities and special districts (a “Sponsor”) to create a sponsored Public Facility Corporation (“PFC”) to acquire, construct, rehabilitate, renovate, repair, equip, furnish and place in service public facilities. These activities may be financed through certain obligations of either the Sponsor or the PFC. Under the PFC Act, a “public facility” includes any real, personal, or mixed property, or an interest in property devoted or to be devoted to public use, and authorized to be financed under the PFC Act. A public facility, including a leasehold estate in a public facility, that is owned by a PFC is exempt from taxation by the State or a municipality or other political subdivision of the State, including the District. This exemption applies to both ad valorem and sales taxes levied by such taxing authorities. Subject to certain restrictions, a leasehold or other possessory interest granted by the PFC to the user of a PFC-owned multifamily residential development entitles that user to this same exemption. A PFC project approved on or after June 18, 2023, does not qualify for an exemption with respect to taxes imposed by a conservation and reclamation district providing water, sewer, or drainage services to the development, unless an agreement is entered into with the district concerning payments in lieu of taxation. Projects for which PFC or Sponsor approval was received prior to the effective date of H.B. 2071 are governed by the prior law and are not subject to the same requirements. Two apartment complexes, Katy Ranch Apartments and Premier at Katy, located within the boundaries of the District are owned by a PFC which maintains a tax-exempt status and therefore are not subject to ad valorem taxation by the District. The District amended its water and sewer utility rate order, effective January 1, 2025, to adopt a monthly fee for nontaxable entities and has collected such fee over the last ten months. The Premier at Katy has filed a petition with the Public Utility Commission of Texas contesting the nontaxable entity fee. No prediction can be made as to the outcome of the petition. The District does not expect the outcome to have a material impact on the financial or operating condition of the District.

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

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

### **Undeveloped Acreage**

There are approximately 37 developable acres of land within the District that have not been fully provided with water, sanitary sewer and drainage facilities necessary to the construction of new development. The District makes no representation as to when or if development of the undeveloped acreage will occur. Failure of the landowners to develop the developable land could restrict the rate of growth of taxable values in the District. See “THE DISTRICT—Land Use” and “—Status of Development.”

### **Potential Effects of Oil Price Volatility on the Houston Area**

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

### **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, multi-family properties, commercial and retail developments and undeveloped land. The market value of such properties is related to general economic conditions affecting the demand for such properties. Demand for properties of this type and the construction of residential, multi-family and commercial dwellings and buildings 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 the property is directed. Decreased levels of construction activity could tend to restrict the growth of property values in the District or could adversely impact such values. See “THE DISTRICT—Residential Development” and “—Commercial Development.”

### **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, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 25 miles from the central downtown business district of the City of Houston, the success of development within the District and growth of the District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston and the nation could adversely affect development plans in the District and restrain the growth of the District’s property tax base or reduce it from current levels.

### **Competition**

The demand for and construction of single-family homes, multi-family properties and commercial and retail developments in the District, which is 25 miles from downtown Houston, could be affected by competition from other developments including other residential, multi-family, commercial and retail developments located in the western portion of the Houston metropolitan area. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in the area of the District and in more established neighborhoods closer to downtown Houston. Such homes could represent additional competition for homes proposed to be sold within the District.

### **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 District property owners to pay their ad valorem taxes. The 2025 Taxable Assessed Valuation of the District is \$872,243,196 (\$848,232,611 of certified value and \$24,010,585 of uncertified value) (see “FINANCIAL STATEMENT”). After issuance of the Bonds, the maximum annual debt service requirement will be \$3,956,006 (2027) and the average annual debt service requirement will be \$2,705,461 (2026-2050, inclusive). Assuming no increase or decrease from the 2025 Taxable Assessed Valuation, the sale of no additional bonds and no other funds available for debt service, a tax rate of \$0.48 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of \$3,956,006 and a tax rate of \$0.33 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of \$2,705,461. See “DEBT SERVICE REQUIREMENTS.” The Estimated Taxable Assessed Valuation as of September 1, 2025 within the District is \$902,239,056. Assuming no increase or decrease from the Estimated Taxable Assessed Valuation as of September 1, 2025 and a 95% collection rate, a tax rate of \$0.47 per \$100 assessed valuation would be necessary to pay the maximum annual

requirement of \$3,956,006 and a tax rate of \$0.32 per \$100 assessed valuation would be necessary to pay the average annual requirement of \$2,705,461. Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Outstanding Bonds and the Bonds based upon the 2025 Taxable Assessed Valuation, and the Estimated Taxable Assessed Valuation as of September 1, 2025, the District can make no representations regarding the future level of assessed valuation within the District. Increases in the tax rate may be required in the event major taxpayers do not pay their District taxes timely. See “TAX PROCEDURES” and “TAX DATA—Tax Adequacy for Debt Service.”

### **Potential Effects of Oil Price Volatility on the Houston Area**

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

### **Extreme Weather Events**

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced multiple storms exceeding a 0.2% probability (i.e. “500-year flood” events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days.

According to the Operator and the Engineer, there was no interruption of water and sewer service as a result of Hurricane Harvey and the District’s system did not sustain any material damage from Hurricane Harvey. The District is not aware of any homes or other improvements within the District that experienced structural flooding or other material damage as a result of Hurricane Harvey.

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

### **Specific Flood Type Risks**

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

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

### **Future Debt**

The District’s voters have authorized the issuance of a total of \$4,925,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing recreational facilities. After the issuance of the Bonds, no remaining principal amount of unlimited tax bonds for recreational facilities will remain authorized but unissued. The District’s voters have also authorized a total of \$67,450,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities, of which \$6,510,000 remains authorized but unissued and a total of \$62,000,000 principal amount of unlimited tax bonds for the purpose of refunding outstanding bonds of the District of which \$59,944,277.26 remains authorized but unissued. See “THE BONDS—Issuance of Additional Debt.” The District’s voters could authorize additional unlimited tax bonds for water, sanitary sewer, and drainage facilities, and recreational facilities, and for refunding outstanding bonds of the District. The issuance of such obligations may adversely affect the investment security of the Bonds. The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued however, the principal amount of bonds issued

to acquire or construct parks and recreational facilities may not exceed one percent (1%) of the District's certified value or, in the event the District meets certain conditions, three percent (3%) of the value of the taxable property in the District at the time of issuance of the bonds, but in no event in an amount greater than the estimated cost of the plan. Any bonds issued by the District, however, must be approved by the Attorney General of Texas and the Board and any bonds issued to acquire or construct water, sanitary sewer and drainage facilities or recreational facilities must be approved by the Commission.

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

### **Environmental Regulations**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Tax Collections Limitations**

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

## **Registered Owners' Remedies and Bankruptcy Limitations**

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond 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 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.

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

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

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

A district may not be forced into bankruptcy involuntarily.

## **Continuing Compliance with Certain Covenants**

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

## **Future Legislation**

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

## **Risk Factors Related to the Purchase of Municipal Bond Insurance**

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

The long-term ratings on the Bonds are dependent in part on the financial strength of the insurer (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) for the Bonds. See description of “MUNICIPAL BOND RATING” and “MUNICIPAL BOND INSURANCE.”

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

Neither the District nor the Initial Purchaser 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.

## **Marketability**

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

## **LEGAL MATTERS**

### **Legal Opinions**

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

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

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

## **Legal Review**

In its capacity as Bond Counsel, Schwartz, Page & Harding, L.L.P., has reviewed the information appearing in this Official Statement under the captioned sections “THE BONDS,” “THE DISTRICT—General,” “—Strategic Partnership Agreement,” “—Development Agreement,” “MANAGEMENT—Bond Counsel and General Counsel,” “TAX PROCEDURES,” and “LEGAL MATTERS” solely to determine whether such information fairly summarizes the law and documents referred to therein. Such firm has not independently verified factual information contained in this Official Statement, nor has such firm conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm’s limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

## **Tax Exemption**

On the date of initial delivery of the Bonds, Bond Counsel will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”), (1) interest on the Bonds for federal income tax purposes will be excludable from the “gross income” of the holders thereof and (2) the Bonds will not be treated as “specified private activity bonds” the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the “Code”). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences resulting from the ownership of, receipt of interest on or disposition of the Bonds.

In rendering its opinion, Bond Counsel will rely upon, and assume continuing compliance with, (a) certain information and representations of the District, including information and representations contained in the District’s federal tax certificate issued in connection with the Bonds, and (b) covenants of the District contained in the Bond Order relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

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

## **Qualified Tax-Exempt Obligations**

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

The District has designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Code. In furtherance of that designation, the District will covenant to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Bonds as “qualified tax-exempt obligations.” Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the aforementioned dollar limitation and the Bonds would not be “qualified tax-exempt obligations.”

## **Collateral Federal Income Tax Consequences**

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

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences. The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, including financial institutions, life insurance and property and casualty insurance companies, owners of interests in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and individuals allowed an earned income credit. THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIFIC PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP, AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

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

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

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

### **State, Local and Foreign Taxes**

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

### **Tax Accounting Treatment of Original Issue Discount and Premium Bonds**

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

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

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

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

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

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

## **REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS**

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

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

## **NO MATERIAL ADVERSE CHANGE**

The obligations of the Initial Purchaser to take and pay for the Bonds, and the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the financial condition of the District subsequent to the date of sale from that set forth or contemplated in the Preliminary Official Statement, as it may have been supplemented or amended through the date of the sale.

## **NO-LITIGATION CERTIFICATE**

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

## **SALE AND DISTRIBUTION OF THE BONDS**

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was rendered by The Baker Group LP (the "Initial Purchaser") bearing the interest rates shown on the cover page of this Official Statement, at a price of 97.0145% of the principal amount thereof, which resulted in a net effective interest rate of 4.223568% as calculated pursuant to Chapter 1204, Texas Government Code (the "IBA" method).

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

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

## **MUNICIPAL BOND RATING**

It is expected that S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) will assign a municipal bond rating of “AA” (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company (“BAM” or the “Insurer”). S&P has also assigned an underlying rating of “A” to the Bonds. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance,” “MUNICIPAL BOND INSURANCE” and “APPENDIX B.”

There is no assurance that such rating will continue for any given period of time or that it 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.buildamerica.com](http://www.buildamerica.com).

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

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

### *Capitalization of BAM*

BAM’s total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2025 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$517.2 million, \$273.6 million and \$243.6 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](http://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 [www.buildamerica.com/videos](http://www.buildamerica.com/videos). (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](http://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 Engineer, the Tax Assessor/Collector, the Appraisal Districts and information from other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from such sources, and its inclusion herein is not to be construed as a representation on the part of the District except as described under "—Certification of Official Statement." Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, resolutions, engineering and other related information set forth in this Official Statement are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

### **Financial Advisor**

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

"THE DISTRICT"—Vogler & Spencer Engineering, Inc.; "TAX PROCEDURES"—Wheeler & Associates, Inc. and Schwartz, Page & Harding, L.L.P.; "THE SYSTEM"—Vogler & Spencer Engineering, Inc.; "THE BONDS" and "LEGAL MATTERS"—Schwartz, Page & Harding, L.L.P.; "FINANCIAL STATEMENT (UNAUDITED)" and "TAX DATA"—Harris Central Appraisal District and Fort Bend Central Appraisal District, Wheeler & Associates, Inc. and the Municipal Advisory Council of Texas.

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

### **Consultants**

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

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

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

*Tax Assessor Collector:* The information contained in this Official Statement relating to the historical breakdown of the taxable assessed valuations, principal taxpayers, and certain other historical data concerning tax rates and tax collections has been provided by Wheeler & Associates, Inc., and is included herein in reliance upon Wheeler & Associates, Inc. as an expert in collecting taxes.

*Auditor:* The financial statements of the District as of December 31, 2024, and for the year then ended, included in this offering document, have been audited by McGrath & Co., PLLC, independent auditors, as stated in their report appearing herein. See “APPENDIX A.”

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

## **UPDATING OF OFFICIAL STATEMENT**

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

## **CERTIFICATION OF OFFICIAL STATEMENT**

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

## **CONTINUING DISCLOSURE OF INFORMATION**

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

## **Annual Reports**

The District will provide annually to the MSRB certain updated financial information and operating data. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings “FINANCIAL STATEMENT (UNAUDITED),” “TAX DATA,” “THE SYSTEM,” “WATER AND SEWER OPERATIONS” and “DEBT SERVICE REQUIREMENTS” (most of which information is contained in the District’s annual audit report) and in Appendix A. The District will update and provide this information within six (6) months after the end of each fiscal year ending in or after 2025.

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

The District's current fiscal year end is December 31. Accordingly, it must provide updated information by June 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.

## **Event Notices**

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the “Rule”); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material to a decision to purchase or sell Bonds. (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The terms “financial obligation” and “material” when used in this paragraph shall have the meaning ascribed to them under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described under “—Annual Reports.”

## **Availability of Information from the MSRB**

The District has agreed to provide the foregoing information only to the MSRB. Investors can access continuing disclosure information filed with the MSRB at [www.emma.msrb.org](http://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 owners and Beneficial Owners of the Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

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

### **Compliance With Prior Undertakings**

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

### **MISCELLANEOUS**

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

This Official Statement was approved by the Board of Directors of Harris-Fort Bend Counties Municipal Utility District No. 3, of Harris and Fort Bend Counties, Texas, as of the date shown on the cover page.

/s/ Ron Welch  
President, Board of Directors  
Harris-Fort Bend Counties Municipal Utility District No. 3,  
of Harris and Fort Bend Counties, Texas

ATTEST:

/s/ Richard Breihan  
Assistant Secretary, Board of Directors  
Harris-Fort Bend Counties Municipal Utility District No. 3,  
of Harris and Fort Bend Counties, Texas

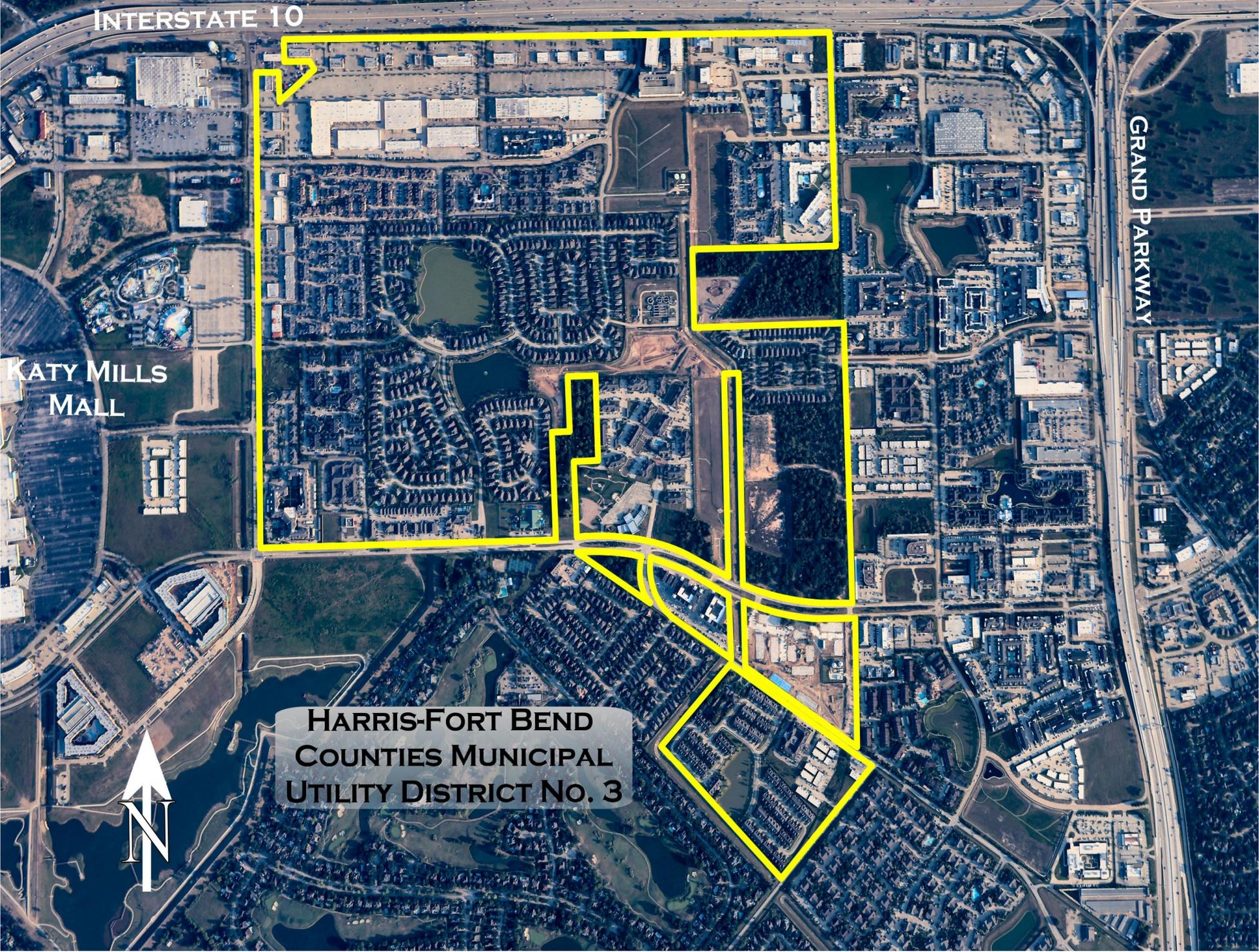
**AERIAL PHOTOGRAPH**  
**(As of October 2025)**

INTERSTATE 10

GRAND PARKWAY

KATY MILLS MALL

HARRIS-FORT BEND  
COUNTIES MUNICIPAL  
UTILITY DISTRICT No. 3



**PHOTOGRAPHS OF THE DISTRICT**  
**(As of October 2025)**













**APPENDIX A**

**Independent Auditor's Report and Financial Statements of the District  
for the year ended December 31, 2024**

**HARRIS-FORT BEND COUNTIES  
MUNICIPAL UTILITY DISTRICT NO. 3**

**HARRIS AND FORT BEND COUNTIES, TEXAS**

**FINANCIAL REPORT**

**December 31, 2024**



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# **McGRATH & CO., PLLC**

*Certified Public Accountants*

2900 North Loop West, Suite 880

Houston, Texas 77092

## **Independent Auditor's Report**

Board of Directors

Harris - Fort Bend Counties Municipal Utility District No. 3

Harris and Fort Bend Counties, Texas

### **Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris - Fort Bend Counties Municipal Utility District No. 3 (the "District"), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Harris - Fort Bend Counties Municipal Utility District No. 3, as of December 31, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.

### **Emphasis of Matter**

As discussed in Note 3 to the financial statements, the District implemented GASB Implementation Guide 2021-1, Question 5.1 during the current fiscal year. Our opinion is not modified with respect to this matter.

### **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.

***Board of Directors***

***Harris - Fort Bend Counties Municipal Utility District No. 3***

***Harris and Fort Bend Counties, Texas***

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.

***Board of Directors  
Harris - Fort Bend Counties Municipal Utility District No. 3  
Harris and Fort Bend Counties, Texas***

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. 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 Texas Supplementary Information schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information 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 Texas Supplementary Information schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

*W. G. Matter & Co, P.C.*

Houston, Texas  
April 28, 2025

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## **Management's Discussion and Analysis**

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***Harris - Fort Bend Counties Municipal Utility District No. 3  
Management's Discussion and Analysis  
December 31, 2024***

**Using this Annual Report**

This section of the financial report of Harris - Fort Bend Counties Municipal Utility District No. 3 (the "District") provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended December 31, 2024. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

In addition to this discussion and analysis, this annual report consists of:

- The District's basic financial statements;
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements;
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget; and
- Other Texas supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (TCEQ).

**Overview of the Financial Statements**

The District prepares its basic financial statements using a format that combines fund financial statements and government-wide statements onto one financial statement. The combined statements are the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. Each statement contains an adjustments column which quantifies the differences between the government-wide and fund level statements. Additional details of the adjustments are provided in Note 2 to the basic financial statements.

**Government-Wide Financial Statements**

The focus of government-wide financial statements is on the overall financial position and activities of the District, both long-term and short-term. The District's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*, which are prepared using the accrual basis of accounting. The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position. Over time, changes in net position may provide a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

Accounting standards establish three components of net position. The net investment in capital assets component represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted component of net position consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties. The unrestricted component of net position represents resources not included in the other components.

***Harris - Fort Bend Counties Municipal Utility District No. 3  
Management’s Discussion and Analysis  
December 31, 2024***

The *Statement of Activities* reports how the District’s net position has changed during the fiscal year. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

**Fund Financial Statements**

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District’s use of available financial resources and the balances of available financial resources at the end of the year. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties, governmental statutes or regulations.

For further discussion on the government-wide and fund financial statements, please refer to Note 1 in the financial statements.

**Financial Analysis of the District as a Whole**

The District’s net position at December 31, 2024, was \$10,820,942. A comparative summary of the District’s overall financial position, as of December 31, 2024 and 2023, is as follows:

|  | 2024          | 2023          |
|--|---------------|---------------|
| Current assets                           | \$ 25,547,317 | \$ 30,864,036 |
| Capital assets                           | 38,187,610    | 32,392,216    |
| Total assets                             | 63,734,927    | 63,256,252    |
| <br>Total deferred outflows of resources | <br>903,249   | <br>997,393   |
| Current liabilities                      | 4,295,488     | 3,985,577     |
| Long-term liabilities                    | 44,961,194    | 47,181,926    |
| Total liabilities                        | 49,256,682    | 51,167,503    |
| <br>Total deferred inflows of resources  | <br>4,560,552 | <br>4,787,606 |
| <br>Net position                         |               |               |
| Net investment in capital assets         | (3,150,923)   | (5,616,177)   |
| Restricted                               | 3,828,067     | 3,722,186     |
| Unrestricted                             | 10,143,798    | 10,192,527    |
| Total net position                       | \$ 10,820,942 | \$ 8,298,536  |

During the current fiscal year, the District implemented GASB Implementation Guide (“GASBIG”) 2021-1, Question 5.1, which requires the capitalization of a group of individual assets that are below the capitalization threshold when the cost of the acquisition of the assets in the aggregate is significant. In accordance with this standard, the District recognized, as infrastructure capital assets, water meters that were previously expensed in prior fiscal years, net of related accumulated depreciation, as of the

***Harris - Fort Bend Counties Municipal Utility District No. 3  
Management's Discussion and Analysis  
December 31, 2024***

beginning of the current fiscal year. Prior year data has not been restated to include values for these infrastructure assets and, as a result, the presentation of prior year data as it relates to these assets is not consistent with the current year presentation (see Notes 3 and 6).

The total net position of the District increased during the current fiscal year by \$2,215,754. A comparative summary of the District's *Statement of Activities* for the past two fiscal years is as follows:

|   | <u>2024</u>          | <u>2023</u>         |
|---|----------------------|---------------------|
| Revenues  |                      |                     |
| Property taxes, penalties and interest          | \$ 4,565,445         | \$ 4,668,988        |
| Water and sewer service                         | 1,272,962            | 1,261,963           |
| Regional Water Authority fees                   | 890,395              | 898,042             |
| City of Houston sales tax rebates               | 683,618              | 712,324             |
| Other   | 1,417,980            | 1,424,048           |
| Total revenues                                  | <u>8,830,400</u>     | <u>8,965,365</u>    |
| Expenses  |                      |                     |
| Current service operations                      | 4,271,373            | 3,974,190           |
| Debt interest and fees                          | 1,638,213            | 1,720,550           |
| Depreciation and amortization                   | 705,060              | 629,589             |
| Total expenses                                  | <u>6,614,646</u>     | <u>6,324,329</u>    |
| Change in net position                          | 2,215,754            | 2,641,036           |
| Net position, beginning of year (2024 restated) | <u>8,605,188</u>     | <u>5,657,500</u>    |
| Net position, end of year                       | <u>\$ 10,820,942</u> | <u>\$ 8,298,536</u> |

As previously noted, the District implemented GASBIG 2021-1, Question 5.1 during the current year and, as a result, has restated its beginning net position for the current fiscal year. Prior year data is not consistent with current year data due to the recognition of certain capital assets and the related accumulated depreciation at the beginning of the current fiscal year (See Notes 3 and 6).

**Financial Analysis of the District's Funds**

The District's combined fund balances, as of December 31, 2024, were \$18,637,220, which consists of \$13,839,932 in the General Fund, \$3,801,385 in the Debt Service Fund and \$995,903 in the Capital Projects Fund.

***Harris - Fort Bend Counties Municipal Utility District No. 3  
Management’s Discussion and Analysis  
December 31, 2024***

*General Fund*

A comparative summary of the General Fund’s financial position as of December 31, 2024 and 2023, is as follows:

|  | <u>2024</u>          | <u>2023</u>          |
|--|----------------------|----------------------|
| Total assets   | <u>\$ 16,598,562</u> | <u>\$ 16,223,305</u> |
| Total liabilities                                    | \$ 1,674,458         | \$ 833,644           |
| Total deferred inflows                               | 1,084,172            | 1,056,126            |
| Total fund balance                                   | <u>13,839,932</u>    | <u>14,333,535</u>    |
| Total liabilities, deferred inflows and fund balance | <u>\$ 16,598,562</u> | <u>\$ 16,223,305</u> |

A comparative summary of the General Fund’s activities for the current and prior fiscal year is as follows:

|                                    | <u>2024</u>         | <u>2023</u>         |
|------------------------------------|---------------------|---------------------|
| Total revenues                     | <u>\$ 4,620,465</u> | <u>\$ 4,593,079</u> |
| Total expenditures                 | <u>(5,114,068)</u>  | <u>(3,965,848)</u>  |
| Revenues over/(under) expenditures | <u>\$ (493,603)</u> | <u>\$ 627,231</u>   |

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District’s primary financial resources in the General Fund are from a property tax levy, the provision of water and sewer services to customers within the District, tap connection fees charged to developers in the District and City of Houston sales tax rebates. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. The 2023 levy was recognized as revenues in the 2024 fiscal year, while the 2022 levy was recognized in the 2023 fiscal year (to the extent that these amounts were collected). While assessed values in the District increased from the prior year, property tax revenues decreased because the District decreased the maintenance component of the levy.
- Water, sewer and regional water authority fee revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District’s control.
- Tap connection fees fluctuate with development activity within the District.
- Sales tax rebates received from the City of Houston under a Strategic Partnership Agreement are dependent on consumer spending at retail stores located within the District’s boundaries and will fluctuate from year to year.

***Harris - Fort Bend Counties Municipal Utility District No. 3  
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*Debt Service Fund*

A comparative summary of the Debt Service Fund's financial position as of December 31, 2024 and 2023, is as follows:

|  | 2024                | 2023                |
|--|---------------------|---------------------|
| Total assets   | <u>\$ 7,944,509</u> | <u>\$ 8,001,440</u> |
| Total liabilities                                    | \$ 8,992            | \$ 10,159           |
| Total deferred inflows                               | 4,134,132           | 4,189,855           |
| Total fund balance                                   | <u>3,801,385</u>    | <u>3,801,426</u>    |
| Total liabilities, deferred inflows and fund balance | <u>\$ 7,944,509</u> | <u>\$ 8,001,440</u> |

A comparative summary of the Debt Service Fund's activities for the current and prior fiscal year is as follows:

|                                    | 2024                | 2023                |
|------------------------------------|---------------------|---------------------|
| Total revenues                     | <u>\$ 3,816,002</u> | <u>\$ 3,874,010</u> |
| Total expenditures                 | <u>(3,816,043)</u>  | <u>(3,604,263)</u>  |
| Revenues over/(under) expenditures | <u>\$ (41)</u>      | <u>\$ 269,747</u>   |

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues. The difference between these financial resources and debt service requirements resulted in changes in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

*Capital Projects Fund*

A comparative summary of the Capital Projects Fund's financial position as of December 31, 2024 and 2023, is as follows:

|                                    | 2024                | 2023                |
|------------------------------------|---------------------|---------------------|
| Total assets                       | <u>\$ 1,004,246</u> | <u>\$ 6,639,291</u> |
| Total liabilities                  | \$ 8,343            | \$ 586,360          |
| Total fund balance                 | <u>995,903</u>      | <u>6,052,931</u>    |
| Total liabilities and fund balance | <u>\$ 1,004,246</u> | <u>\$ 6,639,291</u> |

***Harris - Fort Bend Counties Municipal Utility District No. 3  
 Management’s Discussion and Analysis  
 December 31, 2024***

A comparative summary of activities in the Capital Projects Fund for the current and prior fiscal year is as follows:

|                             | 2024           | 2023         |
|-----------------------------|----------------|--------------|
| Total revenues              | \$ 194,555     | \$ 358,177   |
| Total expenditures          | (5,251,583)    | (763,115)    |
| Revenues under expenditures | \$ (5,057,028) | \$ (404,938) |

**General Fund Budgetary Highlights**

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board did not amend the budget during the fiscal year.

Since the District’s budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$1,153,531 less than budgeted. The *Budgetary Comparison Schedule* on page 38 of this report provides variance information per financial statement line item.

**Capital Assets**

The District has entered into financing agreements with its developers for the financing of the construction of capital assets within the District. Developers will be reimbursed from proceeds of future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District’s financial statements upon completion of construction.

***Harris - Fort Bend Counties Municipal Utility District No. 3  
Management's Discussion and Analysis  
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Capital assets held by the District at December 31, 2024 and 2023, are summarized as follows:

|  | <u>2024</u>          | <u>2023</u>          |
|--|----------------------|----------------------|
| Capital assets not being depreciated       |                      |                      |
| Land and improvements                      | \$ 10,110,451        | \$ 10,110,451        |
| Construction in progress                   | 7,509,124            | 1,315,322            |
|  | <u>17,619,575</u>    | <u>11,425,773</u>    |
| Capital assets being depreciated/amortized |                      |                      |
| Infrastructure                             | 26,922,563           | 26,167,850           |
| Investment in regional facilities          | 1,323,445            | 1,323,445            |
|  | <u>28,246,008</u>    | <u>27,491,295</u>    |
| Less accumulated depreciation/amortization |                      |                      |
| Infrastructure                             | (7,250,241)          | (6,126,530)          |
| Investment in regional facilities          | (427,732)            | (398,322)            |
|  | <u>(7,677,973)</u>   | <u>(6,524,852)</u>   |
| Depreciable capital assets, net            | <u>20,568,035</u>    | <u>20,966,443</u>    |
| Capital assets, net                        | <u>\$ 38,187,610</u> | <u>\$ 32,392,216</u> |

As previously noted, the District implemented GASBIG 2021-1, Question 5.1 during the current year. As a result, prior year data is not consistent with current year data due to the recognition of certain capital assets and the related accumulated depreciation at the beginning of the current fiscal year (See Notes 3 and 6).

Construction in progress primarily consists of construction and engineering costs for the water plant no. 2 project.

**Long-Term Debt**

At December 31, 2024 and 2023, the District had total bonded debt outstanding as shown below:

| <u>Series</u>  | <u>2024</u>          | <u>2023</u>          |
|----------------|----------------------|----------------------|
| 2015 Refunding | \$ 4,015,000         | \$ 4,420,000         |
| 2015A          | 6,850,000            | 7,225,000            |
| 2017           | 4,080,000            | 4,280,000            |
| 2019 Refunding | 2,840,000            | 3,055,000            |
| 2020 Refunding | 3,075,000            | 3,205,000            |
| 2022 Refunding | 10,190,000           | 10,715,000           |
| 2022A          | 16,105,000           | 16,405,000           |
|                | <u>\$ 47,155,000</u> | <u>\$ 49,305,000</u> |

***Harris - Fort Bend Counties Municipal Utility District No. 3  
 Management’s Discussion and Analysis  
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At December 31, 2024, the District had \$6,510,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District; \$4,925,000 for parks and recreational facilities, \$59,944,277 for refunding purposes.

**Next Year’s Budget**

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes and water/sewer services and the projected cost of operating the District and providing services to customers. A comparison of next fiscal year’s budget to current fiscal year actual amounts for the General Fund is as follows:

|                                    | <u>2024 Actual</u>          | <u>2025 Budget</u>          |
|------------------------------------|-----------------------------|-----------------------------|
| Total revenues                     | \$ 4,620,465                | \$ 4,667,300                |
| Total expenditures                 | <u>(5,114,068)</u>          | <u>(4,068,750)</u>          |
| Revenues over/(under) expenditures | (493,603)                   | 598,550                     |
| Beginning fund balance             | <u>14,333,535</u>           | <u>13,839,932</u>           |
| Ending fund balance                | <u><u>\$ 13,839,932</u></u> | <u><u>\$ 14,438,482</u></u> |

## **Basic Financial Statements**

**Harris - Fort Bend Counties Municipal Utility District No. 3**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**December 31, 2024**

|   | General<br>Fund      | Debt<br>Service<br>Fund | Capital<br>Projects<br>Fund | Total                |
|---|----------------------|-------------------------|-----------------------------|----------------------|
| <b>Assets</b>   |                      |                         |                             |                      |
| Cash and investments  | \$ 14,465,582        | \$ 5,208,371            | \$ 1,004,246                | \$ 20,678,199        |
| Taxes receivable  | 750,413              | 3,405,405               |                             | 4,155,818            |
| Customer service receivables  | 393,637              |                         |                             | 393,637              |
| Internal balances   | 691,782              | (691,782)               |                             |                      |
| Due from other governments  | 175,155              |                         |                             | 175,155              |
| Other receivables   | 36,607               | 22,515                  |                             | 59,122               |
| Prepaid items   | 21,718               |                         |                             | 21,718               |
| Operating Reserve - Joint Water Plant                                 | 63,668               |                         |                             | 63,668               |
| Capital assets not being depreciated                                  |                      |                         |                             |                      |
| Capital assets, net   |                      |                         |                             |                      |
| Total Assets  | <u>\$ 16,598,562</u> | <u>\$ 7,944,509</u>     | <u>\$ 1,004,246</u>         | <u>\$ 25,547,317</u> |
| <b>Deferred Outflows of Resources</b>                                 |                      |                         |                             |                      |
| Deferred difference on refunding                                      |                      |                         |                             |                      |
| <b>Liabilities</b>  |                      |                         |                             |                      |
| Accounts payable  | \$ 498,004           | \$ -                    | \$ 8,343                    | \$ 506,347           |
| Retainage payable   | 491,459              |                         |                             | 491,459              |
| Other payables  |                      | 8,992                   |                             | 8,992                |
| Customer deposits   | 417,195              |                         |                             | 417,195              |
| Unearned revenue  | 267,800              |                         |                             | 267,800              |
| Accrued interest payable  |                      |                         |                             |                      |
| Long-term debt  |                      |                         |                             |                      |
| Due within one year   |                      |                         |                             |                      |
| Due after one year  |                      |                         |                             |                      |
| Total Liabilities   | <u>1,674,458</u>     | <u>8,992</u>            | <u>8,343</u>                | <u>1,691,793</u>     |
| <b>Deferred Inflows of Resources</b>                                  |                      |                         |                             |                      |
| Deferred City of Houston sales tax                                    | 170,000              |                         |                             | 170,000              |
| Deferred property taxes   | 914,172              | 4,134,132               |                             | 5,048,304            |
| <b>Fund Balances/Net Position</b>                                     |                      |                         |                             |                      |
| <b>Fund Balances</b>  |                      |                         |                             |                      |
| Nonspendable  | 85,386               |                         |                             | 85,386               |
| Restricted  |                      | 3,801,385               | 995,903                     | 4,797,288            |
| Assigned  | 5,000,000            |                         |                             | 5,000,000            |
| Unassigned  | 8,754,546            |                         |                             | 8,754,546            |
| Total Fund Balances   | <u>13,839,932</u>    | <u>3,801,385</u>        | <u>995,903</u>              | <u>18,637,220</u>    |
| Total Liabilities, Deferred Inflows<br>of Resources and Fund Balances | <u>\$ 16,598,562</u> | <u>\$ 7,944,509</u>     | <u>\$ 1,004,246</u>         | <u>\$ 25,547,317</u> |
| <b>Net Position</b>   |                      |                         |                             |                      |
| Net investment in capital assets                                      |                      |                         |                             |                      |
| Restricted for debt service   |                      |                         |                             |                      |
| Unrestricted  |                      |                         |                             |                      |
| Total Net Position  |                      |                         |                             |                      |

See notes to basic financial statements.

| <u>Adjustments</u>   | <u>Statement of<br/>Net Position</u> |
|----------------------|--------------------------------------|
| \$ -                 | \$ 20,678,199                        |
|                      | 4,155,818                            |
|                      | 393,637                              |
|                      | 175,155                              |
|                      | 59,122                               |
|                      | 21,718                               |
|                      | 63,668                               |
| 17,619,575           | 17,619,575                           |
| <u>20,568,035</u>    | <u>20,568,035</u>                    |
| <u>38,187,610</u>    | <u>63,734,927</u>                    |
|                      |                                      |
| <u>903,249</u>       | <u>903,249</u>                       |
|                      |                                      |
|                      | 506,347                              |
|                      | 491,459                              |
|                      | 8,992                                |
|                      | 417,195                              |
|                      | 267,800                              |
| 383,695              | 383,695                              |
| 2,220,000            | 2,220,000                            |
| <u>44,961,194</u>    | <u>44,961,194</u>                    |
| <u>47,564,889</u>    | <u>49,256,682</u>                    |
|                      |                                      |
| (170,000)            |                                      |
| <u>(487,752)</u>     | <u>4,560,552</u>                     |
|                      |                                      |
| (85,386)             |                                      |
| (4,797,288)          |                                      |
| (5,000,000)          |                                      |
| <u>(8,754,546)</u>   |                                      |
| <u>(18,637,220)</u>  |                                      |
|                      |                                      |
| (3,150,923)          | (3,150,923)                          |
| 3,828,067            | 3,828,067                            |
| <u>10,143,798</u>    | <u>10,143,798</u>                    |
| <u>\$ 10,820,942</u> | <u>\$ 10,820,942</u>                 |

**Harris - Fort Bend Counties Municipal Utility District No. 3**

**Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended December 31, 2024**

|  | General<br>Fund      | Debt<br>Service<br>Fund | Capital<br>Projects<br>Fund | Total                |
|--|----------------------|-------------------------|-----------------------------|----------------------|
| <b>Revenues</b>                                    |                      |                         |                             |                      |
| Water service                                      | \$ 633,957           | \$ -                    | \$ -                        | \$ 633,957           |
| Sewer service                                      | 639,005              |                         |                             | 639,005              |
| Property taxes                                     | 843,027              | 3,523,129               |                             | 4,366,156            |
| Penalties and interest                             | 72,090               | 32,440                  |                             | 104,530              |
| Tap connection and inspection                      | 171,775              |                         |                             | 171,775              |
| Regional Water Authority fees (Note 10)            | 890,395              |                         |                             | 890,395              |
| City of Houston sales tax rebates                  | 578,999              |                         |                             | 578,999              |
| Intergovernmental revenue                          | 32,254               |                         |                             | 32,254               |
| Miscellaneous                                      | 2,594                | 1,115                   |                             | 3,709                |
| Investment earnings                                | 756,369              | 259,318                 | 194,555                     | 1,210,242            |
| <b>Total Revenues</b>                              | <b>4,620,465</b>     | <b>3,816,002</b>        | <b>194,555</b>              | <b>8,631,022</b>     |
| <b>Expenditures/Expenses</b>                       |                      |                         |                             |                      |
| Current service operations                         |                      |                         |                             |                      |
| Purchased services                                 | 79,821               |                         |                             | 79,821               |
| Professional fees                                  | 1,038,767            |                         | 2,749                       | 1,041,516            |
| Contracted services                                | 755,055              | 75,665                  | 2,100                       | 832,820              |
| Repairs and maintenance                            | 835,125              |                         |                             | 835,125              |
| Utilities  | 127,218              |                         |                             | 127,218              |
| Regional Water Authority fees (Note 10)            | 818,030              |                         |                             | 818,030              |
| SPA reimbursements (Note 11)                       | 374,839              |                         |                             | 374,839              |
| Administrative                                     | 122,140              | 23,859                  | 135                         | 146,134              |
| Other  | 15,870               |                         |                             | 15,870               |
| Capital outlay                                     | 947,203              |                         | 5,246,599                   | 6,193,802            |
| Debt service                                       |                      |                         |                             |                      |
| Principal  |                      | 2,150,000               |                             | 2,150,000            |
| Interest and fees                                  |                      | 1,566,519               |                             | 1,566,519            |
| Depreciation and amortization                      |                      |                         |                             |                      |
| <b>Total Expenditures/Expenses</b>                 | <b>5,114,068</b>     | <b>3,816,043</b>        | <b>5,251,583</b>            | <b>14,181,694</b>    |
| <b>Revenues Under Expenditures</b>                 | <b>(493,603)</b>     | <b>(41)</b>             | <b>(5,057,028)</b>          | <b>(5,550,672)</b>   |
| <b>Change in Net Position</b>                      |                      |                         |                             |                      |
| Fund Balance/Net Position                          |                      |                         |                             |                      |
| Beginning of the year, as reported                 | 14,333,535           | 3,801,426               | 6,052,931                   | 24,187,892           |
| Change due to new accounting guidance (See Note 3) |                      |                         |                             |                      |
| Beginning of the year, as restated                 | 14,333,535           | 3,801,426               | 6,052,931                   | 24,187,892           |
| <b>End of the year</b>                             | <b>\$ 13,839,932</b> | <b>\$ 3,801,385</b>     | <b>\$ 995,903</b>           | <b>\$ 18,637,220</b> |

See notes to basic financial statements.

| <u>Adjustments</u>    | <u>Statement of<br/>Activities</u> |
|-----------------------|------------------------------------|
| \$ -                  | \$ 633,957                         |
|                       | 639,005                            |
| 59,503                | 4,425,659                          |
| 35,256                | 139,786                            |
|                       | 171,775                            |
|                       | 890,395                            |
| 104,619               | 683,618                            |
|                       | 32,254                             |
|                       | 3,709                              |
|                       | <u>1,210,242</u>                   |
| <u>199,378</u>        | <u>8,830,400</u>                   |
|                       | 79,821                             |
|                       | 1,041,516                          |
|                       | 832,820                            |
|                       | 835,125                            |
|                       | 127,218                            |
|                       | 818,030                            |
|                       | 374,839                            |
|                       | 146,134                            |
|                       | 15,870                             |
| (6,193,802)           |                                    |
| (2,150,000)           |                                    |
| 71,694                | 1,638,213                          |
| 705,060               | 705,060                            |
| <u>(7,567,048)</u>    | <u>6,614,646</u>                   |
| 5,550,672             |                                    |
| 2,215,754             | 2,215,754                          |
| (15,889,356)          | 8,298,536                          |
| 306,652               | 306,652                            |
| <u>(15,582,704)</u>   | <u>8,605,188</u>                   |
| <u>\$ (8,122,930)</u> | <u>\$ 10,820,942</u>               |

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***Harris - Fort Bend Counties Municipal Utility District No. 3***  
***Notes to Financial Statements***  
***December 31, 2024***

**Note 1 – Summary of Significant Accounting Policies**

The accounting policies of Harris - Fort Bend Counties Municipal Utility District No. 3 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

**Creation**

The District was organized, created and established pursuant to an order of the Texas Water Commission, statutory predecessor to the Texas Commission on Environmental Quality, dated January 28, 1982, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on March 3, 1982, and the first bonds were issued on January 6, 2009.

The District’s primary activities include construction, maintenance and operation of water, sewer and drainage facilities. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

**Reporting Entity**

The District is a political subdivision of the State of Texas governed by an elected five-member board. The GASB has established the criteria for determining the reporting entity for financial statement reporting purposes. To qualify as a primary government, a government must have a separately elected governing body, be legally separate, and be fiscally independent of other state and local governments, while a component unit is a legally separate government for which the elected officials of a primary government are financially accountable. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other 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 statements as component units.

**Government-Wide and Fund Financial Statements**

Government-wide financial statements display information about the District as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Interfund activity, if any, has been removed from these statements. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*.

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have many funds; however, governmental financial statements focus on the most important or “major”

***Harris - Fort Bend Counties Municipal Utility District No. 3***  
***Notes to Financial Statements***  
***December 31, 2024***

funds with non-major funds aggregated in a single column. The District has three governmental funds, which are all considered major funds.

The following is a description of the various funds used by the District:

- The General Fund is used to account for the operations of the District's water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes, water and sewer service fees and City of Houston sales tax rebates. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District's water, sewer and drainage facilities.

As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing an adjustments column for reconciling items between the two.

### **Measurement Focus and Basis of Accounting**

The government-wide financial statements use the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, City of Houston sales tax rebates, interest earned on investments and income from District operations. Property taxes and City of Houston sales tax receivable at the end of the fiscal year are treated as deferred inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

Note 2 further details the adjustments from the governmental fund presentation to the government-wide presentation.

### **Use of Restricted Resources**

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

***Harris - Fort Bend Counties Municipal Utility District No. 3  
Notes to Financial Statements  
December 31, 2024***

**Prepaid Items**

Certain payments made by the District reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

**Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At December 31, 2024, an allowance for uncollectible accounts was not considered necessary.

**Interfund Activity**

During the course of operations, transactions occur between individual funds. This can include internal transfers, payables and receivables. This activity is combined as internal balances and is eliminated in both the government-wide and fund financial statement presentation.

**Capital Assets**

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost that exceeds the capitalization threshold for the asset class and an estimated useful life in excess of one year. Capital assets that individually are below the capitalization threshold but, in the aggregate, are above the threshold are capitalized. Subsequent replacements of these assets that do not exceed the threshold are not capitalized. The District’s capitalization threshold for infrastructure assets is \$50,000. The threshold for subscription-based information technology arrangements (SBITAs) is \$100,000.

Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciable capital assets, which primarily consist of water, wastewater and drainage facilities, are depreciated (or amortized in the case of intangible assets) using the straight-line method as follows:

| <u>Assets</u>                     | <u>Useful Life</u> |
|-----------------------------------|--------------------|
| Infrastructure                    | 7-45 years         |
| Investment in regional facilities | 45 years           |

The District’s storm water detention facilities are considered improvements to land and are non-depreciable.

### **Deferred Inflows and Outflows of Financial Resources**

A deferred inflow of financial resources is the acquisition of resources in one period that is applicable to a future period, while a deferred outflow of financial resources is the consumption of financial resources in one period that is applicable to a future period. A deferred inflow results from the acquisition of an asset without a corresponding revenue or assumption of a liability. A deferred outflow results from the use of an asset without a corresponding expenditure or reduction of a liability.

At the fund level, property taxes receivable and City of Houston sales tax rebates receivable that are not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources. Additionally, collections of the 2024 property tax levy are not considered current year revenues and, consequently, are also reported as deferred property taxes.

Deferred outflows of financial resources at the government-wide level are from a refunding bond transaction in which the amount required to repay the old debt exceeded the net carrying amount of the old debt. This amount is being amortized to interest expense. Deferred inflows of financial resources at the government-wide level consist of the 2024 property tax levy, which was levied to finance the 2025 fiscal year.

### **Net Position – Governmental Activities**

Governmental accounting standards establish the following three components of net position:

Net investment in capital assets – represents the District’s investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets.

Restricted – consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties.

Unrestricted – resources not included in the other components.

### **Fund Balances – Governmental Funds**

Governmental accounting standards establish the following fund balance classifications:

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. The District’s nonspendable fund balance consists of prepaid items and operating reserves paid to Cimarron Municipal Utility District for the joint water plant.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District’s restricted fund balances consist of unspent bond proceeds in the Capital Projects Fund and property taxes levied for debt service in the Debt Service Fund.

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***Notes to Financial Statements***  
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Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. 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; however, the District has set aside \$5,000,000 for the construction of a water plant and reports this amount as assigned fund balance.

Unassigned - all other spendable amounts in the General Fund.

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

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the useful lives and impairment of capital assets and the value of capital assets transferred to Harris County. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

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**Note 2 – Adjustment from Governmental to Government-wide Basis**

**Reconciliation of the *Governmental Funds Balance Sheet* to the *Statement of Net Position***

|  |                     |                             |
|--|---------------------|-----------------------------|
| Total fund balance, governmental funds   |                     | \$ 18,637,220               |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.   |                     |                             |
| Historical cost  | \$ 45,865,583       |                             |
| Less accumulated depreciation/amortization   | <u>(7,677,973)</u>  |                             |
|  |                     | 38,187,610                  |
| The difference between the face amount of bonds refunded and the amount paid to refund the bonds does not provide financial resources at the fund level and is recorded as a deferred outflow in the <i>Statement of Net Position</i> and amortized to interest expense.   |                     | 903,249                     |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:   |                     |                             |
| Accrued interest payable   | (383,695)           |                             |
| Bonds payable, net   | <u>(47,181,194)</u> |                             |
|  |                     | (47,564,889)                |
| Deferred inflows in the fund statements consist of the unavailable portion of property taxes and City of Houston sales taxes receivable, as well as collections of the District's 2024 property tax levy. In the <i>Statement of Net Position</i> , deferred inflows consist of the entire 2024 property tax levy. |                     |                             |
| Fund level deferred property taxes   | 5,048,304           |                             |
| Government wide level deferred property taxes  | (4,560,552)         |                             |
| City of Houston sales tax rebates  | <u>170,000</u>      |                             |
|  |                     | 657,752                     |
| Total net position - governmental activities   |                     | <u><u>\$ 10,820,942</u></u> |

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**Reconciliation of the *Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances* to the *Statement of Activities***

Net change in fund balances - total governmental funds \$ (5,550,672)

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for the following:

|                                   |    |         |         |
|-----------------------------------|----|---------|---------|
| Property taxes                    | \$ | 59,503  |         |
| Penalties and interest            |    | 35,256  |         |
| City of Houston sales tax rebates |    | 104,619 |         |
|                                   |    | 199,378 | 199,378 |

Financial reporting for capital assets varies significantly between the fund statements and the government-wide statements. Reporting at the fund level focuses on the impact of transactions on financial resources (i.e., cash), while reporting at the government-wide level seeks to allocate the cost of the acquisition of capital assets over their useful lives and to measure the economic impact of developer financing of capital assets used by the District or conveyed to other governmental entities. Differences during the current fiscal year are for the following:

|                                   |  |           |           |
|-----------------------------------|--|-----------|-----------|
| Capital outlays                   |  | 6,193,802 |           |
| Depreciation/amortization expense |  | (705,060) |           |
|                                   |  | 5,488,742 | 5,488,742 |

Financial reporting for certain obligations varies between the fund statements and the government-wide statements. At the fund level, the focus is on increases and decreases of financial resources as debt is issued and repaid. At the government-wide level, the focus is on measuring and reporting on changes in the District's obligation to repay liabilities in the future. Differences during the current fiscal year are for the following:

|                          |  |           |           |
|--------------------------|--|-----------|-----------|
| Principal payments       |  | 2,150,000 |           |
| Interest expense accrual |  | (71,694)  |           |
|                          |  | 2,078,306 | 2,078,306 |

Change in net position of governmental activities \$ 2,215,754

**Note 3 – Implementation of New Accounting Guidance**

During the current fiscal year, the District implemented GASB Implementation Guide (“GASBIG”) 2021-1, Question 5.1, which requires the capitalization of the acquisition of a group of individual capital assets whose individual acquisition costs are less than the capitalization threshold when the cost of the acquisition of the assets in the aggregate is significant. Under this new guidance, the District’s acquisition of water meters that exceeds the capitalization threshold in the aggregate should be recorded as Capital outlays instead of Contracted services in the *Statement of Revenues, Expenditures*

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*and Changes in Fund Balances.* On the government wide statements, the acquisition of water meters should not be recorded as an expense on the *Statement of Activities* but should be recorded as capital assets on the *Statement of Net Position*.

GASBIG 2021-1, Question 5.1 is required to be retroactively implemented, which means the District is required to record the acquisition of water meters that were expensed in previous fiscal years as infrastructure capital assets and to record the related accumulated depreciation at the beginning of the current fiscal year. Accordingly, the District has recorded a restatement to recognize \$306,652 in depreciable capital assets, which were measured at net book value (i.e., cost less accumulated depreciation) as of the beginning of the current fiscal year and increased its beginning net position by the same amount. Prior year amounts in the Management's Discussion and Analysis and supplementary schedules were not restated.

#### **Note 4 – Deposits and Investments**

##### **Deposit Custodial Credit Risk**

Custodial credit risk as it applies to deposits (i.e. cash and certificates of deposit) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the District's deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third-party custodian. The act further specifies the types of securities that can be used as collateral. The District's written investment policy establishes additional requirements for collateralization of deposits.

##### **Investments**

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) certain insured or collateralized certificates of deposit and share certificates, (8) certain fully collateralized repurchase agreements, (9) bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The District has adopted a written investment policy to establish the principles by which the District's investment program should be managed. This policy further restricts the types of investments in which the District may invest.

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As of December 31, 2024, the District's investments consist of the following:

| Type                    | Fund             | Carrying Value       | Percentage of Total | Rating | Weighted Average Maturity |
|-------------------------|------------------|----------------------|---------------------|--------|---------------------------|
| Certificates of deposit | General          | \$ 1,410,000         |                     |        |                           |
|                         | Debt Service     | 940,000              |                     |        |                           |
|                         |                  | <u>2,350,000</u>     | 12%                 | N/A    | N/A                       |
| Texas CLASS             | General          | 12,454,530           |                     |        |                           |
|                         | Debt Service     | 3,335,292            |                     |        |                           |
|                         | Capital Projects | 1,003,881            |                     |        |                           |
|                         |                  | <u>16,793,703</u>    | 88%                 | AAAm   | 46 days                   |
| Total                   |                  | <u>\$ 19,143,703</u> | 100%                |        |                           |

The District's investments in certificates of deposit are reported at cost.

**Texas CLASS**

The District participates in Texas Cooperative Liquid Assets Securities System (Texas CLASS). Texas CLASS is managed by an elected Board of Trustees consisting of members of the pool. Additionally, the Board of Trustees has established an advisory board, the function of which is to provide guidance on investment policies and strategies. The Board of Trustees has selected Public Trust Advisors, LLC as the program administrator and UMB Bank N.A., as the custodian.

The District's investment in Texas CLASS is reported at fair value because Texas CLASS uses fair value to report investments (other than repurchase agreements which are valued at amortized cost). Governmental accounting standards establish the following hierarchy of inputs used to measure fair value: Level 1 inputs are based on quoted prices in active markets, Level 2 inputs are based on significant other observable inputs, and Level 3 inputs are based on significant unobservable inputs. The District's investment in Texas CLASS is measured using published fair value per share (level 1 inputs).

Investments in Texas CLASS may be withdrawn via wire transfer on a same day basis, as long as the transaction is executed by 4 p.m. ACH withdrawals made by 4 p.m. will settle on the next business day.

**Investment Credit and Interest Rate Risk**

Investment credit risk is the risk that the investor may not recover the value of an investment from the issuer, while interest rate risk is the risk that the value of an investment will be adversely affected by changes in interest rates. The District's investment policies do not address investment credit and interest rate risk beyond the rating and maturity restrictions established by state statutes.

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**Note 5 – Interfund Balances and Transactions**

Amounts due to/from other funds at December 31, 2024, consist of the following:

| Receivable Fund | Payable Fund      | Amounts    | Purpose   |
|-----------------|-------------------|------------|---|
| General Fund    | Debt Service Fund | \$ 691,782 | Maintenance tax collections not remitted as of year end |

Amounts reported as internal balances between funds are considered temporary balances and will be paid during the following fiscal year.

**Note 6 – Capital Assets**

A summary of changes in capital assets, for the year ended December 31, 2024, is as follows:

|  | Beginning<br>Balances | Additions           | Ending<br>Balances   |
|--|-----------------------|---------------------|----------------------|
| Capital assets not being depreciated       |                       |                     |                      |
| Land and improvements                      | \$ 10,110,451         | \$ -                | \$ 10,110,451        |
| Construction in progress                   | 1,315,322             | 6,193,802           | 7,509,124            |
|  | <u>11,425,773</u>     | <u>6,193,802</u>    | <u>17,619,575</u>    |
| Capital assets being depreciated/amortized |                       |                     |                      |
| Infrastructure                             | 26,922,563            |                     | 26,922,563           |
| Investment in regional facilities          | 1,323,445             |                     | 1,323,445            |
|  | <u>28,246,008</u>     |                     | <u>28,246,008</u>    |
| Less accumulated depreciation/amortization |                       |                     |                      |
| Infrastructure                             | (6,574,591)           | (675,650)           | (7,250,241)          |
| Investment in regional facilities          | (398,322)             | (29,410)            | (427,732)            |
|  | <u>(6,972,913)</u>    | <u>(705,060)</u>    | <u>(7,677,973)</u>   |
| Subtotal depreciable capital assets, net   | <u>21,273,095</u>     | <u>(705,060)</u>    | <u>20,568,035</u>    |
| Capital assets, net                        | <u>\$ 32,698,868</u>  | <u>\$ 5,488,742</u> | <u>\$ 38,187,610</u> |

Depreciation/amortization expense for the current year was \$705,060.

As discussed in Note 3, the District recorded a restatement to capitalize the acquisition of certain capital assets and accumulated depreciation at the beginning of the current fiscal year. In previous years, these costs were expensed. As a result, beginning balances for infrastructure capital assets in the current fiscal year are not consistent with prior year data.

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The District has contractual commitments for construction projects as follows:

|   | Contract<br>Amount | Paid To<br>Date | Remaining<br>Amount * |
|---|--------------------|-----------------|-----------------------|
| Water Plant No. 2 and 12" Waterline Extension | \$ 9,829,170       | \$ 6,444,805    | \$ 3,384,365          |

\* Includes retainage

**Note 7 – Due to Developers**

The District has entered into financing agreements with its developers for the financing of the construction of water, sewer, drainage facilities. Under the agreements, the developers will advance funds for the construction of facilities to serve the District. The developers will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable. The District does not record the capital asset and related liability on the government-wide statements until construction of the facilities is complete. The initial cost is estimated based on construction costs plus 10-15% for engineering and other fees. Estimates are trued up when the developer is reimbursed.

Changes in the estimated amounts due to developers during the year are as follows:

|                                      |                  |
|--------------------------------------|------------------|
| Due to developers, beginning of year | \$ 180,383       |
| Developer reimbursements             | <u>(180,383)</u> |
| Due to developers, end of year       | <u>\$ -</u>      |

**Note 8 – Long-Term Debt**

Long-term debt is comprised of the following:

|                       |                      |
|-----------------------|----------------------|
| Bonds payable         | \$ 47,155,000        |
| Unamortized discounts | (226,506)            |
| Unamortized premium   | <u>252,700</u>       |
|                       | <u>\$ 47,181,194</u> |
| <br>                  |                      |
| Due within one year   | <u>\$ 2,220,000</u>  |

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The District's bonds payable at December 31, 2024, consists of unlimited tax bonds as follows:

| Series            | Amounts<br>Outstanding | Original<br>Issue | Interest<br>Rates | Maturity Date,<br>Serially,<br>Beginning/<br>Ending | Interest<br>Payment<br>Dates | Call<br>Dates    |
|-------------------|------------------------|-------------------|-------------------|---|------------------------------|------------------|
| 2015<br>Refunding | \$ 4,015,000           | \$ 6,765,000      | 2.25% - 3.75%     | April 1,<br>2016/2033                               | April 1,<br>October 1        | April 1,<br>2023 |
| 2015A             | 6,850,000              | 9,850,000         | 3.00% - 5.50%     | April 1,<br>2017/2039                               | April 1,<br>October 1        | April 1,<br>2024 |
| 2017              | 4,080,000              | 5,680,000         | 2.00% - 3.50%     | April 1,<br>2018/2041                               | April 1,<br>October 1        | April 1,<br>2024 |
| 2019<br>Refunding | 2,840,000              | 3,800,000         | 2.00% - 3.00%     | April 1,<br>2020/2034                               | April 1,<br>October 1        | April 1,<br>2025 |
| 2020<br>Refunding | 3,075,000              | 3,585,000         | 2.00% - 4.00%     | April 1,<br>2021/2035                               | April 1,<br>October 1        | April 1,<br>2026 |
| 2022<br>Refunding | 10,190,000             | 11,215,000        | 1.25% - 4.00%     | April 1,<br>2023/2039                               | April 1,<br>October 1        | April 1,<br>2027 |
| 2022A             | 16,105,000             | 16,405,000        | 3.00% - 5.50%     | April 1,<br>2024/2047                               | April 1,<br>October 1        | April 1,<br>2028 |
|                   | <u>\$ 47,155,000</u>   |                   |                   |   |                              |                  |

Payments of principal and interest on all series of bonds are to be provided from taxes levied on all properties within the District. Investment income realized by the Debt Service Fund from investment of idle funds will be used to pay outstanding bond principal and interest. The District is in compliance with the terms of its bond resolutions.

At December 31, 2024, the District had authorized but unissued bonds in the amount of \$6,510,000 for water, sewer and drainage facilities; \$4,925,000 for park and recreational facilities; and \$59,944,277 for refunding purposes.

The change in the District's long-term debt during the year is as follows:

|                                  |                      |
|----------------------------------|----------------------|
| Bonds payable, beginning of year | \$ 49,305,000        |
| Bonds retired                    | <u>(2,150,000)</u>   |
| Bonds payable, end of year       | <u>\$ 47,155,000</u> |

**Harris - Fort Bend Counties Municipal Utility District No. 3**  
**Notes to Financial Statements**  
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As of December 31, 2024, annual debt service requirements on bonds outstanding are as follows:

| <u>Year</u> | <u>Principal</u>     | <u>Interest</u>      | <u>Totals</u>        |
|-------------|----------------------|----------------------|----------------------|
| 2025        | \$ 2,220,000         | \$ 1,478,112         | \$ 3,698,112         |
| 2026        | 2,280,000            | 1,398,475            | 3,678,475            |
| 2027        | 2,335,000            | 1,317,881            | 3,652,881            |
| 2028        | 2,400,000            | 1,243,595            | 3,643,595            |
| 2029        | 2,445,000            | 1,179,585            | 3,624,585            |
| 2030        | 2,495,000            | 1,116,321            | 3,611,321            |
| 2031        | 2,545,000            | 1,048,094            | 3,593,094            |
| 2032        | 2,595,000            | 976,394              | 3,571,394            |
| 2033        | 2,655,000            | 902,691              | 3,557,691            |
| 2034        | 2,765,000            | 829,993              | 3,594,993            |
| 2035        | 2,805,000            | 758,682              | 3,563,682            |
| 2036        | 2,340,000            | 686,229              | 3,026,229            |
| 2037        | 2,245,000            | 612,631              | 2,857,631            |
| 2038        | 2,265,000            | 535,169              | 2,800,169            |
| 2039        | 2,285,000            | 454,356              | 2,739,356            |
| 2040        | 1,715,000            | 380,850              | 2,095,850            |
| 2041        | 1,715,000            | 314,950              | 2,029,950            |
| 2042        | 1,175,000            | 258,500              | 1,433,500            |
| 2043        | 1,175,000            | 211,500              | 1,386,500            |
| 2044        | 1,175,000            | 164,500              | 1,339,500            |
| 2045        | 1,175,000            | 117,500              | 1,292,500            |
| 2046        | 1,175,000            | 70,500               | 1,245,500            |
| 2047        | 1,175,000            | 23,500               | 1,198,500            |
|             | <u>\$ 47,155,000</u> | <u>\$ 16,080,008</u> | <u>\$ 63,235,008</u> |

**Note 9 – Property Taxes**

On May 6, 2020, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

All property values and exempt status, if any, are determined by the Fort Bend Central Appraisal District and Harris Central 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.

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2024 fiscal year was financed through the 2023 tax levy, pursuant to which the District levied property taxes of \$0.57 per \$100 of assessed value, of which \$0.11 was allocated to maintenance and operations and

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\$0.46 was allocated to debt service. The resulting tax levy was \$4,524,739 on the adjusted taxable value of \$793,813,831.

Property taxes levied each October are intended to finance the next fiscal year and are, therefore, not considered available for the District’s use during the current fiscal year. Consequently, 2024 levy collections in the amount of \$892,486 have been included with deferred property taxes and are recorded as deferred inflows of resources on the *Governmental Funds Balance Sheet*. On the governmentwide *Statement of Net Position*, the full 2024 tax levy of \$4,560,552 is reported as deferred inflows. These amounts will be recognized as revenue in 2025.

Property taxes receivable, at December 31, 2024, consisted of the following:

|                                 |              |
|---------------------------------|--------------|
| Current year taxes receivable   | \$ 3,668,066 |
| Prior years taxes receivable    | 334,102      |
|                                 | <hr/>        |
|                                 | 4,002,168    |
| Penalty and interest receivable | 153,650      |
| Property taxes receivable       | <hr/> <hr/>  |
|                                 | \$ 4,155,818 |

**Note 10 – West Harris County Regional Water Authority**

The District is within the boundaries of the West Harris County Regional Water Authority (the “Authority”), which was created by the Texas Legislature in 2001. The Authority is a political subdivision of the State of Texas, governed by an elected nine-member Board of Directors. The Authority was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Harris Galveston Coastal Subsidence District, which regulates groundwater withdrawal.

The Authority charges a groundwater pumpage fee to all permitted well owners within its boundaries and a surface water fee for all surface water provided to water suppliers. As of December 31, 2024, the groundwater pumpage fee was \$3.95 per 1,000 gallons of water pumped. This rate is subject to future increases. The District passes this cost on to its customers. During the current year, the District recognized \$890,395 in revenues and a total of \$852,273 in expenditures, which consists of \$818,030 in Regional Water Authority Fees for pumpage from the District’s water plant and \$34,243 in Purchased Services for pumpage from the joint water plant (see Note 13).

**Note 11 – Strategic Partnership Agreement with the City of Houston**

Effective December 20, 2007, the District and the City of Houston (the “City”) entered into a Strategic Partnership Agreement (the “Agreement”) under which the City annexed tracts within the District developed or to be developed for commercial purposes for the limited purpose of applying the City’s planning, zoning, health and safety ordinances within the District. The Agreement was amended and restated pursuant to that certain First Amended and Restated Strategic Partnership Agreement between the District and the City, effective December 19, 2011, to add certain additional commercial tracts. The District continues to exercise all powers and functions of a municipal utility district. As

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consideration for the District providing services described in the Agreement, the City agreed to remit one half of all the retail sales tax collected from retailers located in the District's boundaries. The City agrees that it will not annex all or part of the District during the term of this Agreement, which is thirty years.

Receivables in the amount \$170,000 have been included in Due from City of Houston and are recorded as deferred inflows of resources on the *Governmental Funds Balance Sheet*. This amount does not meet the availability criteria required for revenue recognition at the fund level and will be recognized as revenue in 2025. During the fiscal year ended December 31, 2024, the District recorded \$578,999 in revenues at the fund level in accordance with the Agreement.

**Note 12 – Development Agreement**

On February 23, 2009, the District entered into a Development Agreement (the "Agreement") with Ashford Park Limited Partnership, Bluecap, Ltd., and Capricorn, Ltd., being collectively referred to as Katy ABC Properties (the "Developer") for the reimbursement of certain other infrastructure improvements in the District. The District and the Developer entered into that certain Addendum to Development Agreement effective November 25, 2013. The amount reimbursable to the Developer at that date was \$3,814,618, which consisted of construction costs of \$2,844,947 and interest of \$969,671.

Under the terms of the Agreement, seventy five percent (75%) of certain revenues received pursuant to the District's Strategic Partnership Agreement (the "SPA") with the City of Houston will be paid to the Developer to reimburse the Developer for the costs associated with certain improvements made. The revenue is generated from businesses located within a defined area that is being improved by the Developer. The District agrees to make payments to the Developer no less frequently than once each calendar quarter beginning in the calendar quarter next following the calendar in which the District first collects sales tax revenue pursuant to the SPA with the City of Houston. Interest of 7% annually is added to the balance due every year.

As of December 31, 2024, the District has reimbursed \$2,858,970 to the Developer, which includes \$377,445 paid during the current year. Total annual interest costs since 2013 are \$3,188,029, which includes \$283,115 incurred in the current year. As of December 31, 2024, the remaining amount reimbursable is \$4,143,678 (including unpaid interest). Payments from the District to the Developer will continue until: a) the sum of the payments made by the District to the Developer equals the total eligible cost of the projects as determined under the Agreement, or b) the expiration of 15 years from the effective date of January 1, 2012, whichever comes first.

In the event that SPA receipts are insufficient to provide full reimbursement to the Developer by such date, the District is not obligated to use any other funds for such purposes. Since reimbursement is contingent upon the future revenues, the District has not recorded a liability related to this Agreement.

*Harris - Fort Bend Counties Municipal Utility District No. 3*  
*Notes to Financial Statements*  
*December 31, 2024*

**Note 13 – Joint Water Plant Operating Agreement**

On November 17, 2010, the District entered into a Joint Water Plant Operating Agreement (the “Agreement”) with Cimarron Municipal Utility District (“Cimarron”). This Agreement establishes the terms and conditions under which maintenance and operations costs for the joint water plant will be allocated between the districts. Cimarron shall hold legal title to the water plant for the benefit of both districts. Each district shall have an undivided equitable interest in the water plant based on the districts’ proportionate share of equivalent single-family connections (“ESFCs”). The District has a 34.96% interest with 633 ESFCs and Cimarron has a 65.04% interest with 1178 ESFCs.

Each district shall be billed monthly for its proportionate share of maintenance and operating expenditures. For the year ended December 31, 2024, the District recorded \$79,821 in purchased services related to the Agreement. As of December 31, 2024, the District’s has paid \$63,668 to meet the operating reserve requirement of the joint water plant.

**Note 14 – 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 personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

## **Required Supplementary Information**

**Harris - Fort Bend Counties Municipal Utility District No. 3**  
**Required Supplementary Information - Budgetary Comparison Schedule - General Fund**  
**For the Year Ended December 31, 2024**

|   | Original and<br>Final Budget | Actual               | Variance<br>Positive<br>(Negative) |
|---|------------------------------|----------------------|------------------------------------|
| <b>Revenues</b>                           |                              |                      |                                    |
| Water service                             | \$ 719,600                   | \$ 633,957           | \$ (85,643)                        |
| Sewer service                             | 624,700                      | 639,005              | 14,305                             |
| Property taxes                            | 874,300                      | 843,027              | (31,273)                           |
| Penalties and interest                    | 33,200                       | 72,090               | 38,890                             |
| Tap connection and inspection             | 79,700                       | 171,775              | 92,075                             |
| Regional Water Authority fees             | 893,700                      | 890,395              | (3,305)                            |
| City of Houston sales tax rebates         | 754,700                      | 578,999              | (175,701)                          |
| Intergovernmental revenue                 | 29,500                       | 32,254               | 2,754                              |
| Miscellaneous                             | 2,400                        | 2,594                | 194                                |
| Investment earnings                       | 691,800                      | 756,369              | 64,569                             |
| <b>Total Revenues</b>                     | <b>4,703,600</b>             | <b>4,620,465</b>     | <b>(83,135)</b>                    |
| <b>Expenditures</b>                       |                              |                      |                                    |
| Current service operations                |                              |                      |                                    |
| Purchased services                        | 246,460                      | 79,821               | 166,639                            |
| Professional fees                         | 749,862                      | 1,038,767            | (288,905)                          |
| Contracted services                       | 760,900                      | 755,055              | 5,845                              |
| Repairs and maintenance                   | 731,500                      | 835,125              | (103,625)                          |
| Utilities                                 | 120,200                      | 127,218              | (7,018)                            |
| Regional water authority fees             | 753,700                      | 818,030              | (64,330)                           |
| SPA reimbursements                        | 428,000                      | 374,839              | 53,161                             |
| Administrative                            | 125,650                      | 122,140              | 3,510                              |
| Other                                     | 27,400                       | 15,870               | 11,530                             |
| Capital outlay                            | 100,000                      | 947,203              | (847,203)                          |
| <b>Total Expenditures</b>                 | <b>4,043,672</b>             | <b>5,114,068</b>     | <b>(1,070,396)</b>                 |
| <b>Revenues Over/(Under) Expenditures</b> | <b>659,928</b>               | <b>(493,603)</b>     | <b>(1,153,531)</b>                 |
| <b>Fund Balance</b>                       |                              |                      |                                    |
| Beginning of the year                     | 14,333,535                   | 14,333,535           |                                    |
| <b>End of the year</b>                    | <b>\$ 14,993,463</b>         | <b>\$ 13,839,932</b> | <b>\$ (1,153,531)</b>              |

*Harris - Fort Bend Counties Municipal Utility District No. 3*  
*Notes to Required Supplementary Information*  
*December 31, 2024*

**Budgets and Budgetary Accounting**

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. There were no amendments to the budget during the year.

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## **Texas Supplementary Information**

**Harris - Fort Bend Counties Municipal Utility District No. 3**  
**TSI-1. Services and Rates**  
**December 31, 2024**

1. Services provided by the District During the Fiscal Year:

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

2. Retail Service Providers

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

|             | Minimum Charge | Minimum Usage | Flat Rate (Y / N) | Rate per 1,000 Gallons Over Minimum Usage | Usage Levels      |
|-------------|----------------|---------------|-------------------|---|-------------------|
| Water:      | \$ 18.00       | 5,000         | N                 | \$ 2.00                                   | 5,001 to no limit |
| Wastewater: | \$ 40.68       | -0-           | Y                 |   |                   |
| Surcharge:  | \$ -           | -0-           | N                 | \$ 4.26                                   | -0- to no limit   |

District employs winter averaging for wastewater usage?  Yes  No

Total charges per 10,000 gallons usage: Water \$ 70.60 Wastewater \$ 40.68

b. Water and Wastewater Retail Connections:

| Meter Size       | Total Connections | Active Connections | ESFC Factor | Active ESFC'S |
|------------------|-------------------|--------------------|-------------|---------------|
| Unmetered        |                   |                    | x 1.0       |               |
| less than 3/4"   | 565               | 561                | x 1.0       | 561           |
| 1"               | 8                 | 8                  | x 2.5       | 20            |
| 1.5"             | 7                 | 7                  | x 5.0       | 35            |
| 2"               | 99                | 99                 | x 8.0       | 792           |
| 3"               | 6                 | 6                  | x 15.0      | 90            |
| 4"               | 3                 | 3                  | x 25.0      | 75            |
| 6"               | 8                 | 8                  | x 50.0      | 400           |
| 8"               | 22                | 22                 | x 80.0      | 1,760         |
| 10"              |                   |                    | x 115.0     |               |
| Total Water      | 718               | 714                |             | 3,733         |
| Total Wastewater | 643               | 639                | x 1.0       | 639           |

\* \$20.00 flat monthly rate for sanitary sewer service to each residential customer within the Grand Enclave subdivision because they do not receive solid waste collection and disposal services from the District.

See accompanying auditor's report.

**Harris - Fort Bend Counties Municipal Utility District No. 3**  
**TSI-1. Services and Rates**  
**December 31, 2024**

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):

|                              |                    |  |
|------------------------------|--------------------|--|
| Gallons pumped into system:  | <u>206,641,000</u> | Water Accountability Ratio:                        |
| *Gallons pumped into system: | <u>6,870,000</u>   | Water Accountability Ratio:                        |
| Gallons billed to customers: | <u>207,870,000</u> | <u>97.36%</u><br>(Gallons billed / Gallons pumped) |

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

Does the District have Debt Service standby fees? Yes  No

If yes, Date of the most recent commission Order: \_\_\_\_\_

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

If yes, Date of the most recent commission Order: \_\_\_\_\_

5. Location of District

Is the District located entirely within one county? Yes  No

County(ies) in which the District is located: Harris and Fort Bend Counties

Is the District located within a city? Entirely  Partly  Not at all

City(ies) in which the District is located: \_\_\_\_\_

Is the District located within a city's extra territorial jurisdiction (ETJ)?  
 Entirely  Partly  Not at all

ETJs in which the District is located: City of Houston

Are Board members appointed by an office outside the district? Yes  No

If Yes, by whom? \_\_\_\_\_

\* Water purchased from Cimarron MUD

See accompanying auditor's report.

*Harris - Fort Bend Counties Municipal Utility District No. 3  
 TSI-2. General Fund Expenditures  
 For the Year Ended December 31, 2024*

|   |                     |
|---|---------------------|
| Purchased services for Joint Facilities |                     |
| Operations                              | \$ 45,577           |
| Regional Water Authority fees           | 34,244              |
|   | <u>79,821</u>       |
| Professional fees                       |                     |
| Legal                                   | 223,946             |
| Audit                                   | 19,000              |
| Engineering                             | 150,339             |
| Landscape architect                     | 645,482             |
|   | <u>1,038,767</u>    |
| Contracted services                     |                     |
| Bookkeeping                             | 86,595              |
| Operator                                | 125,914             |
| Garbage collection                      | 131,208             |
| Tap connection and inspection           | 69,542              |
| Security                                | 248,484             |
| Sludge removal                          | 88,312              |
| Sales tax consultant                    | 5,000               |
|   | <u>755,055</u>      |
| Repairs and maintenance                 | <u>835,125</u>      |
| Utilities                               | <u>127,218</u>      |
| Regional Water Authority fees           | <u>818,030</u>      |
| SPA reimbursements                      | <u>374,839</u>      |
| Administrative                          |                     |
| Directors fees                          | 22,092              |
| Printing and office supplies            | 8,179               |
| Insurance                               | 48,236              |
| Other                                   | 43,633              |
|   | <u>122,140</u>      |
| Other                                   | <u>15,870</u>       |
| Capital outlay                          | <u>947,203</u>      |
| Total expenditures                      | <u>\$ 5,114,068</u> |

See accompanying auditor's report.

**Harris - Fort Bend Counties Municipal Utility District No. 3**  
**TSI-3. Investments**  
**December 31, 2024**

| Fund                    | Interest<br>Rate | Maturity Date | Balance at End<br>of Year | Interest<br>Receivable |
|-------------------------|------------------|---------------|---------------------------|------------------------|
| <b>General</b>          |                  |               |                           |                        |
| Texas CLASS             | Variable         | N/A           | \$ 12,454,530             | \$ -                   |
| Certificate of deposit  | 5.23%            | 02/28/25      | 235,000                   | 7,105                  |
| Certificate of deposit  | 5.50%            | 03/12/25      | 235,000                   | 3,860                  |
| Certificate of deposit  | 5.50%            | 05/02/25      | 235,000                   | 7,365                  |
| Certificate of deposit  | 5.00%            | 06/03/25      | 235,000                   | 6,793                  |
| Certificate of deposit  | 5.25%            | 06/04/25      | 235,000                   | 5,915                  |
| Certificate of deposit  | 5.00%            | 07/11/25      | 235,000                   | 5,569                  |
|                         |                  |               | <u>13,864,530</u>         | <u>36,607</u>          |
| <b>Debt Service</b>     |                  |               |                           |                        |
| Texas CLASS             | Variable         | N/A           | 3,335,292                 |                        |
| Certificate of deposit  | 5.11%            | 03/02/25      | 235,000                   | 3,915                  |
| Certificate of deposit  | 5.05%            | 03/03/25      | 235,000                   | 3,869                  |
| Certificate of deposit  | 5.50%            | 03/03/25      | 235,000                   | 4,179                  |
| Certificate of deposit  | 5.50%            | 03/08/25      | 235,000                   | 10,552                 |
|                         |                  |               | <u>4,275,292</u>          | <u>22,515</u>          |
| <b>Capital Projects</b> |                  |               |                           |                        |
| Texas CLASS             | Variable         | N/A           | <u>1,003,881</u>          |                        |
| Total - All Funds       |                  |               | <u>\$ 19,143,703</u>      | <u>\$ 59,122</u>       |

See accompanying auditor's report.

**Harris - Fort Bend Counties Municipal Utility District No. 3**  
**TSI-4. Taxes Levied and Receivable**  
**December 31, 2024**

|   | Maintenance<br>Taxes | Debt Service<br>Taxes | Totals         |                |
|---|----------------------|-----------------------|----------------|----------------|
| Taxes Receivable, Beginning of Year                 | \$ 898,157           | \$ 3,684,265          | \$ 4,582,422   |                |
| Adjustments to Prior Year Tax Levy                  | (72,541)             | (300,789)             | (373,330)      |                |
| Adjusted Receivable                                 | 825,616              | 3,383,476             | 4,209,092      |                |
| 2024 Original Tax Levy                              | 793,828              | 3,532,533             | 4,326,361      |                |
| Adjustments   | 42,971               | 191,220               | 234,191        |                |
| Adjusted Tax Levy                                   | 836,799              | 3,723,753             | 4,560,552      |                |
| Total to be accounted for                           | 1,662,415            | 7,107,229             | 8,769,644      |                |
| Tax collections:                                    |                      |                       |                |                |
| Current year  | 163,759              | 728,727               | 892,486        |                |
| Prior years   | 748,241              | 3,126,749             | 3,874,990      |                |
| Total Collections                                   | 912,000              | 3,855,476             | 4,767,476      |                |
| Taxes Receivable, End of Year                       | \$ 750,415           | \$ 3,251,753          | \$ 4,002,168   |                |
| Taxes Receivable, By Years                          |                      |                       |                |                |
| 2024  | \$ 673,040           | \$ 2,995,026          | \$ 3,668,066   |                |
| 2023  | 31,982               | 133,744               | 165,726        |                |
| 2022  | 3,043                | 12,678                | 15,721         |                |
| 2021 and prior                                      | 42,350               | 110,305               | 152,655        |                |
| Taxes Receivable, End of Year                       | \$ 750,415           | \$ 3,251,753          | \$ 4,002,168   |                |
|   | 2024                 | 2023                  | 2022           | 2021           |
| Property Valuations:                                |                      |                       |                |                |
| Land  | \$ 217,733,379       | \$ 218,761,119        | \$ 212,003,150 | \$ 179,690,691 |
| Improvements  | 671,332,679          | 684,264,986           | 532,409,652    | 500,950,266    |
| Personal Property                                   | 33,780,674           | 31,906,732            | 29,852,332     | 27,488,497     |
| Exemptions  | (86,048,133)         | (141,119,006)         | (55,012,926)   | (27,392,943)   |
| Total Property Valuations                           | \$ 836,798,599       | \$ 793,813,831        | \$ 719,252,208 | \$ 680,736,511 |
| Tax Rates per \$100 Valuation:                      |                      |                       |                |                |
| Maintenance tax rates                               | \$ 0.100             | \$ 0.11               | \$ 0.12        | \$ 0.16        |
| Debt service tax rates                              | 0.445                | 0.46                  | 0.50           | 0.51           |
| Total Tax Rates per \$100 Valuation                 | \$ 0.545             | \$ 0.57               | \$ 0.62        | \$ 0.67        |
| Adjusted Tax Levy:                                  | \$ 4,560,552         | \$ 4,524,739          | \$ 4,459,364   | \$ 4,560,935   |
| Percentage of Taxes Collected<br>to Taxes Levied ** | 19.57%               | 96.34%                | 99.65%         | 97.90%         |

\* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on May 6, 2000

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

See accompanying auditor's report.

*Harris - Fort Bend Counties Municipal Utility District No. 3*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2015 Refunding--by Years*  
*December 31, 2024*

| <u>Due During Fiscal<br/>Years Ending</u> | <u>Principal Due<br/>April 1</u> | <u>Interest Due<br/>April 1,<br/>October 1</u> | <u>Total</u>        |
|---|----------------------------------|--|---------------------|
| 2025                                      | \$ 415,000                       | \$ 133,169                                     | \$ 548,169          |
| 2026                                      | 420,000                          | 120,644  | 540,644             |
| 2027                                      | 425,000                          | 107,438  | 532,438             |
| 2028                                      | 440,000                          | 92,832   | 532,832             |
| 2029                                      | 445,000                          | 77,344   | 522,344             |
| 2030                                      | 455,000                          | 61,309   | 516,309             |
| 2031                                      | 465,000                          | 44,344   | 509,344             |
| 2032                                      | 470,000                          | 26,813   | 496,813             |
| 2033                                      | 480,000                          | 9,000  | 489,000             |
|   | <u>\$ 4,015,000</u>              | <u>\$ 672,893</u>                              | <u>\$ 4,687,893</u> |

See accompanying auditor's report.

*Harris - Fort Bend Counties Municipal Utility District No. 3*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2015A--by Years*  
*December 31, 2024*

| <u>Due During Fiscal<br/>Years Ending</u> | <u>Principal Due<br/>April 1</u> | <u>Interest Due<br/>April 1,<br/>October 1</u> | <u>Total</u>        |
|---|----------------------------------|--|---------------------|
| 2025                                      | \$ 375,000                       | \$ 207,031                                     | \$ 582,031          |
| 2026                                      | 375,000                          | 195,781  | 570,781             |
| 2027                                      | 375,000                          | 184,531  | 559,531             |
| 2028                                      | 375,000                          | 173,281  | 548,281             |
| 2029                                      | 375,000                          | 162,031  | 537,031             |
| 2030                                      | 375,000                          | 150,781  | 525,781             |
| 2031                                      | 375,000                          | 139,531  | 514,531             |
| 2032                                      | 375,000                          | 128,281  | 503,281             |
| 2033                                      | 375,000                          | 116,797  | 491,797             |
| 2034                                      | 375,000                          | 105,078  | 480,078             |
| 2035                                      | 600,000                          | 89,844   | 689,844             |
| 2036                                      | 625,000                          | 70,704   | 695,704             |
| 2037                                      | 625,000                          | 50,781   | 675,781             |
| 2038                                      | 625,000                          | 30,469   | 655,469             |
| 2039                                      | 625,000                          | 10,156   | 635,156             |
|   | <u>\$ 6,850,000</u>              | <u>\$ 1,815,077</u>                            | <u>\$ 8,665,077</u> |

See accompanying auditor's report.

*Harris - Fort Bend Counties Municipal Utility District No. 3*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2017--by Years*  
*December 31, 2024*

| Due During Fiscal<br>Years Ending | Principal Due<br>April 1 | Interest Due<br>April 1,<br>October 1 | Total               |
|-----------------------------------|--------------------------|---------------------------------------|---------------------|
| 2025                              | \$ 200,000               | \$ 124,050                            | \$ 324,050          |
| 2026                              | 200,000                  | 119,425                               | 319,425             |
| 2027                              | 200,000                  | 114,550                               | 314,550             |
| 2028                              | 200,000                  | 109,550                               | 309,550             |
| 2029                              | 200,000                  | 104,050                               | 304,050             |
| 2030                              | 200,000                  | 98,050                                | 298,050             |
| 2031                              | 200,000                  | 92,050                                | 292,050             |
| 2032                              | 200,000                  | 86,050                                | 286,050             |
| 2033                              | 200,000                  | 80,050                                | 280,050             |
| 2034                              | 200,000                  | 73,925                                | 273,925             |
| 2035                              | 200,000                  | 67,675                                | 267,675             |
| 2036                              | 200,000                  | 61,425                                | 261,425             |
| 2037                              | 200,000                  | 55,050                                | 255,050             |
| 2038                              | 200,000                  | 48,300                                | 248,300             |
| 2039                              | 200,000                  | 41,300                                | 241,300             |
| 2040                              | 540,000                  | 28,350                                | 568,350             |
| 2041                              | 540,000                  | 9,450                                 | 549,450             |
|                                   | <u>\$ 4,080,000</u>      | <u>\$ 1,313,300</u>                   | <u>\$ 5,393,300</u> |

See accompanying auditor's report.

*Harris - Fort Bend Counties Municipal Utility District No. 3*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2019 Refunding--by Years*  
*December 31, 2024*

| <u>Due During Fiscal<br/>Years Ending</u> | <u>Principal Due<br/>April 1</u> | <u>Interest Due<br/>April 1,<br/>October 1</u> | <u>Total</u>        |
|---|----------------------------------|--|---------------------|
| 2025                                      | \$ 230,000                       | \$ 72,137                                      | \$ 302,137          |
| 2026                                      | 245,000                          | 66,237   | 311,237             |
| 2027                                      | 250,000                          | 61,287   | 311,287             |
| 2028                                      | 260,000                          | 56,188   | 316,188             |
| 2029                                      | 275,000                          | 50,494   | 325,494             |
| 2030                                      | 285,000                          | 43,125   | 328,125             |
| 2031                                      | 300,000                          | 34,350   | 334,350             |
| 2032                                      | 315,000                          | 25,125   | 340,125             |
| 2033                                      | 330,000                          | 15,450   | 345,450             |
| 2034                                      | 350,000                          | 5,250  | 355,250             |
|   | <u>\$ 2,840,000</u>              | <u>\$ 429,643</u>                              | <u>\$ 3,269,643</u> |

See accompanying auditor's report.

*Harris - Fort Bend Counties Municipal Utility District No. 3*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2020 Refunding--by Years*  
*December 31, 2024*

| <u>Due During Fiscal<br/>Years Ending</u> | <u>Principal Due<br/>April 1</u> | <u>Interest Due<br/>April 1,<br/>October 1</u> | <u>Total</u>        |
|---|----------------------------------|--|---------------------|
| 2025                                      | \$ 140,000                       | \$ 67,800                                      | \$ 207,800          |
| 2026                                      | 150,000                          | 62,000   | 212,000             |
| 2027                                      | 160,000                          | 56,600   | 216,600             |
| 2028                                      | 170,000                          | 51,650   | 221,650             |
| 2029                                      | 175,000                          | 47,350   | 222,350             |
| 2030                                      | 185,000                          | 43,750   | 228,750             |
| 2031                                      | 190,000                          | 40,000   | 230,000             |
| 2032                                      | 200,000                          | 36,100   | 236,100             |
| 2033                                      | 205,000                          | 32,050   | 237,050             |
| 2034                                      | 755,000                          | 22,450   | 777,450             |
| 2035                                      | 745,000                          | 7,450  | 752,450             |
|   | <u>\$ 3,075,000</u>              | <u>\$ 467,200</u>                              | <u>\$ 3,542,200</u> |

See accompanying auditor's report.

*Harris - Fort Bend Counties Municipal Utility District No. 3*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2022 Refunding--by Years*  
*December 31, 2024*

| <u>Due During Fiscal<br/>Years Ending</u> | <u>Principal Due<br/>April 1</u> | <u>Interest Due<br/>April 1,<br/>October 1</u> | <u>Total</u>         |
|---|----------------------------------|--|----------------------|
| 2025                                      | \$ 560,000                       | \$ 243,975                                     | \$ 803,975           |
| 2026                                      | 585,000                          | 221,075  | 806,075              |
| 2027                                      | 615,000                          | 197,075  | 812,075              |
| 2028                                      | 645,000                          | 180,744  | 825,744              |
| 2029                                      | 665,000                          | 172,141  | 837,141              |
| 2030                                      | 685,000                          | 162,431  | 847,431              |
| 2031                                      | 705,000                          | 150,244  | 855,244              |
| 2032                                      | 725,000                          | 135,944  | 860,944              |
| 2033                                      | 755,000                          | 121,144  | 876,144              |
| 2034                                      | 775,000                          | 105,359  | 880,359              |
| 2035                                      | 950,000                          | 86,438   | 1,036,438            |
| 2036                                      | 1,205,000                        | 57,675   | 1,262,675            |
| 2037                                      | 420,000                          | 33,300   | 453,300              |
| 2038                                      | 440,000                          | 20,400   | 460,400              |
| 2039                                      | 460,000                          | 6,900  | 466,900              |
|   | <u>\$ 10,190,000</u>             | <u>\$ 1,894,845</u>                            | <u>\$ 12,084,845</u> |

See accompanying auditor's report.

*Harris - Fort Bend Counties Municipal Utility District No. 3*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2022A--by Years*  
*December 31, 2024*

| <u>Due During Fiscal<br/>Years Ending</u> | <u>Principal Due<br/>April 1</u> | <u>Interest Due<br/>April 1,<br/>October 1</u> | <u>Total</u>         |
|---|----------------------------------|--|----------------------|
| 2025                                      | \$ 300,000                       | \$ 629,950                                     | \$ 929,950           |
| 2026                                      | 305,000                          | 613,313  | 918,313              |
| 2027                                      | 310,000                          | 596,400  | 906,400              |
| 2028                                      | 310,000                          | 579,350  | 889,350              |
| 2029                                      | 310,000                          | 566,175  | 876,175              |
| 2030                                      | 310,000                          | 556,875  | 866,875              |
| 2031                                      | 310,000                          | 547,575  | 857,575              |
| 2032                                      | 310,000                          | 538,081  | 848,081              |
| 2033                                      | 310,000                          | 528,200  | 838,200              |
| 2034                                      | 310,000                          | 517,931  | 827,931              |
| 2035                                      | 310,000                          | 507,275  | 817,275              |
| 2036                                      | 310,000                          | 496,425  | 806,425              |
| 2037                                      | 1,000,000                        | 473,500  | 1,473,500            |
| 2038                                      | 1,000,000                        | 436,000  | 1,436,000            |
| 2039                                      | 1,000,000                        | 396,000  | 1,396,000            |
| 2040                                      | 1,175,000                        | 352,500  | 1,527,500            |
| 2041                                      | 1,175,000                        | 305,500  | 1,480,500            |
| 2042                                      | 1,175,000                        | 258,500  | 1,433,500            |
| 2043                                      | 1,175,000                        | 211,500  | 1,386,500            |
| 2044                                      | 1,175,000                        | 164,500  | 1,339,500            |
| 2045                                      | 1,175,000                        | 117,500  | 1,292,500            |
| 2046                                      | 1,175,000                        | 70,500   | 1,245,500            |
| 2047                                      | 1,175,000                        | 23,500   | 1,198,500            |
|   | <u>\$ 16,105,000</u>             | <u>\$ 9,487,050</u>                            | <u>\$ 25,592,050</u> |

See accompanying auditor's report.

*Harris - Fort Bend Counties Municipal Utility District No. 3*  
*TSI-5. Long-Term Debt Service Requirements*  
*All Bonded Debt Series--by Years*  
*December 31, 2024*

| Due During Fiscal<br>Years Ending | Principal Due<br>April 1 | Interest Due<br>April 1,<br>October 1 | Total                |
|-----------------------------------|--------------------------|---------------------------------------|----------------------|
| 2025                              | \$ 2,220,000             | \$ 1,478,112                          | \$ 3,698,112         |
| 2026                              | 2,280,000                | 1,398,475                             | 3,678,475            |
| 2027                              | 2,335,000                | 1,317,881                             | 3,652,881            |
| 2028                              | 2,400,000                | 1,243,595                             | 3,643,595            |
| 2029                              | 2,445,000                | 1,179,585                             | 3,624,585            |
| 2030                              | 2,495,000                | 1,116,321                             | 3,611,321            |
| 2031                              | 2,545,000                | 1,048,094                             | 3,593,094            |
| 2032                              | 2,595,000                | 976,394                               | 3,571,394            |
| 2033                              | 2,655,000                | 902,691                               | 3,557,691            |
| 2034                              | 2,765,000                | 829,993                               | 3,594,993            |
| 2035                              | 2,805,000                | 758,682                               | 3,563,682            |
| 2036                              | 2,340,000                | 686,229                               | 3,026,229            |
| 2037                              | 2,245,000                | 612,631                               | 2,857,631            |
| 2038                              | 2,265,000                | 535,169                               | 2,800,169            |
| 2039                              | 2,285,000                | 454,356                               | 2,739,356            |
| 2040                              | 1,715,000                | 380,850                               | 2,095,850            |
| 2041                              | 1,715,000                | 314,950                               | 2,029,950            |
| 2042                              | 1,175,000                | 258,500                               | 1,433,500            |
| 2043                              | 1,175,000                | 211,500                               | 1,386,500            |
| 2044                              | 1,175,000                | 164,500                               | 1,339,500            |
| 2045                              | 1,175,000                | 117,500                               | 1,292,500            |
| 2046                              | 1,175,000                | 70,500                                | 1,245,500            |
| 2047                              | 1,175,000                | 23,500                                | 1,198,500            |
|                                   | <u>\$ 47,155,000</u>     | <u>\$ 16,080,008</u>                  | <u>\$ 63,235,008</u> |

See accompanying auditor's report.

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**Harris - Fort Bend Counties Municipal Utility District No. 3**  
**TSI-6. Change in Long-Term Bonded Debt**  
**December 31, 2024**

|  | Bond Issue                          |   |                      |                          |
|--|-------------------------------------|---|----------------------|--------------------------|
|  | Series 2015<br>Refunding            | Series 2015A                                  | Series 2017          | Series 2019<br>Refunding |
| Interest rate                              | 2.25% - 3.75%                       | 3.00% - 5.50%                                 | 2.00% - 3.50%        | 2.00% - 3.00%            |
| Dates interest payable                     | 4/1; 10/1                           | 4/1; 10/1                                     | 4/1; 10/1            | 4/1; 10/1                |
| Maturity dates                             | 4/1/16 - 4/1/33                     | 4/1/17 - 4/1/39                               | 4/1/18 - 4/1/41      | 4/1/20 - 4/1/34          |
| Beginning bonds outstanding                | \$ 4,420,000                        | \$ 7,225,000                                  | \$ 4,280,000         | \$ 3,055,000             |
| Bonds retired                              | <u>(405,000)</u>                    | <u>(375,000)</u>                              | <u>(200,000)</u>     | <u>(215,000)</u>         |
| Ending bonds outstanding                   | <u>\$ 4,015,000</u>                 | <u>\$ 6,850,000</u>                           | <u>\$ 4,080,000</u>  | <u>\$ 2,840,000</u>      |
| Interest paid during fiscal year           | <u>\$ 145,469</u>                   | <u>\$ 222,969</u>                             | <u>\$ 128,300</u>    | <u>\$ 78,812</u>         |
| Paying agent's name and city<br>All Series | <u>Regions Bank, Houston, Texas</u> |   |                      |                          |
| Bond Authority:                            | Water, Sewer and<br>Drainage Bonds  | Parks and<br>Recreational<br>Facilities Bonds | Refunding Bonds      |                          |
| Amount Authorized by Voters                | \$ 67,450,000                       | \$ 4,925,000                                  | \$ 62,000,000        |                          |
| Amount Issued                              | <u>(60,940,000)</u>                 |   | <u>(2,055,723)</u>   |                          |
| Remaining To Be Issued                     | <u>\$ 6,510,000</u>                 | <u>\$ 4,925,000</u>                           | <u>\$ 59,944,277</u> |                          |

All bonds are secured with tax revenues. Bonds may also be secured with other revenues in combination with taxes.

Debt Service Fund cash and investments balance as of December 31, 2024: \$ 5,208,371

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 2,749,348

See accompanying auditor's report.

| Bond Issue                                    |   |   |                      |
|---|---|---|----------------------|
| Series 2020<br>Refunding                      | Series 2022<br>Refunding                      | Series 2022A                                  | Totals               |
| 2.00% - 4.00%<br>4/1; 10/1<br>4/1/21 - 4/1/35 | 1.25% - 4.00%<br>4/1; 10/1<br>4/1/23 - 4/1/39 | 3.00% - 5.50%<br>4/1; 10/1<br>4/1/24 - 4/1/47 |                      |
| \$ 3,205,000                                  | \$ 10,715,000                                 | \$ 16,405,000                                 | \$ 49,305,000        |
| (130,000)                                     | (525,000)                                     | (300,000)                                     | (2,150,000)          |
| <u>\$ 3,075,000</u>                           | <u>\$ 10,190,000</u>                          | <u>\$ 16,105,000</u>                          | <u>\$ 47,155,000</u> |
| <u>\$ 73,200</u>                              | <u>\$ 265,675</u>                             | <u>\$ 646,450</u>                             | <u>\$ 1,560,875</u>  |

**Harris - Fort Bend Counties Municipal Utility District No. 3**  
**TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund**  
**For the Last Five Fiscal Years**

|  | Amounts             |                   |                   |                       |                   |
|--|---------------------|-------------------|-------------------|-----------------------|-------------------|
|  | 2024                | 2023              | 2022**            | 2021                  | 2020              |
| Revenues                                   |                     |                   |                   |                       |                   |
| Water service                              | \$ 633,957          | \$ 655,095        | \$ 589,576        | \$ 582,404            | \$ 556,670        |
| Sewer service                              | 639,005             | 606,868           | 582,205           | 563,200               | 529,798           |
| Property taxes                             | 843,027             | 863,056           | 989,095           | 1,251,201             | 1,733,146         |
| Penalties and interest                     | 72,090              | 33,441            | 25,532            | 22,269                | 22,288            |
| Tap connection and inspection              | 171,775             | 79,013            | 283,294           | 96,105                | 50,990            |
| Regional Water Authority fees              | 890,395             | 898,042           | 808,282           | 709,053               | 640,597           |
| City of Houston sales tax rebates          | 578,999             | 716,609           | 781,995           | 615,961               | 461,515           |
| Intergovernmental revenue                  | 32,254              | 23,478            | 27,083            | 35,253                | 19,467            |
| Miscellaneous                              | 2,594               | 2,250             |                   |                       |                   |
| Investment earnings                        | 756,369             | 715,227           | 194,002           | 20,247                | 119,336           |
| <b>Total Revenues</b>                      | <b>4,620,465</b>    | <b>4,593,079</b>  | <b>4,281,064</b>  | <b>3,895,693</b>      | <b>4,133,807</b>  |
| Expenditures                               |                     |                   |                   |                       |                   |
| Current service operations                 |                     |                   |                   |                       |                   |
| Purchased services                         | 79,821              | 271,374           | 32,668            | 51,028                | 33,023            |
| Professional fees                          | 1,038,767           | 751,682           | 382,571           | 253,924               | 253,361           |
| Contracted services                        | 755,055             | 757,043           | 746,315           | 682,185               | 563,271           |
| Repairs and maintenance                    | 835,125             | 734,409           | 444,478           | 419,311               | 377,710           |
| Temporary lease                            |                     |                   | 15,000            | 15,000                | 15,000            |
| Utilities                                  | 127,218             | 121,270           | 103,218           | 81,173                | 87,745            |
| Regional Water Authority fees              | 818,030             | 727,357           | 960,318           | 573,506               | 596,289           |
| SPA reimbursements                         | 374,839             | 390,743           | 338,179           | 288,845               | 259,622           |
| Administrative                             | 122,140             | 103,047           | 83,869            | 67,688                | 64,926            |
| Other                                      | 15,870              | 22,124            | 34,095            | 33,210                | 18,656            |
| Capital outlay                             | 947,203             | 86,799            | 916,086           | 2,800,713             | 1,338,206         |
| Debt service                               |                     |                   |                   |                       |                   |
| Developer interest                         |                     |                   | 25,629            | 21,741                | 22,095            |
| <b>Total Expenditures</b>                  | <b>5,114,068</b>    | <b>3,965,848</b>  | <b>4,082,426</b>  | <b>5,288,324</b>      | <b>3,629,904</b>  |
| <b>Revenues Over/(Under) Expenditures</b>  | <b>\$ (493,603)</b> | <b>\$ 627,231</b> | <b>\$ 198,638</b> | <b>\$ (1,392,631)</b> | <b>\$ 503,903</b> |
| Total Active Retail Water Connections      | 714                 | 711               | 712               | 708                   | 704               |
| Total Active Retail Wastewater Connections | 639                 | 636               | 639               | 638                   | 636               |

\*Percentage is negligible

\*\*Regional Water Authority fees include \$115,800 in joint water plant expenses incurred in previous fiscal years  
See accompanying auditor's report.

Percent of Fund Total Revenues

| 2024  | 2023 | 2022 | 2021  | 2020 |
|-------|------|------|-------|------|
| 14%   | 14%  | 14%  | 15%   | 13%  |
| 14%   | 13%  | 14%  | 14%   | 13%  |
| 17%   | 19%  | 23%  | 32%   | 42%  |
| 2%    | 1%   | 1%   | 1%    | 1%   |
| 4%    | 2%   | 7%   | 2%    | 1%   |
| 19%   | 20%  | 19%  | 18%   | 15%  |
| 13%   | 16%  | 18%  | 16%   | 11%  |
| 1%    | 1%   | 1%   | 1%    | *    |
| *     | *    |      |       |      |
| 16%   | 14%  | 3%   | 1%    | 4%   |
| 100%  | 100% | 100% | 100%  | 100% |
|       |      |      |       |      |
| 2%    | 6%   | 1%   | 1%    | 1%   |
| 22%   | 16%  | 9%   | 7%    | 6%   |
| 16%   | 16%  | 17%  | 18%   | 14%  |
| 18%   | 16%  | 10%  | 11%   | 9%   |
|       |      | *    | *     | *    |
| 3%    | 3%   | 2%   | 2%    | 2%   |
| 18%   | 16%  | 22%  | 15%   | 14%  |
| 8%    | 9%   | 8%   | 7%    | 6%   |
| 3%    | 2%   | 2%   | 2%    | 2%   |
| *     | *    | 1%   | 1%    | *    |
| 21%   | 2%   | 21%  | 72%   | 32%  |
|       |      | 1%   | 1%    | 1%   |
| 111%  | 86%  | 94%  | 137%  | 87%  |
| (11%) | 14%  | 6%   | (37%) | 13%  |

**Harris - Fort Bend Counties Municipal Utility District No. 3**  
**TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund**  
**For the Last Five Fiscal Years**

|                                    | Amounts          |                   |                    |                   |                    |
|------------------------------------|------------------|-------------------|--------------------|-------------------|--------------------|
|                                    | 2024             | 2023              | 2022               | 2021              | 2020               |
| Revenues                           |                  |                   |                    |                   |                    |
| Property taxes                     | \$ 3,523,129     | \$ 3,593,990      | \$ 3,223,333       | \$ 3,379,441      | \$ 2,954,136       |
| Penalties and interest             | 32,440           | 34,117            | 33,753             | 45,115            | 69,383             |
| Miscellaneous                      | 1,115            | 23                |                    |                   |                    |
| Investment earnings                | 259,318          | 245,880           | 56,553             | 9,491             | 49,754             |
| Total Revenues                     | <u>3,816,002</u> | <u>3,874,010</u>  | <u>3,313,639</u>   | <u>3,434,047</u>  | <u>3,073,273</u>   |
| Expenditures                       |                  |                   |                    |                   |                    |
| Tax collection services            | 99,524           | 87,787            | 82,696             | 81,038            | 84,021             |
| Debt service                       |                  |                   |                    |                   |                    |
| Principal                          | 2,150,000        | 1,805,000         | 1,710,000          | 1,685,000         | 1,590,000          |
| Interest and fees                  | 1,566,519        | 1,711,476         | 1,165,490          | 1,233,939         | 1,309,001          |
| Debt issuance costs                |                  |                   | 375,093            | 10,670            | 129,020            |
| Total Expenditures                 | <u>3,816,043</u> | <u>3,604,263</u>  | <u>3,333,279</u>   | <u>3,010,647</u>  | <u>3,112,042</u>   |
| Revenues Over/(Under) Expenditures | <u>\$ (41)</u>   | <u>\$ 269,747</u> | <u>\$ (19,640)</u> | <u>\$ 423,400</u> | <u>\$ (38,769)</u> |

\*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues

| 2024 | 2023 | 2022 | 2021 | 2020 |
|------|------|------|------|------|
| 92%  | 93%  | 97%  | 99%  | 96%  |
| 1%   | 1%   | 1%   | 1%   | 2%   |
| *    | *    |      |      |      |
| 7%   | 6%   | 2%   | *    | 2%   |
| 100% | 100% | 100% | 100% | 100% |
| 3%   | 2%   | 2%   | 2%   | 3%   |
| 56%  | 47%  | 52%  | 49%  | 52%  |
| 41%  | 44%  | 35%  | 36%  | 43%  |
|      |      | 11%  | *    | 4%   |
| 100% | 93%  | 100% | 87%  | 102% |
| -0%  | 7%   | -0%  | 13%  | (2%) |

**Harris - Fort Bend Counties Municipal Utility District No. 3**  
**TSI-8. Board Members, Key Personnel and Consultants**  
**For the Year Ended December 31, 2024**

Complete District Mailing Address: 1300 Post Oak Blvd., Suite 2400, Houston, Texas 77056  
 District Business Telephone Number: (713) 623-4531  
 Submission Date of the most recent District Registration Form  
 (TWC Sections 36.054 and 49.054): June 26, 2024  
 Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200  
 (Set by Board Resolution -- TWC Section 49.060)

| Names:  | Term of Office<br>(Elected or<br>Appointed) or<br>Date Hired | Fees of<br>Office Paid<br>* | Expense<br>Reimburse-<br>ments | Title at Year End          |
|---|--|-----------------------------|--------------------------------|----------------------------|
| <b>Board Members</b>  |  |                             |                                |                            |
| Ron Welch   | 05/22 - 05/26  | \$ 3,536                    | \$ 725                         | President                  |
| Derrell Witt  | 05/24 - 05/28  | 5,525                       | 2,506                          | Vice President             |
| Frank Anzalotti **  | 05/24 - 05/28  | 7,293                       | 3,496                          | Secretary                  |
| Richard Breihan   | 05/22 - 05/26  | 2,873                       | 370                            | Assistant Secretary        |
| Danny Williams  | 11/22 - 05/26  | 2,873                       | 370                            | Assistant Secretary        |
| <b>Consultants</b>  |  |                             |                                |                            |
|   |  | <u>Amounts<br/>Paid</u>     |                                |                            |
| Schwartz, Page & Harding, L.L.P.<br><i>General legal fees</i> | 1982   | \$ 229,232                  |                                | Attorney                   |
| Inframark, LLC  | 2005   | 692,110                     |                                | Operator                   |
| Municipal Accounts & Consulting, L.P.                         | 1995   | 91,342                      |                                | Bookkeeper                 |
| Wheeler & Associates, Inc.                                    | 2001   | 26,092                      |                                | Tax Collector              |
| Fort Bend Central Appraisal District                          | Legislation  | 759                         |                                | Property Valuation         |
| Harris Central Appraisal District                             | Legislation  | 38,786                      |                                | Property Valuation         |
| Perdue, Brandon, Fielder, Collins,<br>& Mott, LLP             | 2004   | 10,028                      |                                | Delinquent Tax<br>Attorney |
| Vogler & Spencer Engineering                                  | 1982   | 397,969                     |                                | Engineer                   |
| McGrath & Co., PLLC   | 2009   | 19,000                      |                                | Auditor                    |
| Masterson Advisors, LLC                                       | 2018   |                             |                                | Financial Advisor          |

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

\*\* The annual limit on fees of office for directors is \$7,200. Due to an accounting error, a director was overpaid during the current fiscal year. This overpayment will be recovered in the 2025 fiscal year.

See accompanying 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

SPECIMEN

**Notices (Unless Otherwise Specified by BAM)**

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

200 Liberty Street, 27th floor

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

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