

**OFFICIAL STATEMENT DATED NOVEMBER 20, 2025**

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

The Bonds have been designated as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations" herein.

**NEW ISSUE – Book-Entry-Only**

**NOT RATED**

**LAMAR IMPROVEMENT DISTRICT**

(A Political Subdivision of the State of Texas Located within Aransas County)

**\$2,750,000**

**UNLIMITED TAX NAVIGATION IMPROVEMENT BONDS  
SERIES 2025**

Dated Date: December 1, 2025

Interest Accrues from: Date of Delivery

Due: September 1, as shown on inside cover

The \$2,750,000 Unlimited Tax Navigation Improvement Bonds, Series 2025 (the "Bonds"), are obligations solely of Lamar Improvement District (the "District") and are not obligations of the State of Texas, Aransas County, Texas, or any political subdivision or entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas; Aransas County, Texas; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

The Bonds are dated December 1, 2025 (the "Dated Date"), and will accrue interest from the date of delivery, which is expected to be on or about December 19, 2025 (the "Date of Delivery"), with interest payable March 1, 2026, and on each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds will be payable by check dated as of the Interest Payment Date and mailed by the Paying Agent/Registrar (herein defined) to registered owners ("Registered Owners") as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each Interest Payment Date (the "Record Date").

The Bonds will be issued in fully registered form only, without coupons, in principal denominations of \$5,000 or any integral multiple thereof, and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"), acting as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds but will receive a credit balance on the books of the nominees of such beneficial owners until DTC resigns or is discharged. So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (herein defined) to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The District has designated Zions Bancorporation, National Association, Houston, Texas, as the initial paying agent/registrar (the "Paying Agent/Registrar") for the Bonds.

**See "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS" on inside cover.**

The Bonds constitute the second series of unlimited tax bonds to be issued by the District for the purpose of acquiring and constructing a navigation system to serve the District (the "Navigation System"). The District has previously issued two series of bonds for the purpose of acquiring or constructing a water, sewer, and drainage system to serve the District (the "Utility System"). Voters of the District authorized the issuance of the following: \$140,150,000 principal amount of unlimited tax bonds for the Utility System and for the purpose of refunding such bonds for the Utility System, \$120,400,000 principal amount of unlimited tax bonds for the Navigation System and for the purpose of refunding such bonds for the Navigation System, and \$15,200,000 principal amount of unlimited tax bonds for the purpose of acquiring and constructing a road system to serve the District (the "Road System") and for the purpose of refunding such bonds for the Road System. Following the issuance of the Bonds, \$128,320,000 principal amount of unlimited tax bonds for the Utility System and for the purpose of refunding, \$114,985,000 principal amount of unlimited tax bonds for the Navigation System and for the purpose of refunding, and \$15,200,000 principal amount of unlimited tax bonds for the Road System and for the purpose of refunding will remain authorized but unissued. See "THE BONDS—Authority for Issuance."

The Bonds, when issued, will be payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. Investment in the Bonds is subject to certain risk factors as described herein. See "RISK FACTORS" herein.

The Bonds are offered, when, as and if issued by the District, subject, among other things, to the approval of the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP ("Bond Counsel"). Certain legal matters will be passed on for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas ("Disclosure Counsel"). Delivery of the Bonds through the facilities of DTC is expected on or about December 19, 2025.

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

### \$2,750,000 Unlimited Tax Navigation Improvement Bonds, Series 2025

#### \$755,000 Serial Bonds

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 513175 (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 513175 (b)
2026	\$ 90,000	4.000%	4.000%	DB2	2031	\$ 75,000	4.150%	4.150%	DG1
2027	60,000	4.000%	4.000%	DC0	2032 (c)	75,000	4.200%	4.200%	DH9
2028	65,000	4.000%	4.000%	DD8	2033 (c)	80,000	4.250%	4.250%	DJ5
2029	65,000	4.000%	4.000%	DE6	2034 (c)	85,000	4.375%	4.375%	DK2
2030	70,000	4.100%	4.100%	DF3	2035 (c)	90,000	4.500%	4.500%	DLO

#### \$1,995,000 Term Bonds

\$195,000 Term Bonds Due September 1, 2037 (c)(d), Interest Rate: 4.600%, (Price: \$100.000) (a), CUSIP No. 513175 DN6 (b)

\$205,000 Term Bonds Due September 1, 2039 (c)(d), Interest Rate: 4.600%, (Price: \$98.991) (a), CUSIP No. 513175 DQ9 (b)

\$235,000 Term Bonds Due September 1, 2041 (c)(d), Interest Rate: 4.700%, (Price: \$98.899) (a), CUSIP No. 513175 DS5 (b)

\$685,000 Term Bonds Due September 1, 2046 (c)(d), Interest Rate: 5.000%, (Price: \$100.000) (a), CUSIP No. 513175 DX4 (b)

\$675,000 Term Bonds Due September 1, 2050 (c)(d), Interest Rate: 5.100%, (Price: \$100.000) (a), CUSIP No. 513175 EB1 (b)

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- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser (herein defined). Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first optional redemption date.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association, and are included solely for the convenience of the owners of the Bonds. None of the District, the Financial Advisor (herein defined), or the Initial Purchaser (herein defined) shall be responsible for the selection or correctness of the CUSIP numbers.
- (c) The Bonds maturing on and after September 1, 2032, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on December 1, 2031, or any date thereafter, at a price equal to the principal thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions – *Optional Redemption*."
- (d) Subject to mandatory sinking fund redemption by lot or other customary method of random selection on September 1 in the years and in the amounts set forth herein under "THE BONDS – Redemption Provisions – *Mandatory Redemption*."

**USE OF INFORMATION IN OFFICIAL STATEMENT**

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

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

All of the summaries of the statutes, resolutions, contracts, records, and 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 Bond Counsel for further information.

The Financial Advisor (herein defined) 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 responsibility 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.

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

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 final official statement for any purpose.

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

### **Award of the Bonds**

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net effective interest rate to the District, which was tendered by The GMS Group, LLC (the "Initial Purchaser") to purchase the Navigation Improvement Bonds bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS AND CUSIPS" at a price of 97.000000% of the par value thereof plus accrued interest to the Date of Delivery, which resulted in a net effective interest rate of 5.092101%, as calculated pursuant to Chapter 1204 of the Texas Government Code.

### **Prices and Marketability**

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

The prices and other terms with respect to the offering and 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 reoffering 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-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

### **Securities Laws**

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

### **MUNICIPAL BOND INSURANCE**

The District made applications to Build America Mutual Assurance Company and Assured Guaranty Inc. for a commitment for municipal bond guaranty insurance on the Bonds, but did not qualify.

### **RATINGS**

The District has not made an application for a municipal bond rating on the Bonds. Furthermore, it is not expected that the District would have been successful in receiving an investment grade rating on the Bonds.

## OFFICIAL STATEMENT SUMMARY

The following material is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in the Official Statement. The offering of the Bonds (herein defined) to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

### THE BONDS

The District.....	Lamar Improvement District (the “District”), a political subdivision of the State of Texas, is located within Aransas County, Texas (the “County”). See “THE DISTRICT – General” and “THE DISTRICT – Description.”
The Bonds.....	The District’s \$2,750,000 Unlimited Tax Navigation Improvement Bonds, Series 2025 (the “Bonds”) are dated December 1, 2025, and mature on September 1 in the years and amounts set forth on the inside cover page. Interest on the Bonds accrues from the initial date of delivery (on or about December 19, 2025) (the “Date of Delivery”), at the rates per annum set forth on the inside cover page and is payable on March 1, 2026, and on each September 1 and March 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity. See “THE BONDS.”
Redemption Provisions.....	<p><u>Optional Redemption:</u> Bonds maturing on or after September 1, 2032, are subject to redemption, in whole or from time to time in part, at the option of the District on December 1, 2031, and any date thereafter at a price of par plus accrued interest to the date of redemption. See “THE BONDS – Redemption Provisions – <i>Optional Redemption.</i>”</p> <p><u>Mandatory Redemption:</u> The Bonds maturing on September 1 in the years 2037, 2039, 2041, 2046, and 2050, are term bonds (the “Term Bonds”). The Term Bonds are subject to certain mandatory sinking fund redemption provisions as set forth herein under “THE BONDS – Redemption of the Bonds – <i>Mandatory Redemption.</i>”</p>
Source of Payment.....	Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, levied upon all taxable property within the District without legal limitation as to rate or amount. The Bonds are obligations of the District and are not obligations of Aransas County, Texas; the State of Texas; or any entity other than the District. See “THE BONDS – Source of Payment.”
Outstanding Bonds.....	The District has previously issued three (3) series of bonds, as follows: \$3,410,000 Unlimited Tax Bonds, Series 2018, \$2,665,000 Unlimited Tax Navigation Improvement Bonds, Series 2024, and \$8,420,000 Unlimited Tax Bonds, Series 2024. Of the above-referenced bonds issued by the District, \$13,650,000 principal amount will remain outstanding as of the Date of Delivery (the “Outstanding Bonds”).
Authority for Issuance.....	The Bonds are issued pursuant to Chapter 8222 of the Texas Special District Local Laws Code; Article XVI, Section 59 of the Texas Constitution; the resolution of the Board authorizing the issuance of the Navigation Improvement Bonds (the “Bond Resolution”); an election held on November 3, 2009; and the general laws of Texas, including Chapters 60 and 62, Texas Water Code, as amended. See “THE BONDS – Authority for Issuance” and “THE BONDS – Issuance of Additional Debt.”

Voted Authorization.....The Bonds represent the second series of bonds issued by the District for the purpose of acquiring and constructing a navigation system to serve the District (the “Navigation System”). The District has previously issued two series of bonds for the purpose of acquiring or constructing a water, sewer, and drainage system to serve the District (the “Utility System”). Voters in the District have authorized a total of \$140,150,000 principal amount of unlimited tax bonds for the Utility System and for the purpose of refunding such bonds for the Utility System, and \$120,400,000 principal amount of unlimited tax bonds for the Navigation System and for the purpose of refunding such bonds for the Navigation System. Additionally, voters in the District authorized a total of \$15,200,000 principal amount of unlimited tax bonds for the purpose of acquiring and constructing a road system to serve the District (the “Road System”) and for the purpose of refunding such bonds for the Road System.

Following the issuance of the Bonds, \$128,320,000 principal amount of unlimited tax bonds for the Utility System and for refunding such bonds for the Utility System, \$114,985,000 principal amount of unlimited tax bonds for the Navigation System, and for refunding such bonds for the Navigation System and \$15,200,000 principal amount of unlimited tax bonds for the Road System and for refunding such bonds for the Road System will remain authorized and unissued. The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of two separate annual ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property within the District. See “THE BONDS – Source of Payment.”

Use of Bond Proceeds.....A portion of the proceeds of the Bonds will be used to reimburse the Developer (herein defined) for the Navigation System improvements and related engineering and land costs as shown herein under “THE BONDS – Estimated Use and Distribution of Bond Proceeds.” Additionally, proceeds from the Bonds will be used to pay developer interest and other certain costs associated with the issuance of the Bonds. See “THE BONDS – Estimated Use and Distribution of Bond Proceeds.”

Qualified Tax-Exempt Obligations.....The Bonds will be designated as “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS – Qualified Tax-Exempt Obligations.”

Municipal Bond Insurance .....The District made applications for a commitment to provide municipal bond guaranty insurance on the Bonds, but did not qualify. See “MUNICIPAL BOND INSURANCE.”

Ratings.....The District has not made an application for a rating on the Bonds. See “RATINGS.”

Bond Counsel .....Allen Boone Humphries Robinson LLP, Dallas, Texas.

Disclosure Counsel .....Orrick, Herrington & Sutcliffe LLP, Houston, Texas.

Financial Advisor.....Robert W. Baird & Co. Incorporated, Houston, Texas.

District Engineer.....Urban Engineering, Inc., Victoria, Texas.

**THE DISTRICT**

Description.....The District was created under Section 59, Article XVI and Section 52, Article III, Texas Constitution by Senate Bill 1960 of the Texas Legislature, 80<sup>th</sup> Regular Session, effective May 23, 2007, as codified

in Chapter 8222 of the Texas Special District Local Laws Code and operates under Chapters 49, 54, 60 and 62 of the Texas Water Code, as amended. The District contained approximately 368.07 acres at the time of creation. Due to a subsequent annexation, the District now contains approximately 411.62 acres. The District is located in Aransas County approximately 10 miles northeast of downtown Rockport, Texas. The District is not located within the corporate limits or extraterritorial jurisdiction of any city. See "THE DISTRICT – Authority and Description."

Developer and Principal Landowners.....The Developer of land within the District is McCombs Enterprises (the "Developer"), through its subsidiaries Reserve at St. Charles Bay LLC and Boardwalk at St. Charles Bay LLC. Aransas Bay Interests LLC is another principal landowner in the District and owns 22.4 acres of land within the District but is not actively developing in the District at this time. See "PRINCIPAL LANDOWNERS/DEVELOPER," and "DEVELOPMENT OF THE DISTRICT."

Development within the District.....As of September 1, 2025, approximately 48.54 acres (156 single-family lots and 27 multi-family lots) within the District have been developed into the subdivisions of The Boardwalk at St. Charles Bay, The Reserve at St. Charles Bay Phase 1 Section, including a 27-unit multi-family complex, Phase 2, and Phase 3. As of September 1, 2025, the District included approximately 103 completed single-family homes (approximately 102 occupied and 1 unoccupied); approximately 27 completed multi-family homes (approximately 24 occupied and 3 unoccupied); approximately 3 homes under construction; and approximately 50 vacant developed lots. The remaining land within the District consists of approximately 334.49 undeveloped but developable acres, approximately 28.59 undevelopable acres (including parks and open space).

Homebuilders Within the District.....The homebuilders active within the District are Fortis Homes, Mark Emery Building and Remodeling, Richard Dias Construction, Mark Uhr's Rockport Properties Inc., McDaniel Custom Builders and Tidewater Properties, LLC. Fortis Homes is a subsidiary of the Developer. Prices of new homes being constructed within the District range from \$700,000 to over \$3,000,000 and range from 1,455 square feet to 4,200 square feet.

#### **RISK FACTORS**

THE BONDS ARE SUBJECT TO CERTAIN RISK FACTORS. PROSPECTIVE PURCHASERS SHOULD CAREFULLY REVIEW THIS ENTIRE OFFICIAL STATEMENT, INCLUDING PARTICULARLY THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED "RISK FACTORS," BEFORE MAKING THEIR INVESTMENT DECISION.

**SELECTED FINANCIAL INFORMATION  
(UNAUDITED)**

2025 Taxable Assessed Valuation.....	\$ 168,885,383	(a)
Direct Debt:		
The Outstanding Bonds.....	\$ 13,650,000	
The Bonds.....	<u>\$ 2,750,000</u>	
Total.....	\$ 16,400,000	
Estimated Overlapping Debt .....	<u>\$ 3,014,535</u>	(b)
Total Direct and Estimated Overlapping Debt .....	\$ 19,414,535	(b)
Direct Debt Ratio:		
As a percentage of 2025 Taxable Assessed Valuation .....	9.71	%
Direct and Estimated Overlapping Debt Ratio:		
As a percentage of 2025 Taxable Assessed Valuation .....	11.50	%
Utility System Debt Service Fund (as of September 25, 2025).....	\$ 1,540,420	(c)
Navigation System Debt Service Fund (as of September 25, 2025).....	\$ 378,915	(d)
General Operating Fund (as of September 25, 2025).....	\$ 3,732,287	
2025 Tax Rate:		
Utility Debt Service.....	\$ 0.4500	
Navigation Improvement Debt Service.....	\$ 0.2175	
Maintenance and Operations.....	<u>\$ 0.3025</u>	
Total.....	\$ 0.9700	(e)
Combined Average Annual Debt Service Requirement (2026-2050) .....	\$ 1,071,853	(f)
Combined Maximum Annual Debt Service Requirement (2042).....	\$ 1,190,880	(f)
Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2026-2050) at 95% Tax Collections Based on the 2025 Taxable Assessed Valuation.....		
	\$0.67	
Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2042) at 95% Collections Based on the 2025 Taxable Assessed Valuation.....		
	\$0.75	

- (a) Represents the assessed valuation of all taxable property in the District as of January 1, 2025, provided by the Aransas County Appraisal District (the "Appraisal District"). This value includes \$3,214,704, which represents 80% of the remaining value still uncertified within the District. See "TAX DATA" and "TAXING PROCEDURES."
- (b) See "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement."
- (c) Neither Texas law nor the Utility Bond Resolution requires that the District maintain any particular sum in the Utility System Debt Service Fund (herein defined). Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Navigation System or the Road System, including the Bonds.
- (d) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Navigation System Debt Service Fund (herein defined). Funds in the Navigation System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Utility System, including the Outstanding Bonds issued for the Utility System, and bonds issued by the District for the Road System.
- (e) The District is authorized to levy separate taxes for payment of debt service on bonds issued by the District for the Road System and for payment of debt service on bonds issued for the Utility System; both such taxes are unlimited as to rate or amount. See "TAX DATA - Tax Rate Calculations."
- (f) See "DISTRICT DEBT - Debt Service Requirements."

**OFFICIAL STATEMENT**  
**relating to**  
**LAMAR IMPROVEMENT DISTRICT**  
**(A Political Subdivision of the State of Texas Located within Aransas County)**  
**\$2,750,000**  
**UNLIMITED TAX NAVIGATION IMPROVEMENT BONDS**  
**SERIES 2025**

**INTRODUCTION**

This Official Statement provides certain information with respect to the issuance by Lamar Improvement District (the "District") of its \$2,750,000 Unlimited Tax Navigation Improvement Bonds, Series 2025 (the "Bonds").

The Bonds are issued pursuant to Chapter 8222 of the Texas Special District Local Laws Code; Article XVI, Section 59 of the Texas Constitution; the resolution of the Board authorizing the issuance of the Navigation Improvement Bonds (the "Bond Resolution"); an election held on November 3, 2009; and the general laws of Texas, including Chapters 60 and 62, Texas Water Code, as amended.

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Bond Resolution. This Official Statement also includes information about the District, the Developer (herein defined), and certain reports and other statistical data. The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive and each summary and reference is qualified in its entirety by reference to each such document, statute, report, or instrument.

**RISK FACTORS**

**General**

The Bonds, which are obligations of the District and are not obligations of the State of Texas; Aransas County, Texas (the "County"), or any other political subdivision, will be secured by a continuing direct annual ad valorem property tax, without legal limitation as to rate or amount, on all taxable property located within the District. (See "THE BONDS – Source of Payment"). The ultimate security for payment of 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. The collection by the District of delinquent taxes owed to it and the enforcement by the registered owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of property within the District will accumulate or maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for the property.

**Factors Affecting Taxable Values and Tax Payments**

*Credit Markets and Liquidity in Financial Markets:* Interest rates and the availability of mortgage and development funding have a direct impact on construction activity, particularly on short-term interest rates at which developers are able to obtain financing for development costs.

Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 10 miles northeast of downtown Rockport, Texas (the "City"), the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Corpus Christi metropolitan and regional economies and the national financial and credit markets. A downturn in the economic conditions of Corpus Christi and the nation could adversely affect development plans in the District and restrain the growth of the District's property tax base.

*Economic Factors:* The rate of development of the District is directly related to the vitality of the residential housing industry. New residential housing construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of home construction activity would restrict

the growth of property values in the District. The District cannot predict the pace or magnitude of any future development or home construction in the District.

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

*Competition:* The demand for and construction of taxable improvements in the District could be affected by competition from other developments near the District. In addition to competition for new single-family home sales from other developments, there are numerous previously-owned single-family homes in more established commercial centers and neighborhoods closer to the City of Houston, Texas, that are for sale. Such existing developments could represent additional competition for new development proposed to be constructed within the District.

The competitive position of the Developer in the sale of land, and the sale or leasing of residences is affected by most of the factors discussed in this section. Such a competitive position is directly related to the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developer will be implemented or, if implemented, will be successful.

*Dependence on Major Taxpayers and the Developers:* The District's tax base is concentrated in a small number of taxpayers. As reflected in this Official Statement under the caption "TAX DATA – Principal Taxpayers," the District's top ten principal taxpayers as of January 1, 2025, owned approximately 15.54% of the assessed value of property located in the District. In addition, the Developers owned a total of approximately 2.97% of the assessed value of property located in the District as of January 1, 2025. The District cannot represent that its tax base will in the future be (i) distributed among a significantly larger number of taxpayers or (ii) less concentrated in property owned by a relatively small number of property owners than it is currently. Failure by the Developers or one or more of the District's principal property owners to make full and timely payments of taxes due may have an adverse effect on the investment quality or security of the Bonds. If any one or more of the principal District taxpayers did not pay taxes due, the District might need to levy additional taxes or use other debt service funds available to meet its debt service requirements, the availability of which is uncertain. See "RISK FACTORS – Tax Collections and Foreclosure Remedies" below and "THE DEVELOPERS" herein.

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners.

*Developer Under No Obligation to the District:* The Developer has informed the District of its current plans to continue to develop land in the District for residential purposes. However, the Developer is not obligated to implement such plan on any particular schedule or at all. Thus, the furnishing of information related to the proposed development by the Developer should not be interpreted as such a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developer, or any other subsequent landowners to whom a party may sell all or a portion of their holdings within the District, to implement any plan of development. Furthermore, there is no restriction on the Developer's right to sell its land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developer. Failure to construct taxable improvements on developed lots and tracts and failure of the Developer to develop its land would restrict the rate of growth of taxable value in the District. The District is also dependent upon the Developer (see "TAX DATA – Principal Taxpayers") for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of the Developer will be or what effect, if any, such conditions may have on its ability to pay taxes. See "DEVELOPER AND PRINCIPAL LANDOWNERS," and "DEVELOPMENT WITHIN THE DISTRICT."

Maximum Impact on District Tax Rates: Assuming no further development or construction of taxable improvements, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2025 Taxable Assessed Valuation of property located within the District is \$168,885,383 (see "TAX DATA"). After issuance of the Bonds, the combined maximum annual debt service requirement on the Bonds and the Outstanding Bonds will be \$1,190,880 (2042) and the combined average annual debt service requirements on the Bonds and the Outstanding Bonds will be \$1,071,853 (2026-2050). Assuming no increase to, nor decrease from the 2025 Taxable Assessed Valuation of \$168,885,383, tax rates of \$0.67 and \$0.75 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the combined maximum annual debt service requirement and the combined average annual debt service requirement, respectively.

### **Limitation to Bondholders' Remedies**

In the event of default in the payment of principal of or interest on the Bonds, Bondholders have a right to seek a writ of mandamus requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Resolution does not provide for remedies to protect and enforce the interests of the Bondholders. 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. Based on recent Texas court decisions, it is unclear whether, §49.066, Texas Water Code, effectively waives governmental immunity of a municipal utility district for suits for money damages. Even if the Bondholders could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Bondholders cannot themselves foreclose on property within the District or sell property of the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Bondholders would have to initiate and finance the legal process to enforce their remedies.

### **Bankruptcy Limitation to Bondholders' Rights**

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District: (1) is authorized to file for federal bankruptcy protection by Texas law; (2) is insolvent or unable to meet its debts as they mature; (3) desired to effect a plan to adjust such debts; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, the District must also obtain the approval of the TCEQ prior to filing bankruptcy. Such law requires that the TCEQ investigate the financial conditions of the District and authorize the District to proceed only if the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding noncompliance by the 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 applicable, the concomitant delay and loss of remedies to the Bondholder could potentially and adversely impair the value of the Bondholder's claim.

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

The District may not be placed into bankruptcy involuntarily.

### **Environmental Regulations**

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

- Requiring permits for construction and operation of water wells, wastewater treatment and other facilities;
- Restricting the manner in which wastes are treated and released into the air, water and soils;

- Restricting or regulating the use of wetlands or other properties; or
- Requiring remedial action to prevent or mitigate pollution.

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

*Air Quality Issues.* Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the Texas Commission on Environmental Quality (the “TCEQ”) may impact new industrial, commercial and residential development in Aransas County. Under the Clean Air Act (“CAA”) Amendments of 1990, Aransas County has been designated an attainment/unclassifiable 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”).

Although Aransas County is currently in attainment, Aransas County has been and continues to be near the non-attainment thresholds for ozone. Accordingly, it is possible that Aransas County could be re-classified as a nonattainment area should ozone levels increase. A designation of nonattainment for ozone or any other pollutant could 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 Aransas County to maintain attainment with the ozone standards. Such additional controls could have a negative impact on Aransas County’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) public water supply systems; (2) wastewater discharges from treatment facilities; (3) storm water discharges; and (4) wetlands dredge and fill activities. Each of these is addressed below:

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 Polyflouroalkyl 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 issue 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.

### **Severe Weather Events**

The Texas Gulf Coast area is subject to occasional severe tropical 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 Texas Gulf Coast area, including the District, has experienced multiple storms exceeding a 0.2% probability (i.e. “500-year flood” events) since 2015. The most recent event was 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.

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

### **Potential Impact of Natural Disaster**

The District could be impacted by a natural disaster such as wide-spread fires, earthquakes, or weather events such as hurricanes, tornados, tropical storms, or other severe weather events that could produce high winds, heavy rains, hail, and flooding. In the event that a natural disaster should damage or destroy improvements and personal property in the District, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed value of the District or an increase in the District’s tax rates.

There can be no assurance that a casualty will be covered by insurance (certain casualties, including flood, are usually excepted unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild, repair, or replace any taxable properties in the District that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could be a lengthy period in which assessed values in the District would be adversely affected. There can be no assurance the District will not sustain damage from such natural disasters.

### **Specific Flood Type Risks**

The District may be subject to the following flood 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 drainage systems downstream.

### **National Weather Service Atlas 14 Rainfall Study**

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

### **Marketability**

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

### **Continuing Compliance with Certain Covenants**

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

### **Future Debt**

At an election held within the District on May 7, 2016, voters of the District authorized a total of \$140,150,000 principal amount of unlimited tax bonds for the Utility System and for the purpose of refunding such bonds for the Utility System, and \$120,400,000 principal amount of unlimited tax bonds for the Navigation System and for the purpose of refunding such bonds for the Navigation System. Additionally, voters in the District authorized a total of \$15,200,000 principal amount of unlimited tax bonds for the purpose of acquiring and constructing a road system to serve the District (the “Road System”) and for the purpose of refunding such bonds for the Road System.

The Bonds represent the second series of bonds issued by the District for the purpose of acquiring and constructing a navigation system to serve the District (the “Navigation System”). The District has previously issued two series of bonds for the purpose of acquiring or constructing a water, sewer, and drainage system to serve the District (the “Utility System”). Following the issuance of the Bonds, \$128,320,000 principal amount of unlimited tax bonds for the Utility System and for refunding such bonds for the Utility System, \$114,985,000 principal amount of unlimited tax bonds for the Navigation System, and for refunding such bonds for the Navigation System and \$15,200,000 principal amount of unlimited tax bonds for the Road System and for refunding such bonds for the Road System will remain authorized and unissued.

Following reimbursement to the Developer from the proceeds of the Bonds, the District will owe the Developers approximately \$343,559 of eligible expenses associated with construction of Utility System facilities on behalf of the District, \$10,862,773 of eligible expenses for construction of Navigation System facilities on behalf of the District based on the most recent information provided and estimations available to date.

Based on present engineering costs estimates and on development plans supplied by the Developer, in the opinion of the Engineer, following the issuance of the Bonds, the remaining principal amount of authorized but unissued bonds will be sufficient to fully reimburse the Developer for the existing facilities and to finance the water, sewer and drainage facilities and roads necessary to serve the remaining undeveloped but developable land within the District. If the amount of remaining voted authorization is insufficient, the District would need to hold an election to request additional bond authorization.

### **Approval of the Bonds**

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

### **Consolidation**

Under Texas Law, the District may be consolidated with other municipal utility districts, with the assets and liabilities of the consolidated districts belonging to the consolidated district. No representation is made that the District will ever consolidate with one or more other districts, although no consolidation is presently contemplated by the District.

### **Tax Collection Limitations**

The District's ability to make debt service payments may be adversely affected by difficulties in collecting 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 judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time consuming and expensive collection procedures; (b) a bankruptcy court's stay of tax collection proceedings against a taxpayer; (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property; or (d) the taxpayer's right to redeem the 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. See "TAXING PROCEDURES."

### **Changes in Tax Legislation**

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

### **2025 Legislative Session**

The 89th Regular Legislative Session convened on January 14, 2025, and concluded on June 2, 2025. The Texas Legislature meets in regular session in odd numbered years for 140 days. When the Texas Legislature is not in session, the Governor of Texas (the "Governor") may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. During this time, the Texas Legislature may enact laws that materially change current laws affecting ad valorem tax matters, including rollback elections for maintenance tax increases, and other matters which could adversely affect the marketability or market value of the Bonds. On June 23, 2025, the Governor called a special session which began on July 21, 2025, and ended on August 15, 2025. No legislation was passed during the first special session. On August 15, 2025, the Governor immediately called the Second Special Session to begin on August 15, 2025, which concluded on September 4, 2025. No legislation affecting property taxes was passed during the second special session, and no third special session has been called at this time. The District can make no representation regarding any actions the Texas Legislature may take or the effect of such actions.

## **THE BONDS**

### **General**

The Bonds are dated December 1, 2025 (the "Dated Date"), and will accrue interest from the date of delivery, which is expected to be on or about December 19, 2025 (the "Date of Delivery"), with interest payable March 1, 2026, and on each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds will be payable by check dated as of the Interest Payment Date and mailed by the Paying Agent/Registrar to registered owners ("Registered Owners") as shown on the records

of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each Interest Payment Date (the "Record Date"). The Bonds will be issued in fully registered form only, without coupons, in principal denomination of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., nominee for The Depository Trust Company, New York, New York ("DTC"), acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent for the Bonds is Zions Bancorporation, National Association, Houston, Texas (the "Paying Agent/Registrar").

### **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 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 believes the source of such information to be reliable but takes no 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.*

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC.

DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of AA+ from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](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 purchase of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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

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

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

The information in the section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

#### *Use of Certain Terms in Other Sections of this Official Statement*

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

#### **Successor Paying Agent/Registrar**

Provisions are made in the Bond Resolution for replacing the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a commercial bank; a trust company organized under the laws of the State of Texas; or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds.

## **Record Date**

Interest on the Bonds will be paid to the registered owner appearing on the registration and transfer books of the Paying Agent/Registrar at the close of business on the "Record Date" (the fifteenth calendar day of the month next preceding each Interest Payment Date) and shall be paid by the Paying Agent/Registrar (i) by check sent United States mail, first class postage prepaid, to the address of the registered owner recorded in the registration and transfer books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the principal payment office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

In the event of non-payment of interest on a scheduled payment date and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar when funds for the payment of such interest have been received. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Registered Owner of a Bond appearing in the registration and transfer books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing such notice.

## **Registration, Transfer and Exchange**

In the event the Book-Entry-Only System is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the principal payment office of the Paying Agent/Registrar in Houston, Texas. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. At any time after the date of initial delivery, any Bond may be transferred upon its presentation and surrender at the designated offices of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner of the Bonds (the "Bondholder(s)"). The Bonds are exchangeable upon presentation at the designated office(s) of the Paying Agent/Registrar, for an equal principal amount of Bonds of the same maturity in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Bondholder or assignee of the Bondholder within not more than three (3) business days after the receipt by the Paying Agent/Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the denomination of \$5,000 in principal amount for a Bond, or any integral multiple thereof for any one maturity and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning fifteen (15) calendar days prior to, and ending on the date of the mailing of notice of redemption, or where such redemption is scheduled to occur within thirty (30) calendar days. No service charge will be made for any transfer or exchange, but the District or Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

## **Mutilated, Lost, Stolen or Destroyed Bonds**

In the event the Book-Entry-Only System should be discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, or on receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and Paying Agent/Registrar of security or indemnity to hold them harmless. Upon the issuance of a new bond the District may require payment of taxes, governmental charges and other expenses (including the fees and expenses of the Paying Agent/Registrar), bond printing and legal fees in connection with any such replacement.

## **Redemption Provisions**

*Optional Redemption:* The Bonds maturing on and after September 1, 2032, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on December 1, 2031, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date

of redemption. The Paying Agent/Registrar shall give written notice of redemption, by registered mail, overnight delivery, or other comparably secure means, not less than thirty (30) days prior to the redemption date, to each registered securities depository (and to each national information service that disseminates redemption notices) known to the Paying Agent/Registrar, but neither the failure to give such notice nor any defect therein shall affect the sufficiency of notice given to the registered owner as hereinabove stated. The Paying Agent/Registrar may provide written notice of redemption to DTC by facsimile. The Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same maturity for the unredeemed portion of the principal of the Bonds so surrendered. In the event of redemption of less than all of the Bonds, the particular Bonds to be redeemed shall be selected by the District; if less than all of the Bonds of a particular maturity are to be redeemed; the Paying Agent/Registrar is required to select the Bonds of such maturity to be redeemed by lot.

***Mandatory Redemption:*** The Bonds maturing on September 1 in the years 2037, 2039, 2041, 2046, and 2050 are term bonds (the “Term Bonds”), and shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (“Mandatory Redemption Date”), and in the principal amount set forth in the following schedule:

**\$195,000 Term Bonds Maturing on September 1, 2037**

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2036	\$ 95,000
September 1, 2037 (Maturity)	\$ 100,000

**\$205,000 Term Bonds Maturing on September 1, 2039**

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2038	\$ 100,000
September 1, 2039 (Maturity)	\$ 105,000

**\$235,000 Term Bonds Maturing on September 1, 2041**

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2040	\$ 115,000
September 1, 2041 (Maturity)	\$ 120,000

**\$685,000 Term Bonds Maturing on September 1, 2046**

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2042	\$ 125,000
September 1, 2043	\$ 130,000
September 1, 2044	\$ 135,000
September 1, 2045	\$ 145,000
September 1, 2046 (Maturity)	\$ 150,000

**\$675,000 Term Bonds Maturing on September 1, 2050**

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2047	\$ 155,000
September 1, 2048	\$ 165,000
September 1, 2049	\$ 175,000
September 1, 2050 (Maturity)	\$ 180,000

On or before 30 days prior to each Mandatory Redemption Date set forth above, the Registrar shall (i) determine the principal amount of such Term Bonds that must be mandatorily redeemed on such Mandatory Redemption Date, after taking into account deliveries for cancellation and optional redemptions as more fully provided for below, (ii) select, by lot or other customary random method, the Term Bonds or portions of the Term Bonds of such maturity to be mandatorily redeemed on such Mandatory Redemption Date, and (iii) give notice of such redemption as provided in the Bond Resolution. The principal amount of any Term Bonds to be mandatorily redeemed on such Mandatory Redemption Date shall be reduced by the principal amount of such Term Bonds, which, by the 45th day prior to such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the District to the Registrar or

optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

### **Source of Payment**

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form, and manner, and at the same time as other District taxes are assessed, levied, and collected, in each year, beginning with the current year, a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, upon all taxable property within the District, sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and cost of collection. In the Bond Resolution, the District covenants that said taxes are irrevocably pledged to the payment of the interest and principal of the Bonds and any parity bonds hereinafter issued.

The Bonds are obligations of the District and are not the obligations Aransas County, Texas (the "County"); the State of Texas; or any entity other than the District.

### **Payment Record**

The District has never defaulted on the timely payment of principal and interest on its previously issued bonds. See "THE BONDS – Source of Payment."

### **Authority for Issuance**

The Bonds are issued pursuant to Chapter 8222 of the Texas Special District Local Laws Code; Article XVI, Section 59 of the Texas Constitution; the Bond Resolution; an election held on November 3, 2009; and the general laws of Texas, including Chapters 60 and 62, Texas Water Code, as amended.

### **Outstanding Bonds**

The District has previously issued three (3) series of bonds, as follows: \$3,410,000 Unlimited Tax Bonds, Series 2018, \$2,665,000 Unlimited Tax Navigation Improvement Bonds, Series 2024, and \$8,420,000 Unlimited Tax Bonds, Series 2024. Of the above-referenced bonds issued by the District, \$13,650,000 principal amount will remain outstanding as of the Date of Delivery (the "Outstanding Bonds").

### **Issuance of Additional Debt**

At an election held within the District on November 3, 2009, voters of the District authorized a total of \$140,150,000 principal amount of unlimited tax bonds for the Utility System and for the purpose of refunding such bonds for the Utility System, and \$120,400,000 principal amount of unlimited tax bonds for the Navigation System and for the purpose of refunding such bonds for the Navigation System. Additionally, voters in the District authorized a total of \$15,200,000 principal amount of unlimited tax bonds for the purpose of acquiring and constructing a road system to serve the District (the "Road System") and for the purpose of refunding such bonds for the Road System.

The Bonds represent the second series of bonds issued by the District for the purpose of acquiring and constructing a navigation system to serve the District (the "Navigation System"). The District has previously issued two series of bonds for the purpose of acquiring or constructing a water, sewer, and drainage system to serve the District (the "Utility System"). Following the issuance of the Bonds, \$128,320,000 principal amount of unlimited tax bonds for the Utility System and for refunding such bonds for the Utility System, \$114,985,000 principal amount of unlimited tax bonds for the Navigation System, and for refunding such bonds for the Navigation System and \$15,200,000 principal amount of unlimited tax bonds for the Road System and for refunding such bonds for the Road System will remain authorized and unissued.

Following reimbursement to the Developer from the proceeds of the Bonds, the District will owe the Developers approximately \$343,559 of eligible expenses associated with construction of Utility System facilities on behalf of the District, \$10,862,773 of eligible expenses for construction of Navigation System facilities on behalf of the District based on the most recent information provided and estimations available to date.

Based on present engineering costs estimates and on development plans supplied by the Developer, in the opinion of the Engineer, following the issuance of the Bonds, the remaining principal amount of authorized but unissued bonds will be sufficient to fully reimburse the Developer for the existing facilities and to finance the water, sewer and drainage facilities and roads necessary to serve the remaining undeveloped but developable

land within the District. If the amount of remaining voted authorization is insufficient, the District would need to hold an election to request additional bond authorization.

Additional bonds may hereafter be approved by the voters of the District. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt to property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

The Bond Resolution 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. Bonds issued for water, sewer, and drainage purposes are required to be approved by the Texas Commission on Environmental Quality (the "TCEQ").

The District is also authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) authorization of a detailed fire protection plan; (b) approval of the fire plan by the TCEQ; (c) approval of the fire plan by the voters of the District; and (d) approval of bonds, if any, by the Attorney General of Texas. If additional debt obligations are issued in the future by the District, such issuance may increase gross debt-property ratios and might adversely affect the investment security of the Bonds.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the park bond application for the issuance of bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. The District has not considered the preparation of a parks bond application at this time. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to 1% of the value of the taxable property in the District at the time of issuance; however, the outstanding principal amount of such bonds may exceed one percent (1%) but not greater than three percent (3%) of the value of the taxable property in the District if the District has (i) a ratio of debt to certified assessed valuation of ten percent (10%) or less; (ii) a credit rating that conforms to the TCEQ rules; (iii) a credit enhanced rating on the District's bond issue that conforms to the TCEQ rules; or (iv) a contract with a political subdivision or an entity acting on behalf of a political subdivision under which the subdivision or the entity agrees to provide to the District taxes or other revenues, as consideration for the District's development or acquisition of the facility, including a contract under Section 49.108.

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

The amount of bonds issued and the remaining authorized but unissued bonds following the issuance of the Bonds are summarized below:

Election Date	Purpose	Amount Authorized	Issued to Date	Remaining Unissued
11/3/2009	Utility System & Refunding	\$ 140,150,000	\$ 11,830,000	\$ 128,320,000
11/3/2009	Navigation System & Refunding	120,400,000	8,425,000 <sup>(a)</sup>	114,985,000
11/3/2009	Road System & Refunding	15,200,000	-	15,200,000

(a) Includes the Bonds.

### No Arbitrage

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

Bonds shall not become “arbitrage bonds” under the Code and the regulations prescribed from time to time thereunder.

### **Consolidation**

A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets, such as cash and the utility system, with the water and wastewater system of districts with which it is consolidating as well as its liabilities (which would include the Bonds). No representation is made concerning the likelihood of consolidation, but the District currently has no plans to do so.

### **Funds**

The Bond Resolution confirms the District’s fund for debt service on the Outstanding Bonds issued for the Navigation System, the Bonds, and any additional unlimited tax bonds issued for the Navigation System (the “Navigation System Debt Service Fund”). The Navigation System Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Outstanding Bonds issued for the Navigation System, the Bonds, and any additional unlimited tax bonds issued by the District for the Navigation System, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Outstanding Bonds issued for the Navigation System, the Bonds, and any additional unlimited tax bonds issued by the District for the Navigation System payable in whole or in part from taxes. Amounts on deposit in the Navigation System Debt Service 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 Outstanding Bonds issued for the Navigation System, the Bonds, and any unlimited tax bonds issued by the District for the Navigation System 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. Amounts on deposit in the Navigation System Debt Service Fund may not be used to pay debt service on bonds issued by the District for the Utility System.

The District fund for debt service on the Outstanding Bonds issued for the Utility System and any additional unlimited tax bonds issued by the District for the Utility System (the “Utility System Debt Service Fund”) constitutes a trust fund for the benefit of the owners of the Outstanding Bonds issued for the Utility System and any additional unlimited tax bonds issued by the District for the Utility System, and is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Outstanding Bonds issued for the Utility System and any of the District’s other duly authorized bonds issued for the Utility System payable in whole or in part from taxes. Amounts on deposit in the Utility System Debt Service 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 Outstanding Bonds issued for the Utility System and any additional bonds for the Utility System 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. Amounts on deposit in the Utility System Debt Service Fund may not be used to pay debt service on bonds issued by the District for the Navigation System, such as the Bonds.

### **Bondholders’ Remedies**

The Bond Resolution contains a covenant that while any part of the Bonds is outstanding, there shall be assessed, levied, and collected two (2) separate continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, upon all taxable property within the District, sufficient to pay principal of and interest on the Bonds, the Outstanding Bonds, and any additional tax bonds when due and to pay the expenses necessary in collecting taxes. Texas law and the Bond Resolution provide that in the event that the District defaults in the payment of the principal of or interest on any of the Bonds when due, fails to make debt service payments, or defaults in the observance or performance of any of the covenants, conditions, or obligations set forth in the Bond Resolution, any Bondholder shall be entitled at any time to a writ of mandamus from a court of competent jurisdiction compelling and requiring the Board to observe and perform any covenant, obligation, or condition prescribed by the Bond Resolution. Such right is in addition to all other rights the Bondholders may be provided by the laws of Texas.

Except for mandamus, the Bond Resolution does not specifically provide for remedies to a Bondholder in the event of a District default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the Bondholders. There is no acceleration of maturity of the Bonds in the event of default. Consequently, the remedy of mandamus is a remedy which may have to be relied upon from year to year by the Bondholders. Even if the Bondholders could obtain a judgment against the District, such judgment could not be enforced by direct levy and execution against the District’s property. Further, the Bondholders cannot themselves foreclose on property within the District or sell property within the District in order to pay the

principal of and interest on the Bonds. Certain traditional legal remedies also may be unavailable. The enforceability of the rights and remedies of the Bondholders may be further limited by federal bankruptcy laws, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District.

### **Defeasance**

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

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

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

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

Section 49.186 of the Texas Water Code is applicable to the District and provides:

“(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.

**Estimated Use and Distribution of Bond Proceeds**

Proceeds from the sale of the Bonds will be used to reimburse the Developers for the navigation system improvements and related engineering costs as shown below. Additionally, the proceeds of the Bonds will be used to pay developer interest and certain costs associated with the issuance of the Bonds.

	<u>Amount</u>
<b><u>CONSTRUCTION COSTS</u></b>	
1. The Reserve Phase 2B and 3 Ring of Responsibility	\$ 337,255
2. Coordgrass Mitigation Pre-Planting Site Preparation	40,331
3. Buffer Zone Revetment Replacement	949,620
4. Estuarine Wetlands and Seagrass Mitigation Site Planting	40,700
5. Falcon Point Palustrine Mitigation Harvest and Planting	131,474
6. Falcon Point Palustrine Mitigation Water Well	79,733
7. Phases 2 and 3 Ring of Responsibility Misc. Items	106,821
8. Water Well Mitigation Items	36,717
9. Misc. Environmental Work	15,907
10. 404 Permit Expenses	514,941
11. Canal Land Costs	<u>8,175</u>
<b>TOTAL CONSTRUCTION COSTS</b>	<b>\$ 2,261,674</b>
 <b><u>NON-CONSTRUCTION COSTS</u></b>	
A. Legal Fees	\$ 82,500
B. Fiscal Agent Fees	55,000
C. Interest Costs	
1. Developer Interest	211,714
D. Bond Discount (3.00%)	82,500
E. Attorney General Fee (0.10%)	2,750
F. Bond Engineering Report	11,000
G. Bond Issuance Costs	<u>42,862</u>
<b>TOTAL NON-CONSTRUCTION COSTS</b>	<b>\$ 488,326</b>
 <b>TOTAL BOND ISSUE REQUIREMENT</b>	 <b><u>\$ 2,750,000</u></b>

The construction costs described above were compiled by the Engineer (herein defined), based, in some cases, on the estimated costs of facilities. Non-construction costs are based upon either contract amounts or estimates. In the instance that estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for roads or improvements in aid thereof.

**THE DISTRICT**

**General**

The District was created by Acts of the 80<sup>th</sup> Legislature of the State of Texas, May 23, 2007, Regular Session pursuant to Senate Bill 1960 codified as Chapter 8222 of the Texas Special District Local Laws Code. The District was created as a municipal utility district under Section 52, Article III, and Section 59, Article XVI, of the Texas Constitution and operates under Chapters 49, 54, 60, and 62 of the Texas Water Code, as amended.

The District is empowered, among other things, to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District has all the powers of a navigation district and may purchase, construct, acquire, own, operate and maintain canals, waterways, bulkheads, docks, or other improvements necessary or convenient to accomplish the navigation purposes of the District. In addition, the District may finance, construct or acquire thoroughfare, arterial or collector roads or improvements in aid of such roads.

## Description

At the time of the confirmation election, the District encompassed 368.07 acres. The District annexed 43.55 acres on November 13, 2009. The total acreage of the District is now 411.617 acres. The District is located entirely within Aransas County, Texas, approximately 10 miles northeast of the City. The District consists of two non-contiguous tracts of land. One tract is bounded by Goose Island State Park on the west and St. Charles Bay to the east and south. The second tract of land is bound on the west by State Highway 35 and to the east by Bois D'Arc Street. The District is not located within the corporate limits or extraterritorial jurisdiction of any city.

## Management of the District

- Board of Directors -

The District is governed by a board, consisting of five directors (the "Board"), which has control over and management and supervision of all affairs of the District. Directors serve staggered four-year terms, with elections held in May of each even numbered year. All of the directors own property in the District. The present members and officers of the Board listed below:

<u>Name</u>	<u>Position</u>	<u>Term Expires May</u>
Paul Aston	President	2026
John Sheesley	Vice President	2028
John A. Luddeke	Secretary	2028
Matt Boles	Assistant Secretary	2026
David Sowell	Director	2028

## Consultants

Although the District does not have a general manager or any other full-time employees, it has contracted for bookkeeping, tax assessing and collecting, auditing, engineering, and legal services as follows:

*Tax Assessor/Collector* – The District's Tax Assessor/Collector is Utility Tax Service, LLC (the "Tax Assessor/Collector"). The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Aransas County Appraisal District (the "Appraisal District") and bills and collects such levy.

*Bookkeeper* – The District's bookkeeper is Municipal Accounts & Consulting, LP.

*Utility System Operator* – The District's current operator is Aransas Bay Utilities, LLC operates the District's water and sewer system.

*Auditor* – As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. The District engaged Noel Snedeker, C.P.A. independent certified public account as its auditor for the fiscal year ended June 30, 2025. See "APPENDIX A."

*Engineer* – The District's Engineer is Urban Engineering (the "Engineer"). Such firm acts as engineer for many residential and commercial developments in Texas.

*Bond Counsel* – The District has engaged Allen Boone Humphries Robinson LLP, Houston, Texas, as general counsel to the District and as bond counsel ("Bond Counsel") in connection with the issuance of the Bonds. The fees to be paid Bond Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds. See "LEGAL MATTERS."

*Disclosure Counsel* – The District has engaged Orrick, Herrington & Sutcliffe LLP, Houston, Texas, as disclosure counsel ("Disclosure Counsel") in connection with the issuance of the Bonds. The fees of Disclosure Counsel are contingent upon the sale and delivery of the Bonds.

*Financial Advisor* – Robert W. Baird & Co. Incorporated is engaged as the financial advisor (the "Financial Advisor") to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is employed by the District and has participated in the preparation of this Official Statement, however, the Financial Advisor is not obligated to undertake, and has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement that has been supplied or provided by third-parties.

## Investment Policy

The District has adopted an Investment Policy (the "Policy") as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act"). The District's goal is to preserve principal and maintain liquidity in a diversified portfolio while securing a competitive yield on its portfolio. Funds of the District are to be invested only in accordance with the Policy. The Policy states that the funds of the District may be invested in short term obligations of the U.S. or its agencies or instrumentalities, in certificates of deposits insured by the Federal Deposit Insurance Corporation and secured by collateral authorized by the Act, and in TexPool and TexStar, which are public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate, the inclusion of long-term securities or derivative products in the portfolio.

## Historical Operations of the System

The following is a summary of the District's operating fund. The District does not receive revenues from water and wastewater services since the City provides such services. The figures for the fiscal years ending June 30 in the years 2021 through 2024 were obtained from the District's annual financial reports, reference to which is hereby made. The unaudited figures for the fiscal year ending June 30, 2025 were obtained from the District's Bookkeeper. See "APPENDIX A." The District is required by statute to have a certified public accountant prepare and file an annual audit of its financial records with the TCEQ.

	Fiscal Year Ended June 30				
	2025 (a)	2024	2023	2022	2021
<b>REVENUES</b>					
Water Service	\$ 172,361	\$ 162,529	\$ 137,107	\$ 111,829	\$ 107,409
Sewer Service	164,973	150,267	131,733	106,701	88,639
Property Taxes	467,961	381,455	692,077	294,011	225,676
Penalties and Interest	5,000	3,711	1,015	3,023	3,623
Tap Connection and Inspection Fees	8,075	19,261	33,345	38,560	12,800
Miscellaneous	5,350	21,424	1,556	24,538	1,599
Investment Earnings	177,033	155,535	74,187	4,478	4,294
<b>TOTAL REVENUES</b>	<b>\$1,000,753</b>	<b>\$ 894,182</b>	<b>\$1,071,020</b>	<b>\$ 583,140</b>	<b>\$ 444,040</b>
<b>EXPENDITURES:</b>					
Purchased Services	\$ 161,283	\$ 122,838	\$ 95,892	\$ 89,860	\$ 83,558
Professional Fees	159,478	101,439	66,470	65,321	102,544
Contracted Services	68,132	45,258	42,690	35,847	50,431
Repairs and Maintenance	29,469	104,156	10,647	18,520	15,471
Utilities	1,278	1,566	1,293	1,685	1,049
Administrative	91,033	99,126	99,847	80,754	66,594
Capital Outlay	13,500	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>\$ 524,172</b>	<b>\$ 474,382</b>	<b>\$ 316,839</b>	<b>\$ 291,987</b>	<b>\$ 319,647</b>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 476,581</u>	<u>\$ 419,800</u>	<u>\$ 754,181</u>	<u>\$ 291,153</u>	<u>\$ 124,393</u>
<b>OTHER FINANCING SOURCES:</b>					
Transfer In	\$ 46,940	\$ -	\$ -	\$ -	\$ -
Beginning Fund Balance	\$2,479,680	\$2,059,880	\$1,305,699	\$1,014,546	\$ 890,153
Ending Fund Balance	\$3,003,201	\$2,479,680	\$2,059,880	\$1,305,699	\$1,014,546

(a) Unaudited.

**DEVELOPMENT WITHIN THE DISTRICT**

**Status of Development within the District**

The District consists of approximately 411.62 total acres. To date, approximately 48.54 acres (156 single-family lots and 27 multi-family lots) within the District have been developed into the subdivisions of The Boardwalk at St. Charles Bay, The Reserve at St. Charles Bay Phase 1 Section, including a 27-unit multi-family complex, Phase 2, and Phase 3. As of September 1, 2025, approximately 48.54 acres (156 single-family lots and 27 multi-family lots) within the District have been developed into the subdivisions of The Boardwalk at St. Charles Bay, The Reserve at St. Charles Bay Phase 1 Section, including a 27-unit multi-family complex, Phase 2, and Phase 3. As of September 1, 2025, the District included approximately 103 completed single-family homes (approximately 102 occupied and 1 unoccupied); approximately 27 completed multi-family homes (approximately 24 occupied and 3 unoccupied); approximately 3 homes under construction; and approximately 50 vacant developed lots. The remaining land within the District consists of approximately 334.49 undeveloped but developable acres, approximately 28.59 undevelopable acres (including parks and open space).

The table below summarizes the status of development and land use within the District as of September 1, 2025.

Subdivision	Acreage	Section Lots	Homes/Units Completed	Homes/Units	
				Under Construction	Vacant Lots
The Boardwalk at St. Charles Bay	27.50	73	55	1	17
The Reserve, Phase 1 (Single-Family)	4.39	8	6	-	2
The Reserve, Phase 1 (Multi-Family)		27	27	-	-
The Reserve, Phase 2	8.51	34	17	-	17
The Reserve, Phase 3	8.14	41	25	2	14
<b>Totals</b>	<b>48.54</b>	<b>183</b>	<b>130</b>	<b>3</b>	<b>50</b>
Residential Developed	48.54				
Undeveloped but Developable	334.49				
Undevelopable	28.59				
District Total	411.62				

**Homebuilders Active Within the District**

The homebuilders active within the District are Fortis Homes, Mark Emery Building and Remodeling, Richard Dias Construction, Mark Uhr’s Rockport Properties Inc., McDaniel Custom Builders and Tidewater Properties, LLC. Fortis Homes is a subsidiary of the Developer. Prices of new homes being constructed within the District range from \$700,000 to over \$3,000,000 and range from 1,455 square feet to 4,200 square feet.

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PHOTOGRAPHS TAKEN WITHIN THE DISTRICT

(September 2025)



**PHOTOGRAPHS TAKEN WITHIN THE DISTRICT**  
**(September 2025)**



## **DEVELOPER AND PRINCIPAL LANDOWNERS**

### **The Role of a Developer**

In general, the activities of a developer in a municipal utility district such as the District include purchasing the land within the District, designing the subdivision, designing the utilities and streets to be constructed in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, wastewater, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone, and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. In most instances, the developer will be required to pay up to thirty percent (30%) of the cost of constructing certain of the water, wastewater, and drainage facilities in a municipal utility district pursuant to the rules of the TCEQ. The relative success or failure of a developer to perform such activities in development of the property within a municipal utility district may have a profound effect on the security of the unlimited tax bonds issued by a district. A developer is generally under no obligation to a district to develop the property which it owns in a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which it owns within a district. In addition, a developer is ordinarily a major taxpayer within a municipal utility district during the development phase of the property.

Prospective purchasers of the Bonds should note that the prior real estate experience of a developer should not be construed as an indication that further development within the District will occur, or construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. Circumstances surrounding development within the District may differ from circumstances surrounding development of other land in several respects, including the existence of different economic conditions, financial arrangements, homebuilders, geographic location, market conditions, and regulatory climate.

Neither the Developer, nor any affiliate entities, are obligated to pay principal of or interest on the Bonds. Furthermore, neither the Developer, nor any affiliate entities, have a binding commitment to the District to carry out any plan of development, and the furnishing of information relating to the proposed development by the Developer or affiliate entities should not be interpreted as such a commitment. Prospective purchasers are encouraged to inspect the District in order to acquaint themselves with the nature of development that has occurred or is occurring within the District's boundaries.

### **Developer and Principal Landowners**

McCombs Enterprises is currently the active developer in the District. McCombs Enterprises is involved in the development of real estate across Texas and several other states throughout the United States. McCombs Enterprises has owned thousands of acres of ranchlands, built single-family home communities and multi-family buildings, developed master-planned luxury communities and resorts, and managed commercial buildings. McCombs Enterprises operates in the District as developers under the entities Reserve at St. Charles Bay LLC and Boardwalk at St. Charles Bay LLC as developers.

### **Developer Financing**

The Developer has cash financed the development to date.

## **THE UTILITY SYSTEM**

### **Regulation**

According to the Engineer, the District's water distribution, wastewater collection and drainage facilities (the "Utility System") has been designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, the County, Aransas County Navigation District and the Aransas County Flood Control District. According to the District's Engineer, the design of all such facilities has been approved by all required governmental agencies, and the construction has been inspected by the TCEQ.

Operation of the District's Utility System is subject to regulation by, among others, the United States Environmental Protection Agency and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revisions.

## **Source of Water Supply and Wastewater Treatment**

Pursuant to the Wholesale Water Supply Agreement dated June 3, 2011, as amended (the “Wholesale Water Supply Agreement”), between Aransas Bay Utilities, LLC (“ABU”), an investor-owned utility, and the District, ABU provides potable water to the District and holds a water supply certificate of convenience and necessity over some of the land within the District. ABU agrees to supply potable water in an amount sufficient to serve the ultimate build-out of the District. Per the Wholesale Water Supply Agreement, the District’s share in the ABU system is 73% of the total capacity.

Per the Wholesale Water Supply Agreement, the District built an off-site water transmission line to connect to the ABU system. Additionally, the District agreed to pay a capacity fee to ABU for service in the amount of \$2,744,300, which is the estimate of the cost of the Phase One ABU System Expansion.

The District was made aware that CSWR – Texas Utility Operating Company (“CSWR”) acquired ABU Water System on August 31, 2022. As a result, the District and CSWR negotiated and entered into a Wholesale Water Supply Agreement on September 25, 2025, obligating CSWR to reserve 548 LUEs in the ABU Water System exclusively to the District and provide water supply to the District adequate to allow the District to serve all active retail connections. The District’s water supply is capable of serving 548 LUEs, which is sufficient to serve the feasibility of this proposed bond issue.

Pursuant to the Second Amended and Restated Waste Disposal Agreement dated September 29, 2008, by and among Aransas County MUD No. 1 (“ACMUD”) and the District, the District leases a share of the wastewater treatment plant that is owned and operated by ACMUD. The District will eventually own capacity in the plant expansion. The District owns and operates the wastewater lines within the District. Additionally, the District was required to build an off-site wastewater line to connect to the ACMUD facilities.

The District also entered a Wastewater Service Agreement with the Texas Parks and Wildlife Department (TPWD) in order to connect to a lift station in Goose Island State Park, which ultimately flows to the ACMUD wastewater treatment plant. The District constructed a force main as part of the off-site wastewater contract to connect the District’s internal collection lines to the regional Goose Island lift station.

The ACMUD wastewater treatment plant operates under TPDES Permit No. WQ0011624001, with a current capacity of 0.088 MGD. Based on a flow rate of 187.6 gpd/ESFC, the plant is capable of serving 469 ESFCs. Pursuant to the Waste Disposal Agreement, the District’s share of the capacity is 33.4% or 156 ESFCs.

The District’s wastewater capacity is capable of serving 156 ESFCs.

## **Storm Drainage**

Stormwater for the District is collected through a series of inlets which flow through underground lines leading to St. Charles Bay. Stormwater runoff drains into a system of stormwater inlets to outfalls at various points into St. Charles Bay.

## **Navigation Facilities**

The District has all of the powers of a navigation district under Chapters 60 and 62 of the Texas Water Code. As a navigation district it has the authority to issue bonds for navigational purposes inside and outside of the District’s boundaries. These purposes include purchasing, constructing, acquiring, owning, operating, repairing, improving, extending, or paying of improvements associated with navigational waterway projects. The Developer has constructed certain bulkheads and other navigation facilities. If conveyed to the District, the District could finance and maintain such facilities (the “Navigation System”).

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## DISTRICT DEBT

2025 Taxable Assessed Valuation.....	\$	168,885,383	(a)
Direct Debt:			
The Outstanding Bonds.....	\$	13,650,000	
The Bonds.....	\$	<u>2,750,000</u>	
Total.....	\$	16,400,000	
Estimated Overlapping Debt.....	\$	<u>3,014,535</u>	(b)
Total Direct and Estimated Overlapping Debt.....	\$	19,414,535	(b)
Direct Debt Ratio:			
As a percentage of 2025 Taxable Assessed Valuation .....		9.71	%
Direct and Estimated Overlapping Debt Ratio:			
As a percentage of 2025 Taxable Assessed Valuation .....		11.50	%
Utility System Debt Service Fund (as of September 25, 2025).....	\$	1,540,420	(c)
Navigation System Debt Service Fund (as of September 25, 2025).....	\$	378,915	(d)
General Operating Fund (as of September 25, 2025).....	\$	3,732,287	
.....			
2025 Tax Rate:			
Utility Debt Service.....	\$	0.4500	
Navigation Improvement Debt Service.....	\$	0.2175	
Maintenance and Operations.....	\$	<u>0.3025</u>	
Total.....	\$	0.9700	(e)
Combined Average Annual Debt Service Requirement (2026-2050).....	\$	1,071,853	(f)
Combined Maximum Annual Debt Service Requirement (2042).....	\$	1,190,880	(f)
Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2026-2050) at 95% Tax Collections			
Based on the 2025 Taxable Assessed Valuation.....		\$0.67	
Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement on the Outstanding Bonds and the Bonds (2042) at 95% Collections			
Based on the 2025 Taxable Assessed Valuation.....		\$0.75	

- (a) Represents the assessed valuation of all taxable property in the District as of January 1, 2025, provided by the Aransas County Appraisal District (the "Appraisal District"). This value includes \$3,214,704, which represents 80% of the remaining value still uncertified within the District. See "TAX DATA" and "TAXING PROCEDURES."
- (b) See "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement."
- (c) Neither Texas law nor the Utility Bond Resolution requires that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Navigation System or the Road System, including the Bonds.
- (d) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Navigation System Debt Service Fund. Funds in the Navigation System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Utility System, including the Outstanding Bonds issued for the Utility System, and bonds issued by the District for the Road System.
- (e) The District is authorized to levy separate taxes for payment of debt service on bonds issued by the District for the Road System and for payment of debt service on bonds issued for the Utility System; both such taxes are unlimited as to rate or amount. See "TAX DATA - Tax Rate Calculations."
- (f) See "DISTRICT DEBT - Debt Service Requirements."

**Estimated Direct and Overlapping Debt Statement**

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

Taxing Jurisdiction	Outstanding Debt 9/30/2025	Overlapping	
		Percent	Amount
Aransas County	\$ 15,600,000	2.71%	\$ 423,421
Aransas Navigation District No. 1	930,000	2.70%	25,103
Rockport-Fulton Independent School District	81,807,000	3.14%	2,566,012
Total Estimated Overlapping Debt .....			\$ 3,014,535
Direct Debt (a) .....			\$16,400,000
Total Direct and Estimated Overlapping Debt .....			\$19,414,535

(a) Includes the Outstanding Bonds and the Bonds.

**Debt Ratios**

Direct Debt Ratio:

As a percentage of 2025 Taxable Assessed Valuation..... 9.71 %

Direct and Estimated Overlapping Debt Ratio:

As a percentage of 2025 Taxable Assessed Valuation..... 11.50 %

(a) Includes the Outstanding Bonds and the Bonds.

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### Debt Service Requirement Schedule

The following schedule sets forth the principal and interest requirements for the Outstanding Bonds, as well as principal and interest requirements for the Bonds. Totals may not sum due to rounding.

Calendar Year	Outstanding Debt Service	The Bonds			Total Debt Service
		Principal	Interest	Debt Service	
2026	\$ 946,239	\$ 90,000	\$ 90,735	\$ 180,735	\$ 1,126,974
2027	946,419	60,000	126,021	186,021	1,132,440
2028	950,949	65,000	123,621	188,621	1,139,570
2029	949,499	65,000	121,021	186,021	1,135,520
2030	957,414	70,000	118,421	188,421	1,145,835
2031	959,014	75,000	115,551	190,551	1,149,565
2032	965,295	75,000	112,439	187,439	1,152,734
2033	965,533	80,000	109,289	189,289	1,154,821
2034	969,933	85,000	105,889	190,889	1,160,821
2035	972,645	90,000	102,170	192,170	1,164,815
2036	974,270	95,000	98,120	193,120	1,167,390
2037	979,820	100,000	93,750	193,750	1,173,570
2038	984,083	100,000	89,150	189,150	1,173,233
2039	987,045	105,000	84,550	189,550	1,176,595
2040	988,720	115,000	79,720	194,720	1,183,440
2041	994,095	120,000	74,315	194,315	1,188,410
2042	997,205	125,000	68,675	193,675	1,190,880
2043	773,765	130,000	62,425	192,425	966,190
2044	778,905	135,000	55,925	190,925	969,830
2045	787,725	145,000	49,175	194,175	981,900
2046	794,375	150,000	41,925	191,925	986,300
2047	799,450	155,000	34,425	189,425	988,875
2048	802,950	165,000	26,520	191,520	994,470
2049	809,875	175,000	18,105	193,105	1,002,980
2050	-	180,000	9,180	189,180	189,180
<b>Total</b>	<b>\$ 22,035,220</b>	<b>\$2,750,000</b>	<b>\$ 2,011,117</b>	<b>\$ 4,761,117</b>	<b>\$ 26,796,37</b>

Combined Average Annual Debt Service Requirement (2026-2050).....\$1,071,853

Combined Maximum Annual Debt Service Requirement (2042) .....\$1,190,880

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## TAXING PROCEDURES

### **Authority to Levy Taxes**

The Board is authorized to levy a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see "RISK FACTORS – Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year-to-year as described more fully herein under "THE BONDS – Source of Payment." Under Texas law, the Board is also authorized to levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations if authorized by its voters. See "TAX DATA – Tax Rate Limitation."

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

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

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

The Property Code requires the appraisal district, by May 15 of each year, or as soon thereafter as practicable, to prepare appraisal records of property as of January 1 of each year based upon market value. The chief appraiser must give written notice before May 15, or as soon thereafter as practicable, to each property owner whose property value is appraised higher than the value in the prior tax year or the value rendered by the property owner, or whose property was not on the appraisal roll the preceding year, or whose property was reappraised in the current tax year. Notice must also be given if ownership of the property changed during the preceding year. The appraisal review board has the ultimate responsibility for determining the value of all taxable property within the District; however, any property owner who has timely filed notice with the appraisal review board may appeal a final determination by the appraisal review board by filing suit in a Texas district court. Prior to such appeal or any tax delinquency date, however, the property owner must pay the tax due on the value of that portion of the property involved that is not in dispute or the amount of tax imposed in the prior year, whichever is greater, or the amount of tax due under the order from which the appeal is taken. 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. In addition, taxing units, such as the District, are entitled to challenge certain matters before the appraisal review board, including the level of appraisals of a certain category of property, the exclusion of property from the appraisal records of the granting in whole or in part of certain exemptions. A taxing unit may not, however, challenge the valuation of individual properties.

Although the District has the responsibility for establishing tax rates and levying and collecting its taxes each year, under the Property Code, the District does not establish appraisal standards or determine the frequency of revaluation or reappraisal. The appraisal district is governed by a board of directors elected by the governing bodies of the county and all cities, towns, school districts and, if entitled to vote, the conservation and reclamation districts that participate in the appraisal district. The Property Code requires each appraisal district to implement a plan for periodic reappraisal of property to update appraised values. Such plan must provide for reappraisal of all real property in the appraisal district at least once every three (3) years. It is not known what frequency of future reappraisals will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

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

**General:** Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property

include, but are not limited to: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. For the 2025 tax year, the District granted such a residential homestead exemption to persons 65 years of age or older and to certain other disabled persons in the amount of \$30,000. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of one hundred percent (100%) is entitled to an exemption for the full value of the veteran's residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization at no cost to the veteran. This exemption applies to a residence homestead that was donated by a charitable organization at some cost to such veterans. The surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption would be transferrable to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

***Residential Homestead Exemptions:*** The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than \$5,000, if any exemption is granted, from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The District has never adopted a general homestead exemption.

***Freeport Goods and Goods-in-Transit Exemption:*** Freeport goods are goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas and other petroleum products, which have been acquired or brought into the state for assembling, storing, manufacturing, repair, maintenance, processing or fabricating purposes, or used to repair or maintain aircraft of a certified air carrier, and shipped out of the state within one hundred seventy-five (175) days. Freeport goods are exempt from taxation by the District. Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." "Goods-in-transit" is defined by a provision of the Property Tax Code, which is effective for tax year 2016 and prior applicable years, as personal property acquired or imported into Texas and transported to another location in the State or outside the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory. For tax year 2016 and subsequent years, such Goods-in-Transit Exemption is limited to tangible personal property 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 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 Property Tax Code provision permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. The District has taken action to tax Goods-in-Transit. A taxpayer may receive only one of the Freeport exemptions or the goods-in-transit exemptions for items of personal property.

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

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on 100% of market value, as such is defined in the Property Tax Code. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. In November 1997, Texas voters approved a constitutional amendment to limit increases in the appraised value of residence homesteads to 10% annually regardless of the market value of the property. The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use, open space land, and timberland.

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

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

During the 2<sup>nd</sup> Special Session, convened on June 27, 2023, the Texas Legislature passed Senate Bill 2 ("SB 2"), which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5,000,000 (the "Maximum Property Value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20% of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax

year; and (c) the market value of all new improvements to the Subjected Property (collectively, the “Appraisal Cap”). After the 2024 tax year, through December 31, 2026, the Appraisal Cap may be increased or decreased by the product of the preceding state fiscal year’s increase or decrease in consumer price index, as applicable, to the Maximum Property Value. SB 2 was signed into law by the Governor on July 22, 2023; however, the provisions described hereinabove took effect January 1, 2024.

### **Disaster Exemption**

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

### **District and Taxpayer Remedies**

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

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

### **Tax Abatement**

Aransas County, Texas may designate all or part of the area within the District as a reinvestment zone. Thereafter, Aransas County, Texas; and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to 10 years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. At this time, Aransas County, Texas has not designated any of the area within the District as a reinvestment zone.

### **Tax Payment Installments After Disaster**

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

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

Chapter 49 of the Texas Water Code, as amended, classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have

adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate pursuant to SB 2 is described for each classification below. Debt service rates cannot be reduced by a rollback election within any of the Districts described below.

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

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

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

*The District:* For the 2025 tax year, the District made the determination of its status as a Developing District. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

### **Levy and Collection of Taxes**

The District is responsible for the levy and collection of its taxes, unless it elects to transfer such functions to another governmental entity. The date of delinquency may be postponed if the tax bills are mailed after January 1. A person 65 years of age is entitled by law to pay current taxes on his residential homestead in installments or to defer tax without penalty during the time he owns and occupies the property as his residential homestead. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board of Directors of the District based on valuation of property within the District as of the preceding January 1.

Taxes are due September 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of 6% of the amount of the tax for the first calendar month it is delinquent, plus 1% for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of 12% regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to 20% if imposed by the District. The delinquent tax also accrues interest at a rate of 1% for each month or portion of a month it remains unpaid. 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 at least 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 equal 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 within the District in the preceding 24 months.

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

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceeding which restrict the collection of taxpayer debts. See "RISK FACTORS – General" and "RISK FACTORS – Tax Collection Limitations."

## **TAX DATA**

### **General**

Taxable property within the District is subject to the assessment, levy and collection by the District of a continuing direct, annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (and any future tax-supported bonds which may be issued from time to time as authorized). Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Resolution to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, in an amount not to exceed \$1.00 per \$100 of assessed valuation for operation and maintenance purposes. In 2025, the District levied a total tax rate of \$0.9700 per \$100 of assessed valuation, comprised of \$0.3025 per \$100 of assessed valuation for maintenance and operation, \$0.4500 per \$100 of assessed valuation for utility debt service and \$0.2175 per \$100 of assessed valuation for navigation debt service.

### **Tax Rate Limitation**

Utility System Debt Service:	Unlimited (no legal limit as to rate or amount).
Navigation System Debt Service:	Unlimited (no legal limit as to rate or amount).
Road System Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance and Operations:	\$1.00 per \$100 assessed valuation.

## Historical Tax Collections

The following table illustrates the collection history of the District for the 2021–2025 tax years:

Tax Year	Assessed Valuation	Tax Rate	Adjusted Levy	Collections Current Year	Current Year Ended 9/30	Collections 9/30/25
2021	\$ 75,880,666	\$1.0000	\$ 758,807	99.82%	2022	99.99%
2022	92,361,381	1.0000	923,614	99.97	2023	99.99
2023	141,593,010	1.0000	1,415,930	99.84	2024	99.93
2024	164,100,440	1.0000	1,641,004	99.35	2025	99.35
2025	168,885,383	0.9700	1,638,188	(a)	2026	(a)

(a) In process of collections

## Tax Rate Distribution

	2025	2024	2023	2022	2021
Utility System Debt Service	\$ 0.4500	\$ 0.4700	\$ 0.7350	\$ 0.2400	\$ 0.6000
Navigation Improvement Debt Service	0.2175	0.2400	-	-	-
Maintenance and Operations	0.3025	0.2900	0.2650	0.7600	0.4000
Total	\$ 0.9700	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000

## Analysis of Tax Base

The following table illustrates the District's total assessed value in the tax years 2021–2025 by type of property.

Type of Property	2025 Assessed Valuation	2024 Assessed Valuation	2023 Assessed Valuation	2022 Assessed Valuation	2021 Assessed Valuation
Land	\$ 72,283,351	\$ 71,197,711	\$ 65,474,260	\$ 45,925,660	\$ 37,356,129
Improvements	105,309,475	100,838,059	85,309,444	51,191,350	43,399,927
Personal Property	1,136,350	1,350,490	1,237,410	376,320	236,340
Exemptions	(9,843,793)	(9,285,820)	(10,428,104)	(5,131,949)	(5,111,730)
Total	\$ 168,885,383	\$ 164,100,440	\$ 141,593,010	\$ 92,361,381	\$ 75,880,666

## Principal Taxpayers

Based upon information supplied by the District's Tax Assessor/Collector, the following table lists principal District taxpayers, type of property owned by such taxpayers, and the assessed valuation of such property as of January 1, 2025.

Taxpayer	Type of Property	Assessed Valuation 2025 Tax Roll	Percent of 2025 Value
Reserve at Charles Bay LLC (a)	Land & Improvements	\$ 4,568,178	2.70%
Jurisich Holdings LLC	Land & Improvements	3,703,507	2.19%
Williamson County Equipment Co Inc.	Land & Improvements	2,375,000	1.41%
Homeowner	Land & Improvements	2,345,540	1.39%
Homeowner	Land & Improvements	2,080,870	1.23%
Homeowner	Land & Improvements	1,969,000	1.17%
Homeowner	Land & Improvements	1,950,490	1.15%
Homeowner	Land & Improvements	1,910,570	1.13%
Homeowner	Land & Improvements	1,850,000	1.10%
Homeowner	Land & Improvements	1,839,860	1.09%
Total		\$ 24,593,015	14.56%

(a) See "Developer and Principal Landowners."

**Tax Rate Calculations**

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of assessed taxable valuation that would be required to meet certain debt service requirements on the Outstanding Bonds and the Bonds if no growth in the District’s tax base occurs beyond the 2025 Taxable Assessed Valuation (\$168,885,383) or the Estimate of Valuation as of September 15, 2025 (\$180,000,000). The calculations assume collection of 95% of taxes levied, the sale of the Bonds but not the sale of any additional bonds by the District.

Average Annual Debt Service Requirement (2026-2050) .....	\$ 1,071,853
Debt Service Tax Rate of \$0.67 on the 2025 Taxable Assessed Valuation produces .....	\$ 1,074,955
Maximum Annual Debt Service Requirement (2042).....	\$ 1,190,880
Debt Service Tax Rate of \$0.75 on the 2025 Taxable Assessed Valuation produces .....	\$ 1,203,308

**Estimated Overlapping Taxes**

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

Set forth on the following page is an estimation of all 2025 taxes per \$100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

<u>Taxing Jurisdiction</u>	<u>2025 Tax Rate Per \$100 of A.V.</u>
The District	\$0.970000
Aransas County	0.333155
Aransas County Road & Flood	0.045345
Aransas County Navigation District	0.033206
<u>Rockport Fulton ISD</u>	<u>0.786900</u>
Estimated Total Tax Rate	\$2.168606

**LEGAL MATTERS**

**Legal Opinions**

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas, payable from the proceeds of two (2) separate continuing annual ad valorem taxes, without limit as to rate or amount, upon all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Bond Counsel, to a like effect and to the effect that, under existing law, interest on the Bonds is excludable from gross income for federal tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals, however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations for the purpose of determining the alternative minimum tax imposed on corporations.

Bond Counsel has reviewed the information discussed under “THE BONDS” (except for the subheadings “Book-Entry-Only System,” “Estimated Use and Distribution of Bond Proceeds,” “THE DISTRICT – Authority,” “TAXING PROCEDURES,” “LEGAL MATTERS,” “TAX MATTERS,” and “CONTINUING DISCLOSURE OF INFORMATION” solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law, the provisions of the documents referred to therein and conforms to the provisions of the order of the TCEQ approving the Bonds. Bond Counsel has not, however, independently verified any of the factual information contained herein nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel’s limited participation as an assumption of

responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

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

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

### **No-Litigation Certificate**

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

### **No Material Adverse Change**

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

## **TAX MATTERS**

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

### **Tax Exemption**

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

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

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

Bond Counsel will express no opinion as to the amount or timing of interest on the Bonds or, except as stated above, any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds. Certain actions may be taken or omitted subject to the

terms and conditions set forth in the Bond Resolution upon the advice or with the approving opinion of Bond Counsel. Bond Counsel will express no opinion with respect to Bond Counsel's ability to render an opinion that such actions, if taken or omitted, will not adversely affect the excludability of interest of the Bonds from gross income for federal income tax purposes.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer, and the Owners of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds, regardless of the ultimate outcome of the audit.

### **Qualified Tax-Exempt Obligations**

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as "qualified tax-exempt obligations" and (b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed \$10,000,000.

The District has designated the Bonds as "qualified tax-exempt obligations" and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2025 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2025.

Notwithstanding these exceptions, financial institutions acquiring the Bonds will be subject to a 20 percent disallowance of allocable interest expense

### **Additional Federal Income Tax Considerations**

#### *Collateral Tax Consequences*

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

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

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

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

#### *Tax Accounting Treatment of Original Issue Premium*

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

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

#### *Tax Accounting Treatment of Original Issue Discount*

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

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

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

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

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

#### Tax Legislative Changes

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

### **CONTINUING DISCLOSURE OF INFORMATION**

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

#### **Annual Reports**

The District will provide certain updated financial information and operating data to the EMMA annually.

The information to be updated with respect to the District includes all quantitative financial information and operating data relative to the District of the general type included in this Official Statement under the headings “DISTRICT DEBT – General,” “TAX DATA,” and “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.

Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within a six (6)-month period. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to EMMA within such six (6)-month period, and audited financial statements when the audit report becomes available.

The District’s fiscal year end is currently June 30. Accordingly, it must provide updated information by December 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify EMMA 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 10 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 SEC Rule 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; (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 a financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution make any provision for debt service reserves or liquidity enhancement. The term “financial obligation” when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term “financial obligation” does not include municipal securities for which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

### **Availability of Information**

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

The District may amend its continuing disclosure agreement 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 the Rule, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as 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 such rule 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 Initial Purchaser 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 reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

### **Compliance with Prior Undertakings**

During the last five years, the District has complied in all material respects with its previous continuing disclosure agreements made in accordance with SEC Rule 15c2-12, except the annual report filed on June 30, 2024 with the MSRB which did not contain certain additional District annual financial information and operating data due to an administrative oversight. The annual report was amended on November 5, 2025, to include the additional annual financial information and operating data for the District for fiscal year end June 30, 2024.

## **OFFICIAL STATEMENT**

### **General**

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

### **Experts**

The information contained in the Official Statement relating to engineering and to the description of the System, and, in particular, that engineering information included in the sections entitled "THE DISTRICT - Description" and "THE SYSTEM" has been provided by Utility Tax Service, LLC and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in the Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" was provided by Mr. Mike Arterburn of Utility Tax Service, LLC and the Appraisal District. Such information has been included herein in reliance upon Ms. Flores's authority as an expert in the field of tax collection and the Appraisal District's authority as an expert in the field of tax assessing.

### **Certification as to Official Statement**

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

### **Updating of Official Statement**

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

## **CONCLUDING STATEMENT**

The information set forth herein has been obtained from the District's records, audited financial statements and other sources which are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

This Official Statement was approved by the Board of Directors of Lamar Improvement District as of the date shown on the first page hereof.

/s/ Paul Aston  
President, Board of Directors  
Lamar Improvement District

ATTEST:

/s/ John A. Luddeke  
Secretary, Board of Directors  
Lamar Improvement District

**APPENDIX A**  
**FINANCIAL STATEMENT OF THE DISTRICT**

**LAMAR IMPROVEMENT DISTRICT**

**Annual Financial Report  
For the Year Ended June 30, 2024**

**Authorized Contact:  
Noel Snedeker, C.P.A.  
361-960-7610  
[noelcpa@ymail.com](mailto:noelcpa@ymail.com)**

**LAMAR IMPROVEMENT DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2024**

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ANNUAL FILING AFFIDAVIT

STATE OF TEXAS }  
COUNTY OF ARANSAS }

I, Paul Aston, (Representative) of the LAMAR IMPROVEMENT DISTRICT hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of Directors of the District on the 21st day of November, 2024 it's annual audit report for the fiscal year ended June 30, 2024 and that copies of the annual audit report have been filed in the district's legal counsel office of Allen Boone Humphries Robinson LLP at 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

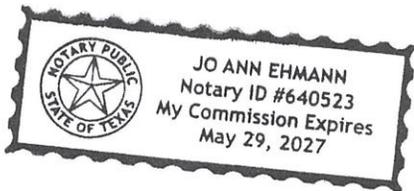
The annual filing affidavit and the attached copy of the annual audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of all annual filing requirements within Section 49.194 of the Texas Water Commission.

Date: November 21, 2024

By: *Paul Aston*  
(Signature of District Representative)

Paul Aston, President  
(Typed Name & Title of above  
District Representative)

Sworn to and subscribed to before me this 21st day of November, 2024.



(Seal)

*Jo Ann Ehmman*  
(Signature of Notary)

Notary Public in and for the State of Texas

Commission Expires on: 5/29/2027

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## FINANCIAL SECTION

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# **S. NOEL SNEDEKER, II**

*CERTIFIED PUBLIC ACCOUNTANT*

*517 Gregory - P.O. Box 974*

*Taft, Texas 78390*

*(361) 960-7610 - (866)599-9860 (fax)*

## **Report on Basic Financial Statements Accompanied by Required Supplementary Information, Supplementary Information, and Other Information**

### **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Lamar Improvement District

#### **Opinions**

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lamar Improvement District as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lamar Improvement District as of June 30, 2024 and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

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

#### **Management's Responsibility for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about Lamar Improvement 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 Responsibility for the Audit of the Financial Statements**

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

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

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

- Exercise professional judgement 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 Lamar Improvement 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 my judgement, there are conditions, or events, considered in the aggregate, which raise substantial doubt about Lamar Improvement District's ability to continue as a going concern for a reasonable period of time.

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

#### **Required Supplementary Information**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lamar Improvement District's 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 my opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Information***

The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has 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 my opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



S. Noel Snedeker, II  
Certified Public Accountant  
November 11, 2024

**LAMAR IMPROVEMENT DISTRICT**  
**Management's Discussion and Analysis**  
**Fiscal Year ended June 30, 2024**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

In this section of the Annual Financial and Compliance Report, we, the managers of Lamar Improvement District, discuss and analyze the District's financial performance for the fiscal year ended June 30, 2024. Please read it in conjunction with the independent auditors' report on pages 5- 7, and the District's Basic Financial Statements which begin on page 14.

**FINANCIAL HIGHLIGHTS**

- The District's net position decreased by \$2,561,516 as a result of the current year's operations of \$1,021,598 and a Prior Period Adjustment (Note 13) of (\$3,583,114).
- The General Fund ended the year with a fund balance of \$2,479,680, and the Debt Service ended with a fund balance of \$1,612,138.

**USING THIS ANNUAL REPORT**

Within this section of the Lamar Improvement District (the "LID") annual report, the District's Board of Directors provided narrative discussion and analysis of the financial activities of the District for the fiscal year ended June 30, 2024.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) Government-Wide Financial Statements; 2) Fund Financial Statements, and 3) Notes to Financial Statements. This report also contains supplementary information required by the Governmental Accounting Standards Board and other supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality.

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water and sanitary sewer services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements, and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

**Government-Wide Financial Statements**

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

**LAMAR IMPROVEMENT DISTRICT**  
**Management's Discussion and Analysis**  
**Fiscal Year ended June 30, 2024**

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

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

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

#### **Fund Financial Statements**

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

#### **Governmental Funds**

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

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

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

**LAMAR IMPROVEMENT DISTRICT**  
**Management's Discussion and Analysis**  
**Fiscal Year ended June 30, 2024**

**Notes to Financial Statements**

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

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

The District's overall financial position and operations for the past year is summarized as follows based on the information included in the government-wide financial statements.

<b>Summary of Net Position</b>		
	<b>2024</b>	<b>2023</b>
Current and other assets	\$ 4,983,847	\$ 3,666,457
Capital assets	11,533,640	12,905,256
Total assets	<u>16,517,487</u>	<u>16,571,713</u>
Current liabilities	300,631	929,912
Long-term liabilities	21,637,002	18,500,381
Total liabilities	<u>21,937,633</u>	<u>19,430,293</u>
Net Assets:		
Invested in capital assets, net of related debt	(8,518,640)	(4,553,797)
Restricted	1,612,137	806,285
Unrestricted	1,486,357	888,882
Total Net Position	<u>\$ (5,420,146)</u>	<u>\$ (2,858,630)</u>

The total net position of the District decreased by (\$2,561,516) over the prior year. The decrease is liquid in that it is unrelated to capital assets. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

<b>Summary of Changes in Net Position</b>		
	<b>2024</b>	<b>2023</b>
<b>Revenues:</b>		
Property Taxes	\$ 1,406,313	\$ 918,190
Charges for Service	312,796	268,840
Other Revenues	275,578	160,866
Total Revenues	<u>1,994,687</u>	<u>1,347,896</u>
Expenses for Services	<u>973,089</u>	<u>820,664</u>
Change in Net Assets before Extraordinary Items	1,021,598	527,232
Advances	-	-
Net Position, Beginning of Year	(2,858,630)	(3,385,862)
Prior Period Adjustment (Note 13)	(3,583,114)	-
Net Position, End of Year	<u>\$ (5,420,146)</u>	<u>\$ (2,858,630)</u>

**LAMAR IMPROVEMENT DISTRICT  
Management's Discussion and Analysis  
Fiscal Year ended June 30, 2024**

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

The District's combined fund balances as of the fiscal year ended June 30, 2024 was \$4,091,817, an increase of \$1,225,652 from the prior year.

The General Fund fund balance increase of \$419,800 is primarily due to current operations.

**General Fund Budgetary Highlights**

The Board of Directors did not amend the budget during the fiscal year. The original budget adopted by the Board of Directors anticipated an increase in the fund balance during the year of \$775,492.

Actual expenditures were over budget expenditures by \$66,325. The revenues were less than budget by \$289,367. The anticipated budgetary fund balance as of June 30, 2024 was expected to be \$2,356,997 and the actual end of year fund balance was \$2,479,680.

**Capital Assets and Related Debt**

**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.

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

	<u>2024</u>	<u>2023</u>
Capital Assets not being depreciated		
Land and Easements	\$ 1,359,884	\$ 1,359,884
Capital Assets being depreciated		
Water Supply Capacity Charge	2,986,609	2,978,811
Infrastructure	10,977,500	10,985,296
	<u>13,964,109</u>	<u>13,964,107</u>
Less accumulated depreciation		
Water Supply Capacity Charge	929,261	860,548
Infrastructure	1,817,248	1,558,187
	<u>2,746,509</u>	<u>2,418,735</u>
Depreciable capital assets, net	<u>11,217,600</u>	<u>11,545,372</u>
Capital assets, net	<u>\$ 12,577,484</u>	<u>\$ 12,905,256</u>

During the current year, capital assets decreased \$1,056,493 due to a prior period adjustment (note 13).

**LAMAR IMPROVEMENT DISTRICT  
Management's Discussion and Analysis  
Fiscal Year ended June 30, 2024**

**Long-Term Debt and Related Liabilities**

As of June 30, 2024, the District owes \$16,865,672 to developers for completed projects and operating advances. The initial cost of the completed project and related liability is estimated based on actual construction cost plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As noted, the District will owe its developers for these projects upon completion of construction. The District intends to reimburse the developers from proceeds of future bond issues or other lawfully available funds. The cost of amounts owed to the developers are trued up when the developers are reimbursed.

At June 30, 2024 and 2023, the District had total bonded debt outstanding as shown below:

<u>Series</u>	<u>2024</u>	<u>2023</u>
2018	\$3,015,000	\$3,120,000

At June 30, 2024, the District had \$136,740,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing, and improving the water, sanitary sewer and drainage systems within the District and refunding of such bonds, \$15,200,000 for road improvements and the refunding of such bonds, and \$120,400,000 for navigation improvements and the refunding of such bonds.

**Property Taxes**

The District's property tax base increased approximately \$48,812,311 for the 2023 tax year from \$89,437,731 to \$140,631,492. This increase was primarily due to new construction in the District and increased property values. For the 2023 tax year, the District has levied a maintenance tax rate of \$.265 per \$100 of assessed value and a debt service rate of \$0.735 per \$100 of assessed value, for a total combined tax rate of \$1.00 per \$100.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the Lamar Improvement District's finances for anyone with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Lamar Improvement District, c/o Allen Boone Humphries Robinson LLP., 3200 Southwest Freeway, Suite 2600, Houston, Texas 77019, (713) 860-6400.

## BASIC FINANCIAL STATEMENTS

LAMAR IMPROVEMENT DISTRICT  
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET  
JUNE 30, 2024

	General <u>Fund</u>	Debt Service <u>Fund</u>	Total	<u>Adjustments</u>	Statement of <u>Net Position</u>
<b><u>ASSETS</u></b>					
Cash and Cash Equivalents	\$ 3,244,465	\$ 1,608,927	\$ 4,853,392	\$ -	\$ 4,853,392
Taxes Receivable	8,065	20,872	28,937	-	28,937
Customer service receivables	52,139	-	52,139	-	52,139
Internal Balances	4,050	-	4,050	(4,050)	0
Interest Receivables	33,800	7,260	41,060	-	41,060
Prepaid Items	8,319	-	8,319	-	8,319
Capital Assets (Note 3)					
Land	-	-	-	807,900	807,900
Water supply capacity charge	-	-	-	1,984,658	1,984,658
Infrastructure	-	-	-	8,741,082	8,741,082
<b>TOTAL ASSETS</b>	<b>\$ 3,350,838</b>	<b>\$ 1,637,059</b>	<b>\$ 4,987,897</b>	<b>\$ 11,529,590</b>	<b>\$ 16,517,487</b>
<b><u>LIABILITIES</u></b>					
Accounts payable	\$ 101,280	\$ -	\$ 101,280	\$ -	\$ 101,280
Other payables	31,904	-	31,904	0	31,904
Customer deposits	9,909	-	9,909	-	9,909
Internal balances	-	4,050	4,050	(4,050)	0
Accrued interest payable	0	-	0	47,538	47,538
Due to other governments	-	-	-	1,146,330	1,146,330
Due to developers	-	-	-	16,865,672	16,865,672
Builder deposits - Restricted (Note 12)	720,000	-	720,000	-	720,000
Long-term debt					0
Due within one year	-	-	-	110,000	110,000
Due after one year	-	-	-	2,905,000	2,905,000
<b>TOTAL LIABILITIES</b>	<b>\$ 863,093</b>	<b>\$ 4,050</b>	<b>\$ 867,143</b>	<b>\$ 21,070,490</b>	<b>\$ 21,937,633</b>
<b><u>DEFERRED INLOWS OF RESOURCES</u></b>					
Deferred property taxes	8,065	20,871	28,937		
<b><u>FUND BALANCE / NET POSITION</u></b>					
<b>Fund Balance</b>					
Restricted	\$ -	\$ 1,612,138	\$ 1,612,137	\$ (1,612,137)	
Unrestricted	2,479,680	-	2,479,680	(2,479,680)	
<b>Total Fund Balance</b>	<b>2,479,680</b>	<b>1,612,138</b>	<b>4,091,817</b>	<b>(2,479,680)</b>	
<b>TOTAL LIABILITIES AND</b>					
<b>FUND BALANCE</b>	<b>\$ 3,350,838</b>	<b>\$ 1,637,059</b>	<b>\$ 4,987,897</b>		
<b>Net Position</b>					
Invested in Capital Assets, Net of Related Debt					\$ (8,518,640)
Restricted for Debt Service					1,612,137
Unrestricted Net Position					1,486,357
<b>Total Net Position</b>					<b>\$ (5,420,146)</b>

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

LAMAR IMPROVEMENT DISTRICT  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2024

Total Fund Balances - Governmental Funds \$ 4,091,816

Amounts reported for governmental activities in the statements of nets assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Governmental capital assets	\$ 15,323,993	
Less accumulated depreciation	<u>(2,418,739)</u>	12,905,254

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:

Bonds payable, net	\$ (3,120,000)	
Interest on bonds	<u>(47,538)</u>	(3,167,538)

Amounts due to Aransas County Municipal Utility District No. 1 for waste disposal capacity are not payable from current financial resources. The District's developer will pay this cost on behalf of the District; such amounts will be eligible for reimbursement from future bond proceeds. As a result, these are recorded as a liability in the Statement of Net Position. (1,146,330)

Amounts due to District's developers for prefunded construction and operating advances are recorded as a liability in the Statement of Net Position. (17,922,165)

Deferred revenue and penalty and interest in governmental funds are susceptible to full accrual on the entity-wide statements. 28,937

Current year capital asset and long-term debt payments are expenditures in the fund financial statements but they should be shown as increases in and reductions in long term debt in the government-wide financial statements. The net effect of the 2024 capital outlay and debt principal payments is to increase (decrease) net position. 105,000

Depreciation expense increases accumulated depreciation

2024 Depreciation Expense		<u>(315,121)</u>
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Net Position of Governmental Activities \$ (5,420,146)

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

LAMAR IMPROVEMENT DISTRICT  
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2024

	<u>General</u> <u>Fund</u>	<u>Debt Service</u> <u>Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of</u> <u>Activities</u>
<b><u>REVENUES</u></b>					
Water service	\$ 162,529	\$ -	\$ 162,529	\$ -	\$ 162,529
Sewer service	150,267	-	150,267	-	150,267
Property taxes	381,455	1,018,791	1,400,246	6,067	1,406,313
Penalties and interest	3,711	12,316	16,027	-	16,027
Tap connection and inspection	19,261	-	19,261	-	19,261
Miscellaneous	21,424	9,787	31,211	-	31,211
Investment earnings	155,535	53,544	209,079	-	209,079
Total	<u>\$ 894,182</u>	<u>\$ 1,094,438</u>	<u>\$ 1,988,620</u>	<u>\$ 6,067</u>	<u>\$ 1,994,687</u>
<b><u>EXPENDITURES / EXPENSES</u></b>					
Current service operations					
Purchased services	\$ 122,838	\$ -	\$ 122,838	\$ -	\$ 122,838
Professional fees	101,439	4,764	106,203	-	106,203
Contracted services	45,258	32,469	77,726	-	77,726
Repairs and maintenance	104,156	-	104,156	-	104,156
Utilities	1,566	-	1,566	-	1,566
Administrative	99,126	12,297	111,423	-	111,423
Debt service					
Principal, interest and fees	-	239,056	239,056	(105,000)	134,056
Depreciation and amortization	-	-	-	315,121	315,121
Total	<u>\$ 474,382</u>	<u>\$ 288,586</u>	<u>\$ 762,968</u>	<u>\$ 210,121</u>	<u>\$ 973,089</u>
Change in Net Position	<u>419,800</u>	<u>805,853</u>	<u>1,225,652</u>	<u>321,188</u>	<u>1,021,598</u>
Fund Balance / Net Position					
July 1, 2023	<u>2,059,880</u>	<u>806,285</u>	<u>2,866,165</u>	<u>-</u>	<u>(2,858,630)</u>
Prior Period Adjustments (Note 13)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,583,114)</u>
June 30, 2024	<u>\$ 2,479,680</u>	<u>\$ 1,612,138</u>	<u>\$ 4,091,817</u>	<u>\$ 321,188</u>	<u>\$ (5,420,146)</u>

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

LAMAR IMPROVEMENT DISTRICT  
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2024

Net change in fund balances - total governmental funds	\$	1,225,652
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Amounts reported for governmental activities in the statements of nets assets are different because:

Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.

Current year depreciation		(315,121)
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Current year capital asset and long-term debt payments are expenditures in the fund financial statements, but they should be shown as increases in and reductions in long term debt in the government-wide financial statements. The net effect of the 2024 capital outlay and debt

+		105,000
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Some revenues reported in the statement of activities are not accrued and therefore are reported in governmental funds:

Other		0
Deferred Revenue, net		<u>6,067</u>

Change in Net Position of Governmental Activities	\$	<u><u>1,021,598</u></u>
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The accompanying notes are an integral part of these financial statements.

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NOTES TO FINANCIAL STATEMENTS

**LAMAR IMPROVEMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
Fiscal Year ended June 30, 2024**

**NOTE 1. CREATION OF DISTRICT**

The District was created by Acts of the 80<sup>th</sup> Legislature of the State of Texas, Regular Session pursuant to Senate Bill 1960 codified as Chapter 8222 of the Texas Special District Local Laws Code. Dated May 23, 2007, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on August 22, 2008, and the first bonds were issued on March 8, 2018.

The District's primary activities include construction, maintenance, and operation of water, sewer, drainage facilities and road facilities. The District also has navigation powers which allow the District to construct and maintain a canal, waterway, bulkhead, dock, or other improvements necessary to accomplish the navigational purposes of the District. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no full-employees 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.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Statement of Net Position and Statement of Activities 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.

**Government-Wide and Fund Financial Statements**

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" funds with non-major funds aggregated in a single column. The District has two governmental funds, which are both considered major funds.

**LAMAR IMPROVEMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
Fiscal Year ended June 30, 2024**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 on other funds. The principal sources of revenue are property taxes and water and sewer service fees. 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.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period, 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, interest earned on investments, and income from District operations. Property Taxes 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.

**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.

**Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimates 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, June 30, 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.

**LAMAR IMPROVEMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
Fiscal Year ended June 30, 2024**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 of \$5,000 or more and an estimated useful life in excess of one year. Capital assets purchased are reported 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 infrastructure and water supply capacity charges, are depreciated or amortized using the straight-line method as follows:

<u>Assets</u>	<u>Useful Life</u>
Infrastructure	11- 45 years
Water supply capacity charges	Remaining life of contract

**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 corresponding expenditure or reduction of a liability. At the fund level, property taxes receivable 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.

**Net Position- Governmental Activities**

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

Net assessment 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 are 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 does not have any nonspendable fund balance.

**LAMAR IMPROVEMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
Fiscal Year ended June 30, 2024**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Fund Balances – Governmental Funds (Continued)**

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 balance consist of property taxes levied for debt service in the Debt Service Fund.

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 and does not have any assigned fund balances.

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.

**Accounting Estimates**

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

**Basis of Accounting**

**Revenues**

Substantially all governmental fund revenues are accrued. Property tax revenues are recognized in the year for which they are levied.

**Expenditures**

Expenditures are recognized when the related fund liability is incurred.

**LAMAR IMPROVEMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
Fiscal Year ended June 30, 2024**

**Budget**

The Board of Directors adopts an annual nonappropriated budget for the General Fund in accordance with the accounting principles applicable to that Fund. During the current year, the budget was not amended.

**Pension Plan**

The District has no full-time employees; therefore, it has no current year contribution obligations. Effective January 1, 2000, the Internal Revenue Service determined that directors are considered to be “employees” for federal payroll purposes only.

**GASB 87**

The District implemented GASB 87 for reporting leases during the reporting period. A right-to-use lease is defined as a contract that conveys control of another entity’s nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. To be accounted for as a lease, the lease must meet the definition of a “long term” lease provided in GASB 87 and must meet the capitalization level set by the Board. The right-to-use lease liability is reported in the government-wide statements. The lease liability is calculated as the present value of the reasonably certain expected payments to be made over the term of the lease and the interest included in the lease payment is recorded as an expense.

With GASB 87, the initial measure of a new right-to-use lease arrangement is reported in government fund types as an other financial source during the current period. Monthly payments are reported as principal and interest payments during the reporting period of the fund level statements.

The right-to-use lease asset capitalization level is determined by the Board of Trustees. The term of the lease must be the noncancelable period during which the District has the right to use the tangible assets of another entity plus any periods in which either the lessee or the lessor has the sole option to extend the lease if it is reasonably certain the option will be exercised, plus any periods in which either the lessee or the lessor has the sole option to terminate the lease if it is reasonably certain the option will not be exercised by that party and must not meet the definition of a short-term lease under GASB 87. If the lease is in a governmental fund, the full amount of the lease asset will be reported as an expenditure in the fund level statements the year the agreement is made. This statement had no significant impact to the District

**NOTE 3. CASH AND INVESTMENTS**

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. Authorized investments are summarized as follows: (1) obligations of the United States or its instrumentalities, (2) direct obligations of the State of Texas or its agencies, (3) certain collateralized mortgage obligations (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities, (5) certain A rated or higher obligations of states, agencies, counties, cities, and other political subdivisions of any state, (6) bonds insured, assumed or guaranteed by the State of Israel, (7) insured or collateralized certificates of deposit, (8) certain fully collateralized repurchase agreements secured by delivery, (9) certain bankers acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher

**LAMAR IMPROVEMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
Fiscal Year ended June 30, 2024**

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.

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

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.

The Public Funds Investment Act, Chapter 2256, Government Code includes a requirement for the District's auditor to perform a compliance audit of the District's compliance with its adopted investment policy. Based upon a test for compliance, the District's auditor acknowledges that the District has substantially complied with the provisions of the investment policy.

**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 Wells Fargo Bank as the Custodian.

The District's investment in Texas CLASS is reported as 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.

**LAMAR IMPROVEMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
Fiscal Year ended June 30, 2024**

	<b>Assets at Cost</b>		<b>Fair Value</b>
	<b>Cash and Cash Equivalents</b>	<b>Investments</b>	<b>Combined</b>
<b>General Fund</b>			
Demand Deposits, Money Market Deposit Accounts and Savings Account	\$ 46,821	\$ -	\$ 46,821
Certificates of Deposit	-	1,300,000	1,300,000
		1,897,644	1,897,644
<b>Debt Service Fund</b>			
(Restricted for Servicing of Bonded Debt)			
Demand Deposits, Money Market Deposit Accounts and Savings Account	35,874		35,874
Certificates of Deposit		1,103,053	1,103,053
		470,000	470,000
<b>Capital Projects Fund</b>			
(Restricted for Servicing of Capital Assets)			
Demand Deposits, Money Market Deposit Accounts and Savings Account			
<b>TOTALS</b>	N/A		
	\$ 82,695	\$ 4,770,697	\$ 4,853,392

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of municipal utility districts, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. The largest cash balance during the year under audit occurred in March 2024 when the District's bank deposits were \$68,743 which was less than the FDIC coverage of \$250,000. All bank balances were covered by federal depository insurance.

The District's policy is to require depositories to pledge adequate collateral to secure the District's deposits at all times to the extent that the district's depository balances exceed the limits of federal depository insurance. As of the highest cash balance date of each depository exceeding federal depository insurance, each depository did pledge adequate collateral to secure the deposits of the District. The entities pledging the collateral provided the information concerning market value.

**NOTE 4. PROPERTY TAX**

On November 3, 2009, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to \$1.00 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.

**LAMAR IMPROVEMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
Fiscal Year ended June 30, 2024**

**NOTE 4. PROPERTY TAX** (Continued)

All property values and exempt status, if any, are determined by the Aransas County 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 \$1.00 per \$100 of assessed value, of which \$0.29 was allocated to maintenance and operations, \$0.47 was allocated to debt service, and \$0.24 for Navigation. The resulting tax levy was \$1,406,315 on the adjusted taxable value of \$140,631,492.

Property taxes receivable, at June 30, 2024, consisted of the following:

Current year taxes receivable	\$27,974
Prior years taxes receivable	963

**NOTE 5. CAPITAL ASSETS**

Capital asset activity for the current year is as follows:

	<b>Beginning Balance 6/30/2023</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance 6/30/2024</b>
<b>Governmental Activities:</b>				
Capital assets not being depreciated				
Land	\$ 1,359,884	\$ -	\$ (551,984)	\$ 807,900
Total capital assets not being depreciated	<u>1,359,884</u>	<u>-</u>	<u>(551,984)</u>	<u>807,900</u>
Capital assets, being depreciated				
Infrastructure	10,985,296		(430,167)	10,555,129
Water supply capacity charges	2,978,811	-	(74,342)	2,904,469
	-	-	-	-
Total capital assets being depreciated	<u>13,964,107</u>	<u>-</u>	<u>(504,509)</u>	<u>13,459,598</u>
Less accumulated depreciation for:				
Infrastructure	(1,558,187)	(249,868)	-	(1,808,055)
Water supply capacity charges	(860,548)	(65,253)		(925,803)
Total accumulated depreciation	<u>(2,418,735)</u>	<u>(315,121)</u>	<u>-</u>	<u>(2,733,858)</u>
Total capital assets, being depreciated, net	<u>11,545,372</u>	<u>-</u>	<u>(504,509)</u>	<u>10,725,740</u>
Governmental activities capital assets, net	<u>\$ 12,905,256</u>	<u>\$ -</u>	<u>\$ (1,056,493)</u>	<u>\$ 11,533,640</u>

Depreciation/ amortization expense for the current year was \$315,121.

**LAMAR IMPROVEMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
Fiscal Year ended June 30, 2024**

**NOTE 6. DUE TO DEVELOPERS**

The District has entered into financing agreements with its developers for the financing of the construction of water, sewer, drainage, road, and navigation improvements. 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 developers are reimbursed.

The District's developers have also advanced funds to the District for operating expenses.

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

Due to developers, beginning of year	\$ 14,339,052
Developer funded construction and adjustments	<u>2,526,620</u>
Due to developers, end of year	\$ <u>16,865,672</u>

**NOTE 7. LONG- TERM DEBT**

Long-term debt is comprised of the following:

Bonds Payable	\$ 2,905,000
Due within one year	\$ 110,000

The District's bonds payable at June 30, 2024, consists of unlimited tax bonds as follows:

<u>Series</u>	<u>Amounts Outstanding</u>	<u>Original Issue</u>	<u>Interest Rates</u>	<u>Maturity Date, Serially, Beginning/Ending</u>	<u>Interest Payment Dates</u>	<u>Call Dates</u>
2018	\$3,015,000	\$3,410,000	3.00% - 4.5%	September 1, 2021 / 2042	September 1, March 1	September 1, 2023

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 June 30, 2024, the District had authorized but unissued bonds in the amount of \$ 136,740,000 for water, sewer, and drainage facilities and the refunding of such bonds; \$15,200,000 for road facilities and the refunding of such bonds; and \$120,400,000 for navigation and the refunding of such bonds.

The District's long-term debt at June 30, 2024 is \$ 3,015,000.

**LAMAR IMPROVEMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
Fiscal Year ended June 30, 2024**

**NOTE 8. RISK MANAGEMENT**

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

**NOTE 9. INSURANCE**

At June 30, 2024, the District had the following insurance coverages: Property (\$310,000 for the lift station), Comprehensive Boiler & Machinery (\$310,000), Commercial General Liability (\$1,000,000 each and \$3,000,000 Aggregate), Pollution Liability (\$1,000,000 each and \$3,000,000 Aggregate), Directors and Officers Liability (\$1,000,000 per claim), Umbrella (\$1,000,000), Public Employee Blanket Crime (\$10,000) and Directors Position Schedule Bond (\$10,000 per director and \$50,000 Aggregate).

**NOTE 10. WHOLESALE WATER SUPPLY AGREEMENT**

On June 3, 2011, Aransas Bay Utilities, LLC ( ABU) entered into a Wholesale Water Supply Agreement ( the “Agreement”) as amended, for the purchase of potable water necessary to serve the District. Pursuant to the terms of the Agreement, ABU agrees to supply potable water in an amount sufficient to serve the ultimate build- out of the District, estimated at 503 equivalent single-family connections. The District built an off-site water transmission line to connect to the ABU system.

ABU supplies water at charges based on the actual costs of operation. The District shall pay a monthly charge based on the wholesale rates established by the board of ABU. ABU has the right to adjust the wholesale rate by March 31<sup>st</sup> and September 30<sup>th</sup> of each year. A true-up will be calculated based on a formula provided in the agreement. As of June 30, 2024, the District paid \$61,571 to ABU for water supply, net of the calculated true-up. On October 20, 2022, the District was notified that ABU intended to assign the Agreement to CSWR – Texas Utility Operating Company (“CSWR”). The agreement required that ABU receive the commitment of the District to the assignment of the agreement. To date, the District has not consented to the assignment of the Agreement.

**NOTE 11. WASTE DISPOSAL AGREEMENT**

On September 29, 2008, Aransas County Municipal Utility District No. 1 ( “ACMUD”) and the District entered into a Second Amended and Restated Waste Disposal Agreement, subsequently amended, where the District leases a share of the wastewater treatment plant that is owned and operated by ACMUD. The District owns and operates the wastewater lines within the District and was also required to build an off-site wastewater line to connect to the wastewater treatment plant. Upon construction of an expansion to the plant, the District will hold an equitable interest in the plant and will be responsible for costs associated with construction of the expansion while ACMUD will be responsible for the construction and operation.

The Agreement requires that the District pay lease payments to ACMUD of \$127,370 per year for a period of nine years and \$1 per year for any year thereafter. If construction of the expansion plant commences prior to the ninth year lease, all lease payments provided herein shall cease.

**LAMAR IMPROVEMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
Fiscal Year ended June 30, 2024**

**NOTE 11. WASTE DISPOSAL AGREEMENT Cont.**

As of June 30, 2024, the District has recognized a liability in the amount of \$1,146,330 for lease expenses incurred in previous fiscal years. The District's developer will pay this cost on behalf of the District; such amounts will be eligible for reimbursement from future bond proceeds. ACMUD bills monthly based on operating and maintenance expense incurred by ACMUD and costs of variable and fixed expenses. Variable expenses are determined based on the District's metered flow of waste entering the plant, while fixed expenses are determined by the District's share of reserved capacity which is currently 33.4%. During the current year, the District paid \$16,479 related to this agreement.

**NOTE 12. DEVELOPMENT FINANCE AGREEMENT**

On December 15, 2022, the Lamar Improvement District (LID) amended its Finance Agreement with the Developer. This amendment states that within 60 days of the execution of this Amendment, the Developer agrees to make a payment to the District in the amount of \$720,000, being equal to \$6,000 per connection for each of the Developer's existing 120 connections. On February 27, 2023, the Developer transferred \$720,000 to the LID, which is currently held in a separate account at Texas Class. The Developer shall also make a payment or cause to be paid to the District in the amount of \$6,000 for each additional connection at the time of application for service for such connection. Such payments by the Developer shall be used by the District solely for the purpose of constructing additional wastewater capacity to serve the Developer's land within the District. The funds deposited by the Developer shall be held in a separate account of the District and shall only be used as permitted by this Section (b). Any construction of additional capacity by the District utilizing the funds shall be subject to the written approval of the Developer. The funds deposited by the Developer shall be subject to reimbursement as required by the Agreement, subject to Developer's compliance with the terms and conditions of this Agreement.

**NOTE 13. PRIOR PERIOD ADJUSTMENT (PPA)**

During the year under audit, the Estimate of Reimbursable Construction Costs was revised. As a result of these revisions, the amount of Due to Developer and Capital Assets Basis were adjusted. A PPA was done to reflect these changes as follows.

Increase in Due to Developer	\$ 2,526,621
Decrease in Capital Assets Basis	<u>1,056,493</u>
Total PPA	<u>\$3,583,114</u>

**NOTE 14. SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through November 11, 2024, the date on which the financial statements were available to be issued.

On October 17, 2024, Lamar Improvement District sold two bond series totaling \$11,085,000. The \$8,420,000 Unlimited Tax Bonds, Series 2024 (the "Utility Bonds") and the \$2,665,000 Unlimited Tax Navigation Improvement Bonds, Series 2024 (the Navigation Improvement Bonds). The Bonds are dated November 1, 2024 (the "Dated Date"), and will accrue interest from the date of delivery, which is expected to be on or about November 21, 2024 (the "Date of Delivery"), with interest payable March 1, 2025, and on each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption.

REQUIRED SUPPLEMENTAL INFORMATION

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# S. NOEL SNEDEKER, II

CERTIFIED PUBLIC ACCOUNTANT

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Taft, Texas 78390

(361) 960-7610 - (866)599-9860 (fax)

## (C) AUDITOR'S REPORT ON SUPPLEMENTAL SCHEDULES

Board of Directors,  
Lamar Improvement District  
Aransas County, Texas

In my opinion, the accompanying information is stated fairly in all material respects in relation to the basic financial statements of Lamar Improvement District as of and for the year ended June 30, 2024, which are covered by my opinion presented in the first section of this report. The accompanying information is supplemental to the combined financial statements and is not essential for a fair presentation of the financial position, and the results of its operation. My audit, which was made primarily for the purpose of forming an opinion on the basic financial statements taken as a whole, included such tests of the accounting records, from which supplementary information was compiled, and such other auditing procedures as I considered necessary in the circumstances.



S. Noel Snedeker, II  
Certified Public Accountant  
November 11, 2024

Member: American Institute of Certified Public Accountants

LAMAR IMPROVEMENT DISTRICT  
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
 BUDGET (GAAP BASIS) AND ACTUAL  
 YEAR ENDED JUNE 30, 2024

	<u>Actual</u>	<u>Adopted Budget</u>	<u>Revised Budget</u>	<u>Variance Favorable</u>
<b>Revenues:</b>				
Water -Customer Service Fee	\$ 162,529	\$ 135,000	\$	\$ (27,529)
Tap Connections	19,261	20,000		739
Sewer- Customer Service Free	150,267	125,000		(25,267)
Impact Fee	20,000	15,000		(5,000)
Penalties & Interest	3,711	1,000		(2,711)
Maintenance Tax Collections	381,455	750,000		368,545
Transfer Fees	1,050	2,500		1,450
Interest Earned on Temp. Investments	155,535	130,048		(25,487)
Miscellaneous Income	373	5,000		4,627
<b>Total Revenues</b>	<b>\$ 894,181</b>	<b>\$ 1,183,548</b>	<b>\$ 0</b>	<b>\$ 289,367</b>
<b>Expenditures:</b>				
Tap Connection Expense	8,354	5,000		(3,354)
Maintenance & Repairs- Water	95,803	11,000		(84,803)
Transfer Expense		1,800		1,800
Bank Service Charges	81	550		469
Inspection Expense	450	3,000		2,550
Purchase Sewer Services	2,317	90,000		87,683
Maintenance & Repair- Sewer	52,653	2,500		(50,153)
Purchase Water Services	61,571	40,000		(21,571)
Payroll Administration	1,083	1,000		(83)
Payroll Expense	3,068	9,400		6,332
Bookkeeping Fees	42,823	42,000		(823)
Operator Fees	24,000	24,000		0
Auditing Fees	14,000	14,000		0
Legal Fees	73,139	82,000		8,861
Engineering Fees	18,069	17,000		(1,069)
Meeting Expense	1,120	1,750		630
Postage & delivery	2,599	2,200		(399)
Utilities	1,566	1,750		184
Permit Expense	200	225		25
Printing & Office Supplies	1,335	1,800		465
Record Management	1,094	1,500		<b>406</b>
Website Expense	2,435	2,500		65
Laboratory Expense- Water	287	400		113
Insurance & Surety Bond	8,181	8,181		0
Travel Expense	4,815	6,300		1,485
Miscellaneous Expense	19,260	6,000		(13,260)
Water Billing Services	16,317	15,450		(867)
Billing Service- Wastewater	16,317	15,450		(867)
TCEQ Assessment Fee	1,444	1,300		(144)
<b>Total Expenditures</b>	<b>\$ 474,381</b>	<b>\$ 408,056</b>	<b>\$ 0</b>	<b>\$ (66,325)</b>
Excess of Revenues over (under) expenditures	419,799	775,492	0	
Fund Balance July 1, 2023	\$ 2,059,880	\$ 1,581,505	\$ 0	
Fund Balance June 30, 2024	<b>\$ 2,479,679</b>	<b>\$ 2,356,997</b>	<b>\$ 0</b>	

See accompany auditor's report

LAMAR IMPROVEMENT DISTRICT  
 BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE  
 BUDGET (GAAP BASIS) AND ACTUAL  
 YEAR ENDED JUNE 30, 2024

	<u>Actual</u>	Adopted <u>Budget</u>	Revised <u>Budget</u>	Variance <u>Favorable</u>
Revenues:				
Property Taxes	\$ 1,018,791	\$ 0	\$ 0	\$ 1,018,791
Penalties and Interest	12,316	0	0	12,316
Interest Earned	53,544	0	0	53,544
Miscellaneous	9,787	0	0	9,787
Total Revenues	<u>\$ 1,094,438</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,094,438</u>
Expenditures:				
Legal Fees	4,764	0	0	(4,764)
Central Appraisal District	25,868	0	0	(25,868)
Tax Collection Fees	6,600	0	0	(6,600)
Legal Notices & Publications	3,814	0	0	(3,814)
Printing & Office Supplies	2,237	0	0	(2,237)
Postage & delivery	521	0	0	(521)
Bond Principal	105,000	0	0	(105,000)
Bond Interest	134,056	0	0	(134,056)
Bond Premiums	4,979	0	0	(4,979)
Fiscal Agent Fees	400	0	0	(400)
Miscellaneous	347	0	0	(347)
Total Expenditures	<u>\$ 288,586</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (288,586)</u>
Excess of Revenues over (under) expenditures	<u>805,853</u>	<u>0</u>	<u>0</u>	
Fund Balance July 1, 2023	<u>\$ 806,285</u>	<u>\$ 806,285</u>	<u>\$ 0</u>	
Fund Balance June 30, 2024	<u>\$ 1,612,138</u>	<u>\$ 806,285</u>	<u>\$ 0</u>	

See accompany auditor's report

TEXAS SUPPLEMENTARY INFORMATION

**LAMAR IMPROVEMENT DISTRICT  
TSI-1 SERVICES AND RATES  
YEAR ENDED JUNE 30, 2024**

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

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

**2. Retail Service Providers**

**Retail Rates Based on 3/4" Meter (or equivalent):**

	Minimum Charge	Minimum Usage	Flat Rate ( Y/ N)	Rate per 1,000 Gallons over Minimum Usage	Usage Levels
Water :	\$ 39.00	4,000	N	\$9.46	4,001 to no limit
Wastewater:	\$ 71.00	4,000	N	\$7.74	4,001 to no limit

The district employs winter averaging for wastewater usage.    Yes \_\_\_ No X

Total charges per 10,000 gallons usage: Water: \$95.76    Wastewater: \$117.44

See accompany auditor's report

**LAMAR IMPROVEMENT DISTRICT  
TSI-1 SERVICES AND RATES  
YEAR ENDED JUNE 30, 2024**

**Retail Service Providers**

**b. Water and Wastewater Retail Connections:**

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC's
Unmetered			X1.0	
< = 3/4"	155	155	X1.0	155
1"			X2.5	
1 1/2"			X5.0	
2"			X8.0	
3"			X15.0	
4"			X25.0	
6"			X50.0	
8"			X80.0	
10"			X115.0	
Total Water	155	155		155
Total Wastewater	138	138	X1.0	138

**3 Total Water consumption during the Fiscal Year (rounded to the nearest thousand):**

Gallons pumped into system: 15,966,249      Water Accountability Ratio:\*  
(Gallons billed/Gallons pumped)  
Gallons billed to customers: 16,447,234      100.00%

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

Does the District have Debt Service standby fees?      Yes \_\_\_\_\_ No \_\_X\_\_

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

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

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

**5 Location of District:**

County(ies) in which district is located      Aransas County

Is the District located entirely within one county? Yes \_\_X\_\_ No \_\_\_\_\_

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

City(ies) in which district is located.      \_\_\_\_\_

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

Entirely \_\_\_\_\_ Partly \_\_\_\_\_ Not at all \_\_X\_\_

ETJ's in which district is located. \_\_\_\_N/A\_\_\_\_\_

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

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

See accompany auditor's report

**LAMAR IMPROVEMENT DISTRICT  
TSI-2 GENERAL FUND EXPENDITURES  
YEAR ENDED JUNE 30, 2024**

<b>Professional Fees:</b>	
Audit	\$ 14,000
Legal	73,139
Engineering	18,099
	<u>105,238</u>
<b>Contracted Services:</b>	
Bookkeeping	42,823
Operator	24,000
Tap Connection and Inspection	8,804
	<u>75,627</u>
<b>Utilities</b>	<u>1,566</u>
<b>Repairs and Maintenance</b>	<u>148,457</u>
<b>Administrative Expenditures:</b>	
Directors Fees	2,850
Insurance	8,181
Printing & Office Supplies	1,335
Other	8,290
	<u>20,656</u>
<b>Other Expenditures:</b>	
	-
Purchased Services	<u>122,838</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ 474,382</b>

Reporting of Utility Services in Accordance with HB 3693:

	Usage	Cost
Electrical	5,886kWh	\$1,559
Water	N/A	N/A
Natural Gas	N/A	N/A

See accompany auditor's report

**LAMAR IMPROVEMENT DISTRICT  
TSI-3 INVESTMENTS  
YEAR ENDED JUNE 30, 2024**

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Interest Receivable</u>
<b>General</b>				
Texas CLASS	Variable	N/A	1,897,644	
Certificate of Deposit	5.50%	2/2/2025	100,000	2,230
Certificate of Deposit	5.50%	3/19/2025	100,000	1,552
Certificate of Deposit	5.00%	9/14/2024	100,000	3,973
Certificate of Deposit	5.50%	7/10/2024	100,000	2,547
Certificate of Deposit	5.40%	8/9/2024	100,000	4,290
Certificate of Deposit	5.00%	5/31/2025	200,000	822
Certificate of Deposit	5.00%	7/12/2024	100,000	4,836
Certificate of Deposit	5.50%	1/18/2025	100,000	2,456
Certificate of Deposit	5.50%	4/19/2025	100,000	1,085
Certificate of Deposit	5.54%	10/20/2024	100,000	3,840
Certificate of Deposit	5.15%	4/11/2025	100,000	1,128
Certificate of Deposit	5.00%	7/1/2024	100,000	5,041
			<u>3,197,644</u>	<u>33,800</u>
<b>Debt Service</b>				
Texas CLASS	Variable	N/A	1,103,053	
Certificate of Deposit	5.50%	3/19/2025	235,000	3,647
Certificate of Deposit	5.50%	3/20/2025	235,000	3,613
			<u>1,573,053</u>	<u>7,260</u>

See accompany auditor's report

**LAMAR IMPROVEMENT DISTRICT  
TSI-4 TAXES LEVIED AND RECEIVABLE  
YEAR ENDED JUNE 30, 2024**

Taxes Receivable, July 1, 2022	\$	22,868
Adjustments		<u>(6,645)</u>
		-
2023 Original Tax Roll		<u>1,406,315</u>
Total To Be Accounted For		<u>1,422,538</u>
Tax Collections:		
Current Year		(1,378,341)
Prior Years		<u>(15,260)</u>
Total Collections		<u>(1,393,601)</u>
Taxes Receivable, June 30, 2024	\$	<u><u>28,937</u></u>
Taxes Receivable By Years:		
2022		27,974
2021		311
2020		100
2019		99
2018		100
2017 and prior		<u>353</u>
	\$	<u><u>28,937</u></u>

See accompany auditor's report

**LAMAR IMPROVEMENT DISTRICT  
TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS  
YEAR ENDED JUNE 30, 2024**

Due During Fiscal Years Ending	Principal Due September	Interest Due September 1, March 1	Total
2025	110,000	129,887	239,887
2026	115,000	125,387	240,387
2027	120,000	120,627	240,627
2028	120,000	115,707	235,707
2029	125,000	110,622	235,622
2030	130,000	105,267	235,267
2031	140,000	99,475	239,475
2032	145,000	93,240	238,240
2033	150,000	86,787	236,787
2034	155,000	80,115	235,115
2035	160,000	73,125	233,125
2036	170,000	65,700	235,700
2037	175,000	57,937	232,937
2038	180,000	49,950	229,950
2039	190,000	41,625	231,625
2040	195,000	32,968	227,968
2041	205,000	23,962	228,962
2042	210,000	14,625	224,625
2043	220,000	4,950	224,950
	<u>\$3,015,000</u>	<u>\$1,431,956</u>	<u>\$4,446,956</u>

See accompanying auditor's report

**LAMAR IMPROVEMENT DISTRICT  
TSI-6 CHANGE IN LONG-TERM BONDED DEBT  
YEAR ENDED JUNE 30, 2024**

	<u>Bond Issue Series 2018</u>
Interest Rate	3.00% - 4.5%
Dates interest payable	9/1; 3/1
Maturity dates	9/1/21 - 9/1/42
Beginning bonds outstanding	\$ 3,220,000
Bonds retired	<u>(100,000)</u>
Ending bonds outstanding	\$ <u>3,120,000</u>
Interest paid during fiscal year	\$ <u>138,225</u>

Paying agent's name and city  
Series 2018

Amegy Bank, a division of ZB, N.A., Houston, Texas

	<u>Water, Sewer, Drainage and Refunding Bonds</u>	<u>Road and Refunding Bonds</u>	<u>Navigation and refunding Bonds</u>
Bond Authority:			
Amount Authorized by Voters	\$ 140,150,000	\$ 15,200,000	\$ 120,400,000
Amount Issued	<u>(3,410,000)</u>	<u>0</u>	<u>0</u>
Remaining To Be Issued	\$ <u>136,740,000</u>	\$ <u>15,200,000</u>	\$ <u>120,400,000</u>

See accompanying auditor's report

**LAMAR IMPROVEMENT DISTRICT**  
**TSI-7a. COMPARATIVE SCHEDULE – REVENUES AND EXPENDITURES**  
**GENERAL FUND – FIVE YEARS ENDED**  
**YEAR ENDED JUNE 30, 2024**

<b>GENERAL FUND</b>	<b>AMOUNT</b>				
	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>REVENUES:</b>					
Water Service	\$ 162,529	\$ 137,107	\$ 111,829	\$ 107,409	\$ 100,155
Sewer service	150,267	131,733	106,701	88,639	72,821
Property taxes	381,455	692,077	294,011	225,676	233,053
Penalties and interest	3,711	1,015	3,023	3,623	2,536
Tap connection and inspection	19,261	33,345	38,560	12,800	9,284
Miscellaneous	21,423	1,556	24,538	1,599	106
Investment earnings	155,535	74,187	4,478	4,294	13,638
<b>Total Revenues</b>	<b>894,182</b>	<b>1,071,020</b>	<b>\$ 583,140</b>	<b>\$ 444,040</b>	<b>\$ 431,593</b>
<b>EXPENDITURES:</b>					
Purchased services	122,838	95,892	89,860	83,558	81,927
Professional Fees	105,238	66,470	65,321	102,544	78,765
Contracted services	75,627	42,690	35,847	50,431	49,638
Repairs and Maintenance	148,457	10,647	18,520	15,471	79,685
Utilities	1,566	1,293	1,685	1,049	1,403
Administrative	20,656	99,847	80,754	66,594	19,300
<b>Total Expenditures</b>	<b>\$ 474,382</b>	<b>\$ 316,839</b>	<b>\$ 291,987</b>	<b>\$ 319,647</b>	<b>\$ 310,718</b>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<b>\$ 419,800</b>	<b>\$ 754,181</b>	<b>\$ 291,153</b>	<b>\$ 124,393</b>	<b>\$ 120,875</b>
Total Active Retail Water Connections	155	146	128	119	102
Total Active Wastewater Connections	138	126	108	97	97

See accompanying auditor's report

**LAMAR IMPROVEMENT DISTRICT  
 TSI-7a. COMPARATIVE SCHEDULE – REVENUES AND EXPENDITURES  
 GENERAL FUND – FIVE YEARS ENDED  
 YEAR ENDED JUNE 30, 2024**

<b>PERCENTAGE</b>				
<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
0.00%	12.80%	19.18%	24.19%	23.00%
0.00%	12.30%	18.30%	20.00%	17.00%
0.00%	64.62%	50.42%	50.80%	54.00%
0.09%	0.09%	0.52%	0.82%	1.00%
3.11%	3.11%	6.61%	2.87%	2.00%
0.15%	0.15%	4.21%	0.36%	0.00%
6.93%	6.93%	0.77%	0.96%	3.00%
<b>10.28%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>
8.95%	8.95%	15.41%	18.66%	19.00%
6.21%	6.21%	11.20%	22.91%	18.00%
3.99%	3.99%	6.15%	11.26%	12.00%
0.99%	0.99%	3.18%	3.46%	18.00%
0.12%	0.12%	0.29%	0.23%	0.00%
9.32%	9.32%	13.85%	14.88%	4.00%
<b>29.58%</b>	<b>29.58%</b>	<b>50.07%</b>	<b>71.40%</b>	<b>71.00%</b>
<b>-19.30%</b>	<b>70.42%</b>	<b>49.93%</b>	<b>28.60%</b>	<b>29.00%</b>

**LAMAR IMPROVEMENT DISTRICT**  
**TSI-7b. COMPARATIVE SCHEDULE – REVENUES AND EXPENDITURES**  
**DEBT SERVICE FUND – FIVE YEARS ENDED**  
**YEAR ENDED JUNE 30, 2024**

	AMOUNT				
	2024	2023	2022	2021	2020
<b>REVENUES:</b>					
Property Taxes	\$ 1,018,791	\$ 230,604	\$ 441,494	\$ 401,473	\$ 313,387
Penalties and interest	12,316	13,688	8,136	7,493	13,884
Miscellaneous	9,787	10,759	2,928	2,467	1,185
Investment earnings	53,544	26,316	2,359	862	8,067
<b>Total Revenues</b>	<b>\$ 1,094,438</b>	<b>\$ 281,367</b>	<b>\$ 454,917</b>	<b>\$ 412,295</b>	<b>\$ 336,523</b>
<b>EXPENDITURES:</b>					
Tax collection services	49,530	37,830	27,707	28,840	25,701
Debt service	-	-	-	-	
Interest and fees	239,056	238,225	236,068	239,491	145,863
<b>Total Expenditures</b>	<b>\$ 288,586</b>	<b>\$ 276,055</b>	<b>\$ 263,775</b>	<b>\$ 268,331</b>	<b>\$ 171,564</b>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<b>\$ 805,853</b>	<b>\$ 5,312</b>	<b>\$ 191,142</b>	<b>\$ 143,964</b>	<b>\$ 164,959</b>

See accompanying auditor's report

**LAMAR IMPROVEMENT DISTRICT  
 TSI-7b. COMPARATIVE SCHEDULE – REVENUES AND EXPENDITURES  
 GENERAL FUND – FIVE YEARS ENDED  
 YEAR ENDED JUNE 30, 2024**

<b>PERCENTAGE</b>				
<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
93.09%	81.96%	97.05%	97.38%	94.00%
1.13%	4.86%	1.79%	1.82%	4.00%
0.89%	3.82%	0.64%	0.60%	0.00%
4.89%	9.35%	0.52%	0.21%	2.00%
<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
4.53%	13.45%	6.09%	6.99%	8.00%
<u>21.84%</u>	<u>84.67%</u>	<u>51.89%</u>	<u>58.09%</u>	<u>43.00%</u>
<u>26.37%</u>	<u>98.11%</u>	<u>57.98%</u>	<u>65.08%</u>	<u>51.00%</u>
<u>73.63%</u>	<u>1.89%</u>	<u>42.02%</u>	<u>34.92%</u>	<u>49.00%</u>

See accompanying auditor's report

**LAMAR IMPROVEMENT DISTRICT  
TSI-8 BOARD MEMBERS, KEY ADMINISTRATIVE PERSONNEL AND CONSULTANTS  
YEAR ENDED JUNE 30, 2024**

Complete District Mailing Address : 3200 Southwest Freeway, Suite 2600, Houston, TX. 77019

District Business Telephone Number : (713) 860-6400

Submission Date of the most recent District Registration Form : 01/21/2021  
(TWC Sections 36.054 and 49.054)

On Fees of Office that a Director may receive during a fiscal year: \$6,150  
(By Board Resolution - TWC Section 49.060)

Name	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid	Expense Reimbursements	Title at Year End
<b>BOARD MEMBERS</b>				
Paul Aston	Elected 5/22- 5/26	0	0	President
Lance Abbott	Appointed 5/24 - 5/28	300	0	Vice President
Andy Luddeke	Elected 5/24-5/28	900	330	Secretary
Matthew Boles	Elected 5/22-5/26	1,050	3,430	Assistant Sec.
David Sowell	Elected 5/24-5/28	600	1,054	Director

**KEY ADMINISTRATIVE PERSONNEL**

N/A

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

See accompanying auditor's report

**LAMAR IMPROVEMENT DISTRICT  
TSI-8 BOARD MEMBERS, KEY ADMINISTRATIVE PERSONNEL AND CONSULTANTS  
YEAR ENDED JUNE 30, 2024**

(continued)

Name	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid 6/30/2024	Expense Reimbursements 6/30/2024	Title at Year End
<b>CONSULTANTS</b>				
Allen Boone Humphries Robinson LLP		73,139		Attorney
Aransas Bay Utilities Co., LLC		12,000		Operator
Municipal Accounts & Consulting		42,823		Bookkeeper
Utility Tax Services, LLC		9,660		Tax Collector
Aransas County Appraisal District		25,868		Prop. Valuation
Urban Engineering		3,768		Engineer
Perdue, Brandon, Fielder, Collins, Mott, LLP		4,764		Delinquent Tax Attorney
S. Noel Snedeker, II CPA		14,000		Auditor

See accompanying auditor's report

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**LAMAR IMPROVEMENT DISTRICT**

**MANAGEMENT LETTER**

**JUNE 30, 2024**

# **S. NOEL SNEDEKER, II**

*CERTIFIED PUBLIC ACCOUNTANT*

*517 Gregory - P.O. Box 974*

*Taft, Texas 7830*

*(361) 960-7610 - (866)599-9860 (fax)*

## MANAGEMENT LETTER

The Board of Directors  
Lamar Improvement District  
Aransas County, Texas

In planning and performing my audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lamar Improvement District as of and for the year ended June 30, 2024, in accordance with auditing standards generally accepted in the United States of America, I considered Lamar Improvement District's internal control over financial reporting (internal control) as a basis for designing auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lamar Improvement District's internal control. Accordingly, I do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

My consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. I did identify some deficiencies in internal control as noted as follows.

Finding No. 2024-01. During the audit of capital assets, it was noted that the District did have a detailed Capital Assets Schedule for reporting and depreciation purposes. However, the total value of the capital assets at June 30, 2023 was \$14,267,500 and the District only insures the lift station for \$310,000 .

Recommendation No. 2024-01. For accountability and insurance purposes, the district should maintain a detailed schedule of all assets which would include description, date acquired, cost and the party responsible for insurance coverage. Based on this schedule, the board should consider reevaluating property insurance coverages.

Lamar Improvement District  
Page Two

This communication is intended solely for the information and use of management, Directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.



S. Noel Snedeker, II  
Certified Public Accountant  
November 11, 2024

## EXHIBIT "B"

### SUPPLEMENTAL MATTERS

The Board of Directors of the District received notice from the Developer that the Department of the Army Permit SWG-2007-00038 (the "Permit") was reissued on October 4, 2023. Such Permit was granted to the District's Developer for the purposes of wetlands and endangered species mitigation. The Developer has twelve (12) months from October 4, 2023, to come into compliance with the Permit, but should the Developer fail to come into compliance with the Permit, such an event could have a material adverse effect on the future development within the District.

As of October 4, 2024, the Developer, to the best of its knowledge, has performed all required measures to come into compliance with the Permit. The Developer has not received notice or correspondence from the Department of the Army indicating a determination or finding made that the Developer is out of compliance with the Permit following the completion of such measures. Should the Department of the Army notify the Developer that it has determined the Developer failed to come into compliance with the Permit, such an event could have a material adverse effect on the future development within the District.