# OFFICIAL STATEMENT DATED OCTOBER 15, 2026

IN THE OPINION OF BOND COUNSEL, INTEREST ON THE BONDS WILL BE EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW, AND INTEREST ON BONDS IS NOT INCLUDABLE IN THE ALTERNATIVE MINIMUM TAXABLE INCOME ON INDIVIDUALS OR CORPORATIONS EXCEPT FOR CERTAIN ALTERNATIVE MINIMUM TAX CONSEQUENCES FOR CORPORATIONS. SEE "TAX MATTERS" HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

THE DISTRICT HAS NOT DESIGNATED THE BONDS AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "TAX MATTERS—NOT QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS" HEREIN.

**NEW ISSUE-Book-Entry Only**

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

# $15,000,000
# NEWPORT MUNICIPAL UTILITY DISTRICT
*(A political subdivision of the State of Texas located within Harris County)*
# UNLIMITED TAX BONDS
# SERIES 2026

The bonds described above (the "Bonds") are obligations solely of Newport Municipal Utility District (the "District") and are not obligations of the State of Texas, Harris County, the City of Houston, or any entity other than the District.

**Dated Date: November 1, 2026** **Due: April 1, as shown below**
**Interest Accrual Date: Date of Delivery**

The Bonds will be issued in fully registered form only, in denominations of $5,000 or any integral multiple of $5,000 for any one maturity. Principal of the Bonds will be payable at stated maturity or redemption upon presentation of the Bonds at the principal payment office of the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N.A., Houston, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will accrue from the initial date of delivery (expected on or about November 24, 2026) (the "Date of Delivery"), and will be payable on April 1 and October 1 of each year commencing April 1, 2027 until maturity or prior redemption, and will be calculated on the basis of a 360 day year consisting of twelve 30 day months. The Bonds mature and are subject to redemption prior to maturity as described below.

The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent/Registrar directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. See "THE BONDS—Book-Entry-Only System."




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

## MATURITY SCHEDULE

| Due (April 1) | Principal Amount | | Interest Rate | Initial Reoffering Yield (a) | CUSIP Number (b) | Due (April 1) | Principal Amount | | Interest Rate | Initial Reoffering Yield (a) | CUSIP Number (b) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2029 | $ 260,000 | | 5.00% | 3.41% | 652139 PH3 | 2041 | $ 465,000 | (c) | 5.00% | 4.71% | 652139 PV2 |
| 2030 | 270,000 | | 5.00 | 3.48 | 652139 PJ9 | 2042 | 490,000 | (c) | 5.00 | 4.78 | 652139 PW0 |
| 2031 | 285,000 | | 5.00 | 3.61 | 652139 PK6 | 2043 | 515,000 | (c) | 5.00 | 4.86 | 652139 PX8 |
| 2032 | 300,000 | | 5.00 | 3.69 | 652139 PL4 | 2044 | 540,000 | (c) | 5.00 | 4.93 | 652139 PY6 |
| 2033 | 315,000 | (c) | 5.00 | 3.83 | 652139 PM2 | 2045 | 565,000 | (c) | 5.00 | 5.00 | 652139 PZ3 |
| 2034 | 330,000 | (c) | 5.00 | 3.86 | 652139 PN0 | 2046 | 595,000 | (c) | 5.00 | 5.02 | 652139 QA7 |
| 2035 | 350,000 | (c) | 5.00 | 3.95 | 652139 PP5 | 2047 | 625,000 | (c) | 5.00 | 5.05 | 652139 QB5 |
| 2036 | 365,000 | (c) | 5.00 | 4.06 | 652139 PQ3 | 2048 | 655,000 | (c) | 5.00 | 5.08 | 652139 QC3 |
| 2037 | 385,000 | (c) | 5.00 | 4.18 | 652139 PR1 | 2049 | 690,000 | (c) | 5.00 | 5.11 | 652139 QD1 |
| 2038 | 405,000 | (c) | 5.00 | 4.34 | 652139 PS9 | 2050 | 725,000 | (c) | 5.00 | 5.14 | 652139 QE9 |
| 2039 | 425,000 | (c) | 5.00 | 4.46 | 652139 PT7 | 2051 | 2,500,000 | (c) | 5.00 | 5.17 | 652139 QF6 |
| 2040 | 445,000 | (c) | 5.00 | 4.61 | 652139 PU4 | 2052 | 2,500,000 | (c) | 5.00 | 5.20 | 652139 QG4 |

(a) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Initial Purchaser for offers to the public and which may be subsequently changed by the Initial Purchaser and is the sole responsibility of the Initial Purchaser. The initial reoffering yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date.

(b) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services and will be included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP Numbers.

(c) The Bonds maturing on and after April 1, 2033 are subject to redemption prior to maturity at the option of the District, in whole or, from time to time in part, on April 1, 2032, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. See "THE BONDS—Redemption Provisions."

The Bonds, when issued, will constitute valid and legally binding obligations of Newport Municipal Utility District (the "District") and 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 located within the District. The Bonds are subject to special investment considerations described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Smith, Murdaugh, Little & Bonham, L.L.P., Bond Counsel. Delivery of the Bonds through DTC is expected on or about November 24, 2026.

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## USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, resolutions, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Smith, Murdaugh, Little & Bonham, L.L.P., 2727 Allen Parkway, Suite 1100, Houston, Texas 77019, upon payment of duplication costs.

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

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

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

## OFFICIAL STATEMENT SUMMARY

The following information is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement.

### THE DISTRICT

*Description...*

Newport Municipal Utility District (the "District"), located in Harris County, Texas, is a political subdivision of the State of Texas. The area comprising the District was originally two municipal utility districts, which were consolidated on August 1, 1998 into one district. The original districts were Harris County Municipal Utility District No. 20 ("MUD 20"), which was created by the Texas Water Rights Commission, predecessor to the Texas Commission on Environmental Quality (the "Commission"), by an order dated December 13, 1972 and Harris County Municipal Utility District No. 73 ("MUD 73"), which was created by order effective September 23, 1977 of the Texas Water Rights Commission. The District operates pursuant to Chapters 49 and 54, Texas Water Code V.T.C.A., as amended. The District currently contains approximately 2,421 acres, including approximately 9 acres annexed in April 2026. See "THE DISTRICT" and "AERIAL PHOTOGRAPH."

*Location...*

The District is located in northeast Harris County, approximately 23 miles northeast of downtown Houston and approximately two miles northwest of Crosby, Texas, near the southeastern shore of Lake Houston. Access to the District is provided by South Diamondhead Drive, North Diamondhead Drive and Newport Boulevard from FM 2100. The District is located entirely within the extraterritorial jurisdiction of the City of Houston.

*Status of Development…*

The District began as part of the approximately 5,914 acre Newport Project, development of which began during the 1970s. Approximately 1,823 acres of land within the District have been developed, have been partially developed or are being developed into 5,319 lots. See "STATUS OF DEVELOPMENT IN THE DISTRICT."

As of August 31, 2026, there were 4,379 completed and occupied homes, 67 completed and unoccupied homes, 65 homes under construction or listed in a builder's name, and 808 vacant lots. Approximately 451 of the 808 vacant lots are owned by individuals and may have homes built on two lots or may be owned by the adjacent homeowner with no intention of building on the lot.

Approximately 21 acres of land have been developed into the Fairway Port Condominiums, consisting of 76 condominium units, the Newport Village Apartments, consisting of 80 units and the Spring Hill Village Apartments, consisting of 78 apartment units.

International Union of Operating Engineers ("IUOE") owns approximately 203 acres within the District on which it has constructed a dormitory and conference center, which is exempt from ad valorem taxation.

In addition to residential development, one gas station/convenience store, a car wash, a kidney dialysis center, a daycare center, a retail strip center, a bank and various other retail/service businesses are located in the District on approximately 43 acres of land. A fire station for Harris County Emergency Services District No. 80 and the Harvest Time Church of God, which are exempt from ad valorem taxation, are also located on such approximately 43 acres. A dental office, a gun range and an emergency medical service facility are located in the District, but are not provided service by the District. The District provides water and sewer service to the Newport Elementary School, which is not located in the District. Approximately 76 acres have been developed into the Newport Golf and Conference Center (now known as Stonebridge at Newport), which includes an 18-hole golf course.

There are approximately 129 developable acres in the District remaining to be developed and approximately 126 undevelopable acres which are used for plant sites, detention areas and open space. See "THE DISTRICT" and "STATUS OF DEVELOPMENT IN THE DISTRICT."

*The Developers and Major Landowners...*

Newport Pointe, Ltd. ("NP Ltd.") originally owned approximately 188 acres of land in the District within Defined Area No. 1. NP Ltd. has developed approximately 92 acres as 372 lots within Defined Area No. 1 (as defined below). NP Ltd. currently owns approximately 56 developable acres within Defined Area No. 1. See "DEFINED AREAS—Defined Area No. 1."

Taylor Morrison of Texas, Inc., a Texas corporation ("Taylor Morrison") purchased approximately 86 acres in the District within Defined Area No. 2 from Rochester Development, LLC ("Rochester"). Upon such acreage, Taylor Morrison has developed approximately 27 acres as 103 lots within Defined Area No. 2. Taylor Morrison currently owns approximately 59 acres within Defined Area No. 2. See "DEFINED AREAS—Defined Area No. 2."

Davidson Homes, LLC, an Alabama limited liability company ("Davidson Homes") purchased approximately 21 acres in the District within Defined Area No. 2 from Rochester. Davidson Homes has developed approximately 15 of such acres as 71 lots within Defined Area No. 2. Davidson Homes has completed development of the land it owned and does not own any undeveloped but developable land within Defined Area No. 2. See "STATUS OF DEVELOPMENT IN THE DISTRICT" and "THE DEVELOPERS AND MAJOR LANDOWNER."

Collectively NP Ltd., Taylor Morrison and Davidson Homes are defined herein as the "Developers."

*Defined Areas...*

Pursuant to the provisions of Subchapter J of Chapter 54 of the Texas Water Code, as amended, the District is authorized to define areas or designate certain property of the District to pay for improvements, facilities, or services that primarily benefit that area.

Defined Area No. 1: On May 11, 2017, the District approved the creation of a defined area encompassing approximately 188 acres within the District ("Defined Area No. 1"). At an election within Defined Area No. 1, held on May 6, 2017, the voters within Defined Area No. 1 authorized $50,000,000 principal amount of unlimited tax bonds to finance water, wastewater and drainage improvements solely within Defined Area No. 1, and for the further purpose of refunding those bonds, the levy of an unlimited tax in payment of such bonds within Defined Area No. 1 and the levy of an unlimited operation and maintenance tax for facilities authorized by Article XVI, Section 59 of the Texas Constitution within Defined Area No. 1. To date, the District has previously issued $6,310,000 principal amount of unlimited tax bonds in two series from the voted authorization related to Defined Area No. 1, of which $6,240,000 principal amount is currently outstanding as of the date hereof. The District expects to issue an additional $2,650,000 principal amount of unlimited tax bonds for water, sewer and drainage facilities within Defined Area No. 1, which are expected to be issued on October 20, 2026. Such bonds are not secured by taxes levied on any land located within the District outside of the boundaries of Defined Area No. 1.

NP Ltd. has developed approximately 92 acres as 372 lots within Defined Area No. 1. D.R. Horton, Texas Ltd. ("D.R. Horton") has acquired 372 lots from NP Ltd. and is building homes on such lots. The District levied a 2026 tax rate of $0.68599 per $100 of assessed valuation, comprised entirely for debt service, for all taxable property located within Defined Area No. 1. See "DEFINED AREAS—Defined Area No. 1."

Defined Area No. 2: On November 17, 2022, the District approved the creation of a defined area encompassing approximately 107 acres ("Defined Area No. 2"). At an election within Defined Area No. 2, held on November 8, 2022, the voters within Defined Area No. 2 authorized $55,000,000 principal amount of unlimited tax bonds to finance water, wastewater and drainage improvements solely within Defined Area No. 2. At an election within Defined Area No. 2 held on May 6, 2023, the voters within Defined Area No. 2 authorized $18,350,000 principal amount for the further purpose of refunding those bonds, the levy of an unlimited tax in payment of such bonds within Defined Area No. 2 and the levy of an unlimited operation and maintenance tax for facilities authorized by and Article XVI, Section 59 of the Texas Constitution within Defined Area No. 2. To date, the District has not issued any unlimited tax bonds from the voted authorization related to Defined Area No. 2. Bonds issued for Defined Area No. 2 are not secured by taxes levied on any land located within the District outside of the boundaries of Defined Area No. 2.

Taylor Morrison has developed approximately 27 acres as 103 lots within Defined Area No. 2 and Davidson Homes has developed approximately 15 acres as 71 lots within Defined Area No. 2. While the District anticipates future development, there can be no assurances given as to whether or when any of such undeveloped land will ultimately be developed. The District levied a 2026 tax rate of $0.68599 per $100 of assessed valuation, comprised entirely for maintenance and operations, for all taxable property located within Defined Area No. 2. Such tax rate is expected to be adopted in October 2026 and is subject to change prior to official levy. See "DEFINED AREAS—Defined Area No. 2."

Collectively, Defined Area No. 1 and Defined Area No. 2 are defined as the "Defined Areas." See "DEFINED AREAS."

## THE FINANCING

*The Issuer...* The District is a political subdivision of the State of Texas, located in Harris County, Texas. See "THE DISTRICT."

*The Issue...* The $15,000,000 Newport Municipal Utility District Unlimited Tax Bonds, Series 2026 (the "Bonds"), dated November 1, 2026. The Bonds mature serially on April 1 in each of the years 2029 through 2052, both inclusive, in the principal amounts set forth on the cover page of this Official Statement. Interest on the Bonds will accrue from the Date of Delivery, with interest payable April 1, 2027 and each October 1 and April 1 thereafter until maturity or earlier redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds maturing on or after April 1, 2033 are subject to optional redemption, in whole or, from time to time in part, at the option of the District, prior to their maturity dates, on April 1, 2032, or on any date thereafter, at a price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption. See "THE BONDS—Redemption Provisions." The Bonds will be issued in fully registered form only, in denominations of $5,000 or any integral multiple thereof. See "THE BONDS."

*Book-Entry-Only System…* The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS—Book-Entry-Only System."

| | |
|---|---|
| *Authority for Issuance…* | The Bonds are the eighth series of bonds issued out of an aggregate of $192,960,000 principal amount of unlimited tax bonds for purposes of construction and acquisition of water, sanitary sewer and drainage facilities authorized by the District's voters at elections held in the District on May 7, 2005, November 3, 2020 and November 5, 2024. After issuance of the Bonds, the District will have $105,890,000 principal amount of unlimited tax bonds authorized but unissued for purposes of construction and acquisition of water, sanitary sewer and drainage facilities. The Bonds are being issued pursuant to Article XVI, Section 59 of the Constitution of Texas, Chapters 49 and 54 of the Texas Water Code, as amended, the general laws of the State of Texas, an order of the Texas Commission on Environmental Quality (the "TCEQ" or the "Commission"), elections held within the District and an order (the "Bond Order") of the Board of Directors (the "Board") of the District. See "THE BONDS—Authority for Issuance and Issuance of Additional Debt" and "INVESTMENT CONSIDERATIONS—Future Debt." |
| *Source of Payment…* | The Bonds are payable from a continuing direct annual ad valorem tax, unlimited as to rate or amount, levied against all taxable property within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston or any entity other than the District. See "THE BONDS—Source of Payment." |
| *Use of Proceeds...* | Proceeds from sale of the Bonds will be used to finance (1) wastewater system improvement projects; (2) surface water and ground water improvement projects; (3) water system improvement projects; (4) contingencies; and (5) engineering fees. Proceeds of the Bonds will also be used to pay certain costs associated with the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS." |
| *Payment Record...* | The District has previously issued one series of waterworks and sewer system combination unlimited tax and revenue bonds, eight series of unlimited tax bonds, two series of unlimited tax park bonds and five series of unlimited tax and revenue refunding bonds, of which $69,690,000 principal amount is collectively outstanding as of the date hereof (the "Outstanding Bonds"). The District has never defaulted on the payment of principal of and interest on the Outstanding Bonds. |
| *Not Qualified Tax-Exempt Obligations...* | The Bonds have not been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986. See "TAX MATTERS—Not Qualified Tax-Exempt Obligations for Financial Institutions." |
| *Municipal Bond Rating and Municipal Bond Insurance...* | S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") is expected to assign a municipal bond insured rating of "AA" (stable outlook) to the Bonds with the understanding that, upon issuance and delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company ("BAM" or the "Insurer"). S&P has also assigned an underlying rating of "A" to the Bonds. An explanation of the ratings may be obtained from S&P. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND RATING," "MUNICIPAL BOND INSURANCE" and "APPENDIX B." |
| *Bond Counsel…* | Smith, Murdaugh, Little & Bonham, L.L.P., Bond Counsel, Houston, Texas. |
| *Financial Advisor…* | Masterson Advisors LLC, Houston, Texas. |
| *Disclosure Counsel…* | McCall, Parkhurst & Horton, L.L.P., Disclosure Counsel, Houston, Texas. |
| *Investment Considerations…* | The purchase and ownership of the Bonds are subject to special investment considerations, and all prospective purchasers are urged to examine carefully the entire Official Statement for a discussion of investment risks, including particularly the section captioned "INVESTMENT CONSIDERATIONS." |

## SELECTED FINANCIAL INFORMATION

| | | |
|---|---|---|
| 2026 Taxable Assessed Valuation | $1,160,450,039 | (a) |
| Estimated Taxable Assessed Valuation as of July 1, 2026 | $1,191,117,035 | (b) |
| Gross Debt Outstanding (after the issuance of the Bonds) | $ 84,690,000 | (c) |
| Estimated Overlapping Debt | 78,308,779 | |
| Gross Debt and Estimated Overlapping Debt | $162,998,779 | |
| Ratios of Gross Debt to: | | |
| 2026 Taxable Assessed Valuation | 7.30% | |
| Estimated Taxable Assessed Valuation as of July 1, 2026 | 7.11% | |
| Ratios of Gross Debt and Estimated Overlapping Debt to: | | |
| 2026 Taxable Assessed Valuation | 14.05% | |
| Estimated Taxable Assessed Valuation as of July 1, 2026 | 13.68% | |
| Debt Service Fund Balance as of September 17, 2026 | $ 4,319,116 | (d) |
| Operating Fund Balance as of September 17, 2026 | $31,258,262 | |
| Construction Fund Balance as of September 17, 2026 | $14,735,283 | |
| 2026 District Tax Rate | | |
| 2026 Debt Service Tax Rate | $0.44000 | |
| 2026 Maintenance and Operations Tax Rate | 0.27401 | |
| 2026 Total Tax Rate | $0.71401/$100 A.V. | |
| 2026 Defined Area No. 1 Tax Rate | | |
| 2026 Debt Service Tax Rate | $0.68599/$100 A.V. | (e) |
| 2026 Defined Area No. 2 Tax Rate | | |
| 2026 Maintenance and Operations Tax Rate | $0.68599/$100 A.V. | (f) |
| Average Annual Debt Service Requirements (2027-2052) of the Bonds and the Outstanding Bonds ("Average Requirement") | $5,073,721 | (g) |
| Maximum Annual Debt Service Requirement (2029) of the Bonds and the Outstanding Bonds ("Maximum Requirement") | $5,364,534 | (g) |
| Tax Rates Required to Pay Average Requirement (2027-2052) at a 95% Collection Rate | | |
| Based upon 2026 Taxable Assessed Valuation | $0.47/$100 A.V. | |
| Based upon Estimated Taxable Assessed Valuation as of July 1, 2026 | $0.45/$100 A.V. | |
| Tax Rates Required to Pay Maximum Requirement (2029) at a 95% Collection Rate | | |
| Based upon 2026 Taxable Assessed Valuation | $0.49/$100 A.V. | |
| Based upon Estimated Taxable Assessed Valuation as of July 1, 2026 | $0.48/$100 A.V. | |
| Water and Sewer Connections as of August 31, 2026 (h): | | |
| Completed and Occupied Homes | 4,379 | |
| Completed and Unoccupied Homes | 67 | |
| Homes Under Construction | 65 | |
| Vacant Developed Lots (i) | 808 | |
| Multi-Family (234 Units) | 3 | |
| Commercial | 16 | |
| Other | 87 | |
| Total | 5,425 | |

Estimated 2026 Population – 15,794 (j)

(a) The Harris Central Appraisal District (the "Appraisal District") has certified $1,104,084,795 of taxable value within the District as of January 1, 2026. An additional $56,365,244 of taxable value, which represents the owner's opinion of the value of the uncertified value and is subject to review and adjustment prior to certification, remains uncertified. See "TAX PROCEDURES."

(b) Provided by the Appraisal District for informational purposes only. Such amount reflects an estimate of the taxable assessed value within the District on July 1, 2026. Increases in value that occur between January 1, 2026 and July 1, 2026 will be assessed for purposes of taxation on January 1, 2027. See "TAX PROCEDURES."

(c) Excludes the bonds issued by the District for Defined Area No. 1. The Defined Area No. 1 bonds are secured by a tax levied against taxable property located solely within Defined Area No. 1. The District tax securing the Bonds is on a parity within the District tax securing the Defined Area No. 1 bonds.

(d) Neither Texas law nor the Bond Order requires the District to maintain any minimum balance in the Debt Service Fund.

(e) Approximately 188 acres within the District are assessed the Defined Area No. 1 tax rate.

(f) Approximately 107 acres within the District are assessed the Defined Area No. 2 tax rate.

(g) Excludes the bonds issued by the District for Defined Area No. 1. See "DEBT SERVICE REQUIREMENTS."

(h) See "STATUS OF DEVELOPMENT IN THE DISTRICT."

(i) Approximately 451 of the 808 vacant lots are owned by individuals and may have homes built on two lots or may be owned by the adjacent homeowner with no intention of building on the lot.

(j) Based upon 3.5 persons per occupied home and 2.0 persons per condominium and apartment unit.

# OFFICIAL STATEMENT

## $15,000,000

## NEWPORT MUNICIPAL UTILITY DISTRICT
*(A political subdivision of the State of Texas located within Harris County)*

## UNLIMITED TAX BONDS
## SERIES 2026

This Official Statement provides certain information in connection with the issuance by Newport Municipal Utility District (the "District") of its $15,000,000 Unlimited Tax Bonds, Series 2026 (the "Bonds").

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas, an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board"), an order of the Texas Commission on Environmental Quality (the "TCEQ" or the "Commission") and elections held within the District.

This Official Statement includes descriptions, among others, of the Bonds and the Bond Order, and certain other information about the District, Newport Pointe, Ltd. ("NP Ltd."), Taylor Morrison of Texas, Inc., a Texas corporation ("Taylor Morrison") and Davidson Homes, LLC, an Alabama limited liability company ("Davidson Homes") (NP Ltd., Taylor Morrison and Davidson Homes are collectively referred to herein as the "Developers") and development activity within the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of such documents may be obtained from the District upon payment of the costs of duplication therefor from Smith, Murdaugh, Little & Bonham, L.L.P., Bond Counsel, 2727 Allen Parkway, Suite 1100, Houston, Texas 77019.

## THE BONDS

### Description

The Bonds are dated November 1, 2026 and interest will accrue from the Date of Delivery at the rates shown on the cover page hereof, payable on April 1, 2027, and on each October 1 and April 1 thereafter (each an "Interest Payment Date") until maturity or redemption. The Bonds mature on April 1 of the years and in the amounts and bear interest at the rates shown under "MATURITY SCHEDULE" on the cover page hereof. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Initially, principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "—Book-Entry-Only System" below. Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months.

In the event the Book-Entry-Only System is discontinued, interest on the Bonds shall be payable by check on or before each interest payment date, mailed by the Paying Agent/Registrar to the registered owners ("Registered Owners") as shown on the bond register (the "Register") kept by the Paying Agent/Registrar at the close of business on the 15th calendar day of the month immediately preceding each interest payment date to the address of such Registered Owner as shown on the Register, or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

### Book-Entry-Only System

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

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

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

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

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

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

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

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

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

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

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

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

**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-Only System, 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-Only System, and, (ii) except as described above, notices that are to be given to registered owners under the Order will be given only to DTC.

**Registration, Transfer and Exchange**

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the Bond Order. While the Bonds are in the Book-Entry-Only system, Bonds will be registered only in the name of Cede & Co and held by DTC. See "—Book-Entry-Only System" herein.

**Paying Agent/Registrar**

The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., in Houston, Texas. In the Bond Order the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid, and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each Registered Owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

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

In the event the book-entry-only system is discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefore a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity bond, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding. Registered Owners of lost, stolen or destroyed Bonds will be required to pay the District's costs to replace such Bond. In addition, the District or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

If, after the delivery of such replacement Bond, a bona fide purchaser of the original Bond in lieu of which such replacement Bond was issued presents for payment such original Bond, the District and Registrar shall be entitled to recover such replacement Bond from the person to whom it was delivered or any person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the District or the Paying Agent/Registrar in connection therewith.

If any such mutilated, lost, apparently destroyed or wrongfully taken Bond has become or is about to become payable, the District in its discretion may, instead of issuing a replacement Bond, authorize the Paying Agent/Registrar to pay such Bond.

Each replacement Bond delivered in accordance with this Section shall be entitled to the benefits and security of the Bond Order to the same extent as the Bond or Bonds in lieu of which such replacement Bond is delivered.

**Source of Payment**

The Bonds, when issued, will constitute valid and binding obligations of the District and are payable as to principal and interest from and are secured by the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Order, the District covenants to levy a tax sufficient to pay the principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of levy and collection, Paying Agent/Registrar and Appraisal District fees. Tax proceeds, after deduction for collection costs, will be placed in the Debt Service Fund (as defined in the Bond Order) and used solely to pay principal of and interest on the Bonds, the Outstanding Bonds, and on any additional bonds issued by the District payable from taxes which may be levied. See "TAX DATA."

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

**Funds**

In the Bond Order, the Debt Service Fund is confirmed. The Debt Service Fund is to be kept separate from all other funds of the District and used for payment of debt service on the Outstanding Bonds, the Bonds and any of the District's duly authorized additional bonds, together with interest thereon, as such becomes due. Amounts on deposit in the Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, and to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any additional bonds.

The proceeds from sale of the Bonds including interest earnings thereon, will be deposited into the Capital Projects Fund to be used for the purpose of acquiring and constructing District facilities, and for paying the costs of issuing the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS" for a more complete description of the use of Bond proceeds.

The Bond Order also confirms the previous establishment of the District's General Fund. The District deposits, as collected, all revenues derived from operation of the District's water and wastewater system and from maintenance taxes into the General Fund. From the General Fund, the District pays all administration, operation, and maintenance expenses of the water and wastewater system and the District's storm drainage system, recreational facilities and street lights in the District. Any funds remaining in the General Fund after payment of maintenance and operating expenses may be used by the District for any lawful purposes.

**Record Date**

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

**Redemption Provisions**

The District reserves the right, at its option, to redeem the Bonds maturing on or after April 1, 2033 prior to their scheduled maturities, in whole or, from time to time in part, in integral multiples of $5,000 on April 1, 2032, or any date thereafter, at a price of par value plus accrued interest on the principal amounts called for redemption to the date fixed for redemption.

If fewer than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If fewer than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by DTC in accordance with its procedures or, if the Bonds are no longer in the Book-Entry-Only System, by the Paying Agent/Registrar by such method of random selection as it deems fair and appropriate.

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

Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption by sending written notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the Register. Such notices shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment and, if less than all the Bonds outstanding within any one maturity are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall have been made with the Paying Agent/Registrar for payment of the redemption price of

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

**Authority for Issuance and Issuance of Additional Debt**

The Bonds are issued pursuant to the Bond Order, Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; the general laws of the State of Texas, an Order of the Commission and elections held in the District.

The Bonds are the eighth series of bonds issued out of an aggregate of $192,960,000 principal amount of unlimited tax bonds for purposes of construction and acquisition of water, sanitary sewer and drainage facilities authorized by the District's voters at elections held in the District on May 7, 2005, November 3, 2020 and November 5, 2024. After issuance of the Bonds, the District will have $105,890,000 principal amount of unlimited tax bonds authorized but unissued for purposes of construction and acquisition of water, sanitary sewer and drainage facilities. The District may issue its authorized but unissued bonds and any additional tax bonds or combination tax and revenue bonds voted in the future with the approval of the Commission, where applicable.

The District may also issue additional bonds in the Defined Areas, subject to the authorization of the Defined Areas voters and the approval of the Commission. Defined Area No. 1 (as defined herein) voters have authorized $50,000,000 in principal amount of unlimited tax bonds for Defined Area No. 1 projects. To date, the District has previously issued $6,310,000 principal amount of unlimited tax bonds in two series from the voted authorization related to Defined Area No. 1, of which $6,240,000 principal amount is currently outstanding as of the date hereof. The District expects to issue an additional $2,650,000 principal amount of unlimited tax bonds for water, sewer and drainage facilities within Defined Area No. 1, which are expected to be issued on October 20, 2026. Such bonds are not secured by taxes levied on any land located within the District outside of the boundaries of Defined Area No. 1. Defined Area No. 2 (as defined herein) voters have authorized $55,000,000 in principal amount of unlimited tax bonds for Defined Area No. 2 projects. To date, the District has not issued any unlimited tax bonds from the voted authorization related to Defined Area No. 2. Bonds issued for Defined Area No. 2 are not secured by taxes levied on any land located within the District outside of the boundaries of Defined Area No. 2. See “DEFINED AREAS.”

The Board is further empowered to borrow money for any lawful purpose and to issue bond anticipation notes, tax anticipation notes, and revenue bonds and notes. The outstanding principal amount of all recreational facility bonds may not exceed an amount equal to one percent (1%) of the value of the taxable property in the District, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent (1%) but not greater than three percent (3%) of the value of the taxable property in the District.

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

The Bond Order imposes no limitation on the amount of additional bonds which may be issued by the District (if authorized by the District's voters and approved by the Commission). Any additional bonds issued by the District may be on a parity with the Bonds.

Issuance of additional bonds or other subsequently authorized bonds could affect the investment quality or security of the Bonds. See “INVESTMENT CONSIDERATIONS—Future Debt.”

**Defeasance**

The Bond Order provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished as follows: (i) by paying or causing to pay principal and interest due on the Bonds (whether at maturity, redemption or otherwise) in accordance with the terms of the Bonds; (ii) 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 (iii) 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, or with a commercial bank or trust company designated in the proceedings authorizing the discharge amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, (b) noncallable obligations of an

agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to the investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

Upon such deposit or payment 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.

**No Arbitrage**

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

**Annexation**

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston (the "City"), the District must conform to a City consent ordinance. Generally, the District may be annexed by the City without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District; however, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. If the District is annexed, the City will assume the District's assets and obligations (including the Bonds) and dissolve the District. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City of Houston, and therefore, the District makes no representation that the City will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur.

**Consolidation**

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

**Strategic Partnership**

The District is authorized to enter into a strategic partnership agreement with the City to provide the terms and conditions under which services would be provided and funded by the parties and under which the District would continue to exist for an extended period if the land within the District were to be annexed for full or limited purposes by the City. The terms of any such agreement would be determined by the City and the District, and could provide for the continuance of the District as a limited district following general purpose annexation by the City, the conversion of a limited purpose annexation to a general purpose annexation within ten years, or the payment of a fee in lieu of annexation to be derived from residential property within the District based on the costs of providing municipal services to the District. Although the City has negotiated and entered into such agreements with several other districts in its extraterritorial jurisdiction, none is currently contemplated with respect to the District, although no representation can be made regarding the future likelihood of an agreement or the terms thereof.

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

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

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

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

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

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

**Amendments**

The District has reserved the right to amend the Bond Order without the consent of the Registered Owners as may be required (a) by the provisions of the Bond Order, (b) for the purpose of curing any ambiguity, inconsistency, or formal defect or omission in the Bond Order, or (c) in connection with any other change not to the prejudice of the Registered Owners, but the District may not otherwise amend the terms of the Bonds or of the Bond Order without the consent of the Registered Owners.

**Registered Owners' Remedies**

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

property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District. See "INVESTMENT CONSIDERATIONS—Registered Owners' Remedies and Bankruptcy Limitations."

## THE DISTRICT

### General

The District, located in Harris County, Texas, is a political subdivision of the State of Texas. The area comprising the District was originally two municipal utility districts, which were consolidated on August 1, 1998 into one district. The original districts were Harris County Municipal Utility District No. 20 ("MUD 20"), which was created by the Texas Water Rights Commission, predecessor to the Texas Commission on Environmental Quality (the "Commission"), by an order dated December 13, 1972 and Harris County Municipal Utility District No. 73 ("MUD 73"), which was created by order effective September 23, 1977 of the Texas Water Rights Commission. The District operates pursuant to Chapters 49 and 54, Texas Water Code V.T.C.A., 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 and distribution of water; the collection, transportation, and treatment of wastewater; the control and diversion of storm water; and the collection of solid waste. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District also is empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the City of Houston, the Commission and the voters of the District. The District has the power to contract for peace officers to prevent or abate the commission of certain offenses against the rules of the District and the laws of the State of Texas. Additionally, the District may, subject to certain limitations, develop and finance parks and recreational facilities.

The Commission exercises continuing supervisory jurisdiction over the District. Construction and operation of the District's water, sewer and storm drainage system is subject to the regulatory jurisdiction of the City of Houston and of additional State of Texas agencies. See "THE SYSTEM—Regulation."

### Description and Location

The District is located in northeast Harris County, approximately 23 miles northeast of downtown Houston and approximately two miles northwest of Crosby, Texas, near the southeastern shore of Lake Houston. Access to the District is provided by South Diamondhead Drive, North Diamondhead Drive and Newport Boulevard from FM 2100. The District currently contains approximately 2,421 acres, including approximately 9 acres annexed in April 2026, and is located entirely within the extraterritorial jurisdiction of the City of Houston. See "AERIAL PHOTOGRAPH."

## STATUS OF DEVELOPMENT IN THE DISTRICT

### Residential Development

The District began as part of the approximately 5,914 acres Newport Project, development of which began during the 1970's. Approximately 1,823 acres of land within the District have been developed, have been partially developed or are being developed into 5,319 lots.

As of August 31, 2026, there were 4,379 completed and occupied homes, 67 completed and unoccupied homes, 65 homes under construction or listed in a builder's name, and 808 vacant lots. Approximately 451 of the 808 vacant lots are owned by individuals and may have homes built on two lots or may be owned by the adjacent homeowner with no intention of building on the lot.

### Homebuilding Program

D.R. Horton, Texas Ltd. ("D.R. Horton"), Taylor Morrison and Davidson Homes are building homes within the District, which average approximately $270,000 to $375,000 in sales price. There are also custom homebuilders building on individually owned lots.

**Other Development**

Approximately 21 acres of land have been developed into the Fairway Port Condominiums, consisting of 76 condominium units, the Newport Village Apartments, consisting of 80 units and the Spring Hill Village Apartments, consisting of 78 apartment units.

International Union of Operating Engineers owns approximately 203 acres within the District on which it has constructed a dormitory and conference center, which is exempt from ad valorem taxation. See "THE DEVELOPERS AND MAJOR LANDOWNER—International Union of Operating Engineers."

One gas station/convenience store, a car wash, a kidney dialysis center, a daycare center, a retail strip center, a bank and various other retail/service businesses are located in the District on approximately 43 acres of land in the District. A fire station for Harris County Emergency Services District No. 80 and the Harvest Time Church of God, which are exempt from ad valorem taxation, are also located on such approximately 43 acres. Also, a dental office, a gun range and an emergency medical service facility are located in the District, but are not provided service by the District. The District also provides water and sewer service to the Newport Elementary School, which is not located in the District. Approximately 76 acres have been developed into the Newport Golf and Conference Center (now known as Stonebridge at Newport), which includes an 18-hole golf course.

**Undeveloped Acreage**

There are approximately 129 developable acres in the District remaining to be developed. There are approximately 126 undevelopable acres which are used for plant sites, detention areas and open space.

## DEFINED AREAS

Pursuant to the provisions of Subchapter J of Chapter 54 of the Texas Water Code, as amended, the District is authorized to define areas or designate certain property of the District to pay for improvements, facilities, or services that primarily benefit that area.

**Defined Area No. 1**

On May 11, 2017, the District approved the creation of a defined area encompassing approximately 188 acres within the District ("Defined Area No. 1"). At an election within Defined Area No. 1, held on May 6, 2017, the voters within Defined Area No. 1 authorized $50,000,000 principal amount of unlimited tax bonds to finance water, wastewater and drainage improvements solely within Defined Area No. 1 and for the further purpose of refunding those bonds, the levy of an unlimited tax in payment of such bonds within Defined Area No. 1 and the levy of an unlimited operation and maintenance tax for facilities authorized by Article XVI, Section 59 of the Texas Constitution within Defined Area No. 1. To date, the District has previously issued $6,310,000 principal amount of unlimited tax bonds in two series from the voted authorization related to Defined Area No. 1, of which $6,240,000 principal amount is currently outstanding as of the date hereof. The District expects to issue an additional $2,650,000 principal amount of unlimited tax bonds for water, sewer and drainage facilities within Defined Area No. 1, which are expected to be issued on October 20, 2026. Such bonds are not secured by taxes levied on any land located within the District outside of the boundaries of Defined Area No. 1.

NP Ltd. has developed approximately 92 acres as 372 lots within Defined Area No. 1. NP Ltd. currently owns approximately 56 developable acres within Defined Area No. 1. D.R. Horton has acquired 372 lots from NP Ltd. and is building homes on such lots. Properties in Defined Area No. 1 will pay taxes to the District based on the District's tax rate plus the Defined Area No. 1 tax rate. The District levied a debt service tax rate of $0.68599 per $100 of assessed valuation in Defined Area No. 1 for 2026 and the combined total tax rate in Defined Area No. 1 was $1.40 per $100 of assessed valuation.

**Defined Area No. 2**

On November 17, 2022, the District approved the creation of a defined area encompassing approximately 107 acres within the District ("Defined Area No. 2"). At an election within Defined Area No. 2, held on November 8, 2022, the voters within Defined Area No. 2 authorized $55,000,000 principal amount of unlimited tax bonds to finance water, wastewater and drainage improvements solely within Defined Area No. 2. At an election within Defined Area No. 2 held on May 6, 2023, the voters within Defined Area No. 2 authorized $18,350,000 principal amount for the further purpose of refunding those bonds, the levy of an unlimited tax in payment of such bonds within Defined Area No. 2 and the levy of an unlimited operation and maintenance tax for facilities authorized by Article XVI, Section 59 of the Texas Constitution within Defined Area No. 2. To date, the District has not issued any unlimited tax bonds from the voted authorization related to Defined Area No. 2. Bonds issued for Defined Area No. 2 are not secured by taxes levied on any land located within the District outside of the boundaries of Defined Area No. 2.

Taylor Morrison has developed approximately 27 acres as 103 lots within Defined Area No. 2. Taylor Morrison currently owns approximately 59 acres within Defined Area No. 2. Davidson Homes has developed approximately 15 acres as 71 lots within Defined Area No. 2. Davidson Homes has completed development of the land it owned and does not own any undeveloped but developable land within Defined Area No. 2. While the District anticipates future development, there can be no assurances given as to whether or when any of such undeveloped land will ultimately be developed. Properties in Defined Area No. 2 will pay taxes to the District based on the District's tax rate plus the Defined Area No. 2 tax rate. The District levied a maintenance and operations tax rate of $0.68599 per $100 of assessed valuation in Defined Area No. 2 for 2026 and the combined total tax rate in Defined Area No. 2 was $1.40 per $100 of assessed valuation.

## MANAGEMENT

### Board of Directors

The District is governed by the Board of Directors, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to four-year staggered terms, and elections are held in May in even numbered years only. All of the Directors own property in the District subject to taxation. The Directors of the District are listed below:

| Name | Title | Term Expires |
|---|---|---|
| DeLonne Johnson | President | May 2030 |
| Gary Hasse | Vice President | May 2028 |
| Deborah Florus | Secretary | May 2030 |
| Brandon Lankford | Assistant Secretary | May 2030 |
| Vacant | Director | May 2028 |

While the District does not have any employees, it has contracted for certain services as follows:

### Tax Appraisal

Land and improvements within the District are appraised for ad valorem taxation purposes by the Harris Central Appraisal District.

### Tax Assessor/Collector

The District's tax assessor/collector is Assessments of the Southwest, Inc. (the "Tax Assessor/Collector").

### Bookkeeper

The District contracts with McLennan & Associates, L.P. for bookkeeping services.

### Operator

The District contracts with Si Environmental, LLC for operations and maintenance services.

### Engineer

The District's consulting engineer is Lockwood, Andrews & Newnam, Inc. (the "Engineer").

### Attorney

The District has engaged Smith, Murdaugh, Little & Bonham, L.L.P. as Bond Counsel in connection with the issuance of the Bonds. In addition, Smith, Murdaugh, Little & Bonham, L.L.P. serves as general counsel to the District on matters other than the issuance of bonds.

### Financial Advisor

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

**Auditor**

As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which audit is filed with the Commission. The District's audited financial statements for the fiscal year ending December 31, 2025 have been prepared by McCall Gibson Swedlund Barfoot Ellis PLLC. See "APPENDIX A" for a copy of the District's December 31, 2025 audited financial statements.

**Disclosure Counsel**

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

## THE DEVELOPERS AND MAJOR LANDOWNER

**Role of a Developer**

In general, the activities of a landowner or developer in a municipal utility district such as the District include designing the project, defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of streets and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. A developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds.

Prospective Bond purchasers should note that the prior real estate experience of the developer should not be construed as an indication that further development within the District will occur, or that construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful.

None of the developers are responsible for, liable for, or has made any commitments for payment of the Bonds or other obligations of the District. None of the developers have a legal commitment to the District or owners of the Bonds to continue development of land within the District and each developer may sell or otherwise dispose of its property within the District, or any other assets, at any time. Further, the financial condition of each of the developers is subject to change at any time.

**Newport Pointe, Ltd.**

NP Ltd. originally owned 188 acres of land in the District within Defined Area No. 1. NP Ltd. has developed approximately 92 acres as 372 lots within Defined Area No. 1. NP Ltd. currently owns approximately 56 developable acres within Defined Area No. 1. See "DEFINED AREAS—Defined Area No. 1."

**Taylor Morrison of Texas, Inc.**

Taylor Morrison purchased approximately 86 acres in the District within Defined Area No. 2 from Rochester Development, LLC ("Rochester"). Upon such acreage, Taylor Morrison has developed approximately 27 acres as 103 lots within Defined Area No. 2. Taylor Morrison currently owns approximately 59 acres within Defined Area No. 2. See "DEFINED AREAS—Defined Area No. 2."

**Davidson Homes, LLC**

Davidson Homes purchased approximately 21 acres in the District within Defined Area No. 2 from Rochester. Davidson Homes has developed approximately 15 of such acres as 71 lots within Defined Area No. 2. Davidson Homes has completed development of the land it owned and does not own any undeveloped but developable land within Defined Area No. 2. See "DEFINED AREAS—Defined Area No. 2."

Collectively NP Ltd., Taylor Morrison and Davidson Homes are defined as the "Developers."

**International Union of Operating Engineers**

International Union of Operating Engineers ("IUOE") owns approximately 203 acres within the District. A dormitory and conference center have been constructed on such site. In 2018, the Appraisal District granted the development a "temporary" property tax exemption for an incomplete improvement under active construction. In 2020, upon completion of the development, the Appraisal District granted a private school property tax exemption resulting in the property being fully exempt from property taxes. During the temporary property tax exemption period in 2017, 2018 and 2019, the IUOE paid the District $250,000 each year as a non-taxable tap fee in accordance with an agreement between the District and the IUOE. Upon the granting of the private school property tax exemption, the IUOE paid the District an agreed upon final non-taxable payment of $4,500,000. The payments from the IUOE have been deposited to the District's Operating Fund.

## THE SYSTEM

**Regulation**

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

**Water Supply**

The water supply system that currently serves the District includes two water plants and a surface water treatment plant. Water Plant No. 1 has an 1,800 gallon-per-minute ("gpm") water well capacity, and Water Plant No. 2 has a 1,000 gpm water well capacity that is not currently in operation. The surface water treatment plant has a 1,700 gpm capacity, and expansion is currently underway with expected completion in the first quarter of 2027, as further described below.

The District has booster pump capacity of 7,000 gpm, 1,500,000 gallons of ground storage tank capacity, a 600,000 gallon elevated storage tank and 40,000 gallons of hydropneumatic tank capacity. The District has entered into a Water Supply Contract with the San Jacinto River Authority, effective as of April 17, 2008 for the purchase of 1,850,000 gallons of untreated surface water per day with the ability to take up to 130% of that amount, if supplies are available. A portion of the proceeds from the Bonds will be expended towards surface water, ground water and water system improvements projects. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

The District's existing water supply facilities are sufficient to serve 6,000 equivalent single-family connections ("ESFCs") which is sufficient to serve the existing and proposed development within the District; however, as described below, because of requirements of the Harris-Galveston Coastal Subsidence District to reduce groundwater usage, the District was required to expand its surface water treatment plant to maintain the required ground water to surface water production ratios. Construction for the expansion of the surface water treatment plant is underway with an expected completion date of January 2027. The District has entered into a Water Supply Agreement with Harris County Municipal Utility District No. 578 ("No. 578") to provide water to No. 578. No. 578 constructed a water supply line and related facilities from the District to No. 578. Pursuant to the Water Supply Agreement, No. 578 purchased sufficient capacity to serve 309 ESFCs. The District is never obligated to provide more than 309 ESFCs to No. 578. Pursuant to such Water Supply Agreement with No. 578, No. 578 paid the District a total of $1,262 per ESFCs in two equal installments and is obligated to make monthly payments for water at 150% of the in-District rate.

**Subsidence District Requirements**

The District is within the boundaries of the Harris-Galveston Subsidence District (the "Subsidence District") which regulates groundwater withdrawal. The District's authority to pump groundwater from its well is subject to annual permits issued by the Subsidence District. On April 14, 1999, the Subsidence District adopted a District Regulatory Plan (the "1999 Plan") to reduce groundwater withdrawal through conversion to surface water in areas within the Subsidence District's jurisdiction, which was amended in 2013 (the "2013 Plan"). The District is located partly in Area 2 and partly in Area 3 of regulatory areas as defined by the Subsidence District. Under the 1999 plan, well owners in Area 2 were required with a certified Ground Water Reduction plan to convert to 80% surface water by 2003. The District submitted the required Ground Water Reduction Plan, which was approved and certified by the Subsidence District Board of Directors. Pursuant to the 2013 Plan, well owners in Area 3 are required to convert to a minimum of 30% surface water by 2010, 60% surface water by 2025 and to 80% surface water by 2035. Construction for the surface water treatment plant expansion has commenced and completion is expected by January 2027. Upon completion of the expansion, the District will comply with the Subsidence District mandates.

**Wastewater Treatment System**

The District's wastewater treatment is provided by a wastewater treatment plant with 1,300,000 gallons per day ("gpd") capacity, which is sufficient to serve 5,809 ESFCs based on 223.8 gpd. The wastewater treatment plant is currently operating at 90% of the design capacity. A portion of the proceeds from the Bonds will be expended towards wastewater system improvements projects. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

The District has entered into a Wastewater Treatment Agreement with No. 578 to provide wastewater service to No. 578. No. 578 constructed a sewer line and related facilities from the District to No. 578. Pursuant to the Wastewater Treatment Agreement, No. 578 purchased sufficient capacity to serve 309 ESFCs. The District is never obligated to provide more than 309 ESFCs to No. 578. Pursuant to such Wastewater Treatment Agreement with No. 578, No. 578 is obligated to pay the District a total of $1,738 per ESFCs in two equal installments and is obligated to make monthly payments for sewer at 150% of the in-District rate. The District is in the design phase of the wastewater treatment plant expansion. The next wastewater treatment plant expansion is currently planned for 2029. The District may need to expand the wastewater treatment plant earlier than would otherwise be necessary as a result of the Agreement with No. 578. The District received a discharge permit that allows for an increase of the permitted capacity to 2,000,000 gpd average daily flow, which will serve 6,666 ESFCs upon the completion of the expansion of the wastewater treatment plant, which is sufficient to serve currently existing and proposed development within the District.

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

The District's System includes water, sanitary sewer and drainage facilities to serve the subdivisions and other development described under the section "STATUS OF DEVELOPMENT IN THE DISTRICT."

**Recreational Facilities**

The District has constructed approximately three miles of pedestrian trails along Gum Gully with associated amenities, including neighborhood access points, trailheads, parking areas, trail signage, limited security lighting, benches, trash receptacles, and low water crossings. The District has also constructed amenities at three park sites: Park Site 1 on Port O'Call, Park Site 2 on South Diamondhead, and Park Site 3 on Flying Bridge. In addition, the District owns and maintains recreational facilities in Via Dora Park and Newport Grove. These park sites include splash pads, play courts, playgrounds, swing sets, pedestrian paths, benches, parking areas, pavilions and restrooms. The District voters have not authorized the levy of a maintenance tax to fund on-going maintenance and operating expenses associated with the recreational facilities. The District uses net revenues from its General Fund to fund such expenses.

**100-Year Flood Plain**

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency ("FEMA") has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is no assurance that homes built in such area will not be flooded. The District's drainage system has been designed and constructed to all current standards. According to the District's Engineer, there are approximately 170 acres of land in the District located in the 100-year flood plain, including approximately 78 acres that are located within the designated floodway. Approximately 197 existing homes and the Spring Hill Village Apartments are located on property at least partially within the 100-year flood plain. There are also 24 developed vacant lots, 54 platted, but undeveloped lots and approximately 59 developable, but undeveloped, acres that are at least partially located with the 100-year flood plain. Mitigation has occurred on the land within the flood-plain (but not within the floodway) which has been developed to date. See "INVESTMENT CONSIDERATIONS—Extreme Weather Events."

**Atlas 14**

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas for 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.

## USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs below were compiled by the District's Engineer and were submitted to the Commission in the District's bond application. Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer and Financial Advisor. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District's auditor. The surplus funds may be expended for any lawful purpose for which surplus construction funds may be used, if approved by the Commission, where required.

| | | |
|---|---|---|
| **CONSTRUCTION COSTS** | | |
| Wastewater System Improvements | $ | 6,320,000 |
| Water (Surface & Ground) Treatment Improvements | | 705,000 |
| Water System Improvements | | 3,300,000 |
| Alternative Capacity Engineering Report | | 100,000 |
| Contingencies | | 1,032,500 |
| Engineering | | 2,271,500 |
| **Total Construction Costs** | **$** | **13,729,000** |
| **NON-CONSTRUCTION COSTS** | | |
| Bond Discount (a) | $ | 184,829 |
| **Total Non-Construction Costs** | **$** | **184,829** |
| **ISSUANCE COSTS AND FEES** | | |
| Issuance Costs and Professional Fees | $ | 734,000 |
| Bond Application Report Costs | | 40,000 |
| State Regulatory Fees | | 47,000 |
| Contingency (a) | | 265,171 |
| **Total Issuance Costs and Fees** | **$** | **1,086,171** |
| **TOTAL BOND ISSUE** | **$** | **15,000,000** |

(a) Contingency represents the difference in the estimated and actual amount of Bond Discount.

In the event approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses in accordance with the rules of the Commission. In the event actual costs exceed previously estimated amounts and contingencies, additional Commission approval and the issuance of additional bonds may be required.

### Future Debt

The District contains approximately 129 developable acres in the District remaining to be developed. The District has fully reimbursed developers for facilities constructed on behalf of the District. However, Defined Area No. 1 and Defined Area No. 2, collectively, will owe approximately $24,600,000 to the Developers in the District for facilities constructed on behalf of Defined Area No. 1 and Defined Area No. 2. The District may issue future bonds for Defined Area No. 1 and Defined Area No. 2 to repay the Developers in accordance with the various contracts between the Developers and the District.

## WATER AND SEWER OPERATIONS

### General

The Bonds and the Outstanding Bonds are payable from the levy of an annual ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Net revenues, if any, derived from the operation of the District's water and sewer operations are not pledged to the payment of the Bonds and the Outstanding Bonds (except for the Series 2016 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds) but are available for any lawful purpose including payment of debt service on the Bonds and the Outstanding Bonds, at the discretion and upon action of the Board. It is not anticipated that any significant revenues will be available for the payment of debt service on the Bonds and the Outstanding Bonds.

### Waterworks and Sewer System Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Operating Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such summary is based upon information obtained from the District's audited financial statements for the fiscal years ended December 31, 2022 through 2025 and for the eight-month period ended August 31, 2026, provided by the District's bookkeeper. Reference is made to such statements for further and complete information.

| | | Fiscal Year Ended December 31 | | | |
|---|---|---|---|---|---|
| | 1/1/2026 to 8/31/2026 (a) | 2025 | 2024 | 2023 | 2022 |
| **Revenues** | | | | | |
| Property Taxes | $ 3,016,662 | $ 3,416,172 | $ 3,512,523 | $ 3,276,407 | $ 2,247,056 |
| Water Service | 1,930,118 | 2,664,430 | 2,562,438 | 2,461,028 | 2,561,512 |
| Wastewater Service | 2,167,399 | 3,148,248 | 2,993,957 | 2,980,681 | 2,766,567 |
| San Jacinto River Authority Fees | 130,453 | 209,843 | 185,341 | 197,052 | 169,730 |
| Penalty and Interest | 137,103 | 93,803 | 129,005 | 129,778 | 103,944 |
| Tap Connection and Inspection Fees | 239,396 | 865,857 | 537,993 | 557,606 | 73,625 |
| Groundwater Credits | 385,841 | 480,654 | 374,450 | 397,034 | 321,260 |
| Capital Contributions | - | - | - | - | 555,000 |
| Grant Revenues | - | - | - | - | 879,695 (b) |
| Investment and Miscellaneous Revenues | 1,609,542 | 1,158,771 | 1,212,650 | 1,043,126 | 367,836 |
| **Total Revenues** | $ 9,616,514 | $ 12,037,778 | $ 11,508,357 | $ 11,042,712 | $ 10,046,225 |
| **Expenditures** | | | | | |
| Professional Fees | $ 404,257 | $ 507,915 | $ 656,763 | $ 532,328 | $ 431,560 |
| Contracted Services | 2,353,400 | 3,424,634 | 3,564,162 | 3,497,793 | 3,462,406 |
| Purchased Water Service | 293,836 | 411,903 | 392,718 | 376,270 | 344,378 |
| Utilities | 209,869 | 293,866 | 272,407 | 281,262 | 194,795 |
| Repairs and Maintenance | 1,141,559 | 956,939 | 1,533,522 | 1,199,809 | 1,229,231 |
| Bad Debt Expense | - | 175,000 | - | - | - |
| Other | 466,849 | 1,095,495 | 1,073,243 | 831,781 | 696,120 |
| Capital Outlay | 8,456 | 150,185 | 799,874 | 623,701 | - |
| Note Principal | - | - | 3,618 | 4,545 | 4,170 |
| Note Interest | - | - | 326 | 735 | 1,110 |
| **Total Expenditures** | $ 4,878,225 | $ 7,015,937 | $ 8,296,633 | $ 7,348,224 | $ 6,363,770 |
| **Revenues Over (Under) Expenditures** | $ 4,738,289 | $ 5,021,841 | $ 3,211,724 | $ 3,694,488 | $ 3,682,455 |
| **Other Sources (Uses)** | | | | | |
| Interfund Transfers In (Out) | $ - | $ - | $ - | $ - | $ - |
| Insurance Proceeds | - | - | - | - | 52,274 |
| **Total Other Financing Sources** | $ - | $ - | $ - | $ - | $ 52,274 |
| **Fund Balance (Beginning of Year)** | $ 28,408,478 | $ 23,386,637 | $ 20,174,913 | $ 16,480,425 | $ 12,745,696 |
| **Fund Balance (End of Year)** | $ 33,146,767 | $ 28,408,478 | $ 23,386,637 | $ 20,174,913 | $ 16,480,425 |

(a) Unaudited. Provided by the District's bookkeeper.
(b) Represents reimbursements from insurance claims. See "INVESTMENT CONSIDERATIONS—Extreme Weather Events."

## DEBT SERVICE REQUIREMENTS

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

| Year | Outstanding Bonds Debt Service Requirements (a) | Plus: Debt Service on the Bonds | | | Total Debt Service Requirements |
|---|---|---|---|---|---|
| | | Principal | Interest | Total | |
| 2027 | $ 4,388,847 | | $ 639,583 | $ 639,583 | $ 5,028,430 |
| 2028 | 4,374,856 | | 750,000 | 750,000 | 5,124,856 |
| 2029 | 4,361,034 | $ 260,000 | 743,500 | 1,003,500 | 5,364,534 |
| 2030 | 4,300,475 | 270,000 | 730,250 | 1,000,250 | 5,300,725 |
| 2031 | 4,303,031 | 285,000 | 716,375 | 1,001,375 | 5,304,406 |
| 2032 | 4,303,538 | 300,000 | 701,750 | 1,001,750 | 5,305,288 |
| 2033 | 4,301,644 | 315,000 | 686,375 | 1,001,375 | 5,303,019 |
| 2034 | 4,302,413 | 330,000 | 670,250 | 1,000,250 | 5,302,663 |
| 2035 | 4,307,594 | 350,000 | 653,250 | 1,003,250 | 5,310,844 |
| 2036 | 4,307,306 | 365,000 | 635,375 | 1,000,375 | 5,307,681 |
| 2037 | 4,319,269 | 385,000 | 616,625 | 1,001,625 | 5,320,894 |
| 2038 | 4,322,547 | 405,000 | 596,875 | 1,001,875 | 5,324,422 |
| 2039 | 4,327,088 | 425,000 | 576,125 | 1,001,125 | 5,328,213 |
| 2040 | 4,293,144 | 445,000 | 554,375 | 999,375 | 5,292,519 |
| 2041 | 4,314,269 | 465,000 | 531,625 | 996,625 | 5,310,894 |
| 2042 | 4,350,531 | 490,000 | 507,750 | 997,750 | 5,348,281 |
| 2043 | 4,343,456 | 515,000 | 482,625 | 997,625 | 5,341,081 |
| 2044 | 4,321,688 | 540,000 | 456,250 | 996,250 | 5,317,938 |
| 2045 | 4,285,388 | 565,000 | 428,625 | 993,625 | 5,279,013 |
| 2046 | 4,275,263 | 595,000 | 399,625 | 994,625 | 5,269,888 |
| 2047 | 4,285,700 | 625,000 | 369,125 | 994,125 | 5,279,825 |
| 2048 | 4,216,638 | 655,000 | 337,125 | 992,125 | 5,208,763 |
| 2049 | 4,193,206 | 690,000 | 303,500 | 993,500 | 5,186,706 |
| 2050 | 4,212,731 | 725,000 | 268,125 | 993,125 | 5,205,856 |
| 2051 | - | 2,500,000 | 187,500 | 2,687,500 | 2,687,500 |
| 2052 | - | 2,500,000 | 62,500 | 2,562,500 | 2,562,500 |
| Total | $ 103,311,653 | $ 15,000,000 | $ 13,605,083 | $ 28,605,083 | $ 131,916,736 |

(a) Excludes the bonds issued by the District for Defined Area No. 1.

Maximum Annual Debt Service Requirement (2029)..... $5,364,534
Average Annual Debt Service Requirement (2027-2052)..... $5,073,721

## FINANCIAL STATEMENT (UNAUDITED)

| | | |
|---|---|---|
| 2026 Taxable Assessed Valuation | $1,160,450,039 | (a) |
| Estimated Taxable Assessed Valuation as of July 1, 2026 | $1,191,117,035 | (b) |

| | | |
|---|---|---|
| Direct Debt: | | |
| Outstanding Bonds | $69,690,000 | (c) |
| Plus: The Bonds | 15,000,000 | |
| Gross Debt Outstanding | $84,690,000 | |
| Ratios of Gross Debt to: | | |
| 2026 Taxable Assessed Valuation | 7.30% | |
| Estimated Taxable Assessed Valuation as of July 1, 2026 | 7.11% | |

Area of District – 2,421 Acres
Estimated 2026 Population – 15,794 (d)

(a) The "Appraisal District has certified $1,104,084,795 of taxable value within the District as of January 1, 2026. An additional $56,365,244 of taxable value, which represents the owner's opinion of the value of the uncertified value and is subject to review and adjustment prior to certification, remains uncertified. See "TAX PROCEDURES."

(b) Provided by the Appraisal District for informational purposes only. Such amount reflects an estimate of the taxable assessed value within the District on July 1, 2026. Increases in value that occur between January 1, 2026 and July 1, 2026 will be assessed for purposes of taxation on January 1, 2027. See "TAX PROCEDURES."

(c) Excludes the bonds issued by the District for Defined Area No. 1. The Defined Area No. 1 bonds are secured by a tax levied against taxable property located solely within Defined Area No. 1. The District tax securing the Bonds is on a parity within the District tax securing the Defined Area No. 1 bonds.

(d) Based upon 3.5 persons per occupied home and 2.0 persons per condominium and apartment unit.

**Cash and Investment Balances** (unaudited as of September 17, 2026)

| | | | |
|---|---|---|---|
| Capital Projects Fund | Cash and Temporary Investments | $14,735,283 | |
| Operating Fund | Cash and Temporary Investments | $31,258,262 | |
| Debt Service Fund | Cash and Temporary Investments | $ 4,319,116 | (a) |

(a) Neither Texas law nor the Bond Order requires the District to maintain any minimum balance in the Debt Service Fund.

**District Investment Policy**

The District's goal is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Funds of the District are invested either in short term U.S. Treasury obligations or certificates of deposit insured by the Federal Deposit Insurance Corporation or secured by collateral held by a third party institution. The District does not own any long term securities or derivative products in the District's investment portfolio.

**Outstanding Bonds** (excluding bonds issued by the District for Defined Area No. 1)

| Series | Original Principal Amount | Outstanding Bonds |
|---|---|---|
| WWSS Combination U/L Tax & Revenue Refunding Bonds, Series 2016 | $ 3,535,000 | $ 1,210,000 |
| Unlimited Tax Bonds, Series 2016A | 5,500,000 | 5,220,000 |
| Unlimited Tax Bonds, Series 2018 | 4,225,000 | 4,125,000 |
| Unlimited Tax Refunding Bonds, Series 2019 | 2,720,000 | 940,000 |
| Unlimited Tax Bonds, Series 2020A | 7,500,000 | 7,500,000 |
| Unlimited Tax Park Bonds, Series 2020B | 1,410,000 | 1,410,000 |
| Unlimited Tax Bonds, Series 2021 | 20,840,000 | 20,265,000 |
| Unlimited Tax Bonds, Series 2023 | 12,430,000 | 12,130,000 |
| Unlimited Tax Bonds, Series 2025 | 16,890,000 | 16,890,000 |
| Total | $ 75,050,000 | $ 69,690,000 |

## ESTIMATED OVERLAPPING DEBT AND TAX RATES STATEMENT

Expenditures of the various taxing entities which include the territory in the District are paid out of ad valorem taxes levied by such entities on properties within the District. Such entities are independent of the District and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date of such reports, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt allocable to the District.

| Taxing Jurisdiction | Outstanding Bonds | As of | Overlapping Percent | Overlapping Amount |
|---|---|---|---|---|
| Harris County | $ 3,080,611,581 | 8/31/2026 | 0.17% | $ 5,237,040 |
| Harris County Department of Education | 28,960,000 | 8/31/2026 | 0.17% | 49,232 |
| Harris County Flood Control | 1,034,900,000 | 8/31/2026 | 0.17% | 1,759,330 |
| Harris County Hospital District | 1,644,825,000 | 8/31/2026 | 0.17% | 2,796,203 |
| Port of Houston Authority | 386,074,397 | 8/31/2026 | 0.17% | 656,326 |
| Crosby ISD | 170,735,000 | 8/31/2026 | 34.51% | 58,920,649 |
| Defined Area No. 1 | 8,890,000 | (a) | 100.00% | 8,890,000 |
| Total Estimated Overlapping Debt | | | | $ 78,308,779 |
| The District | 84,690,000 | (b) | 100.00% | 84,690,000 |
| Total Direct and Estimated Overlapping Debt | | | | $ 162,998,779 |
| Ratio of Direct and Estimated Overlapping Debt to the 2026 Taxable Assessed Valuation | | | | 14.05% |
| Ratio of Direct and Estimated Overlapping Debt to the Estimated Taxable Assessed Valuation as of July 1, 2026 | | | | 13.68% |

(a) Approximately 188 acres within the District are located within Defined Area No. 1. Includes outstanding Defined Area No. 1 bonds and $2,650,000 principal amount of unlimited tax bonds for water, sewer and drainage facilities within Defined Area No. 1, which are expected to be issued on October 20, 2026. The bonds issued by the District for Defined Area No. 1 are secured solely by ad valorem taxes levied on all taxable property within Defined Area No. 1 and are not secured by taxes levied on any land located within the District outside of the boundaries of Defined Area No. 1.

(b) Includes the Bonds and the Outstanding Bonds, but excludes bonds issued by the District for Defined Area No. 1.

### Overlapping Tax Rates for 2026

| | 2026 Tax Rate per $100 of Taxable Assessed Valuation |
|---|---|
| Harris County (a) | $ 0.676267 |
| Crosby ISD | 1.181100 |
| Harris County ESD No. 80 | 0.060000 |
| Harris County ESD No. 5 | 0.030000 |
| Total Overlapping Tax Rate | $ 1.947367 |
| The District (b)(c) | $ 0.714010 |
| Total Tax Rate | $ 2.661377 |

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

(b) See "TAX DATA—Tax Rate Distribution."

(c) Does not include the 2026 tax rate of $0.68599 per $100 of assessed valuation levied on approximately 188 acres within Defined Area No. 1. The total tax rate in Defined Area No. 1 is $1.40. Does not include the 2026 tax rate of $0.68599 per $100 of assessed valuation levied on approximately 107 acres within Defined Area No. 2. The total tax rate in Defined Area No. 2 is $1.40.

# TAX DATA

## Tax Collections

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

| Tax Year | Taxable Assessed Valuation | Tax Rate | Total Tax Levy | Total Collections as of August 31, 2026 (a) Amount | Percent |
|---|---|---|---|---|---|
| 2021 | $ 800,599,004 | $ 0.6162 | $ 4,933,291 | $ 4,924,815 | 99.83% |
| 2022 | 936,990,772 | 0.6023 | 5,643,495 | 5,633,304 | 99.82% |
| 2023 | 1,051,564,955 | 0.6023 | 6,333,576 | 6,319,622 | 99.78% |
| 2024 | 1,103,084,203 | 0.6226 | 6,867,802 | 6,835,422 | 99.53% |
| 2025 | 1,146,175,935 | 0.6578 | 7,539,545 | 7,378,132 | 97.86% |
| 2026 | 1,160,450,039 | 0.7140 | 8,285,729 | (b) | (b) |

(a) Unaudited.
(b) In process of collection. Taxes for 2026 are due by January 31, 2027.

Taxes are due October 1 and are delinquent after January 31 of the following year. No split payments are allowed, and no discounts are allowed.

## Tax Rate Distribution

| | 2026 | | 2025 | 2024 | 2023 | 2022 |
|---|---|---|---|---|---|---|
| Debt Service | $ 0.44000 | (a) | $ 0.39000 | $ 0.31500 | $ 0.27000 | $ 0.25500 |
| Maintenance and Operations | 0.27401 | (b) | 0.26780 | 0.30760 | 0.33230 | 0.34730 |
| Total | $ 0.71401 | | $ 0.65780 | $ 0.62260 | $ 0.60230 | $ 0.60230 |

(a) Does not include the 2026 debt service tax rate of $0.68599 per $100 of assessed valuation levied in approximately 188 acres within Defined Area No. 1.
(b) Does not include the 2026 maintenance and operations tax rate of $0.68599 per $100 of assessed valuation levied in approximately 107 acres within Defined Area No. 2.

## Tax Rate Limitations

Debt Service: Unlimited (no legal limit as to rate or amount).
Maintenance: Not to exceed $1.00 per $100 of assessed valuation.
See "DEFINED AREAS."

## Debt Service Tax

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. The District levied a debt service tax for 2026 at the rate of $0.44 per $100 of assessed valuation. See "—Tax Rate Distribution" above.

## Maintenance and Operations Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by the District's voters. At an election held May 2, 1998, the Board was authorized to levy such a maintenance tax in an amount not to exceed $1.00 per $100 of assessed valuation and in accordance with the constitution and laws of the state of Texas. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any additional tax bonds which may be issued in the future. The District levied a maintenance and operations tax for 2026 at the rate of $0.27401 per $100 of assessed valuation. See "—Tax Rate Distribution" above and "DEFINED AREAS."

**Defined Area No. 1 Tax**

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of Defined Area No. 1's improvements, if such maintenance tax is authorized by the District's voters. At an election held May 6, 2017, the Board was authorized to levy such a maintenance tax in an unlimited amount in accordance with the constitution and laws of the state of Texas. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, the Defined Area No. 1 bonds, the maintenance tax levied on all taxable property within the District and any additional tax bonds which may be issued in the future. The District levied a debt service tax in Defined Area No. 1 for 2026 at the rate of $0.68599 per $100 of assessed valuation. See "—Tax Rate Distribution" herein and "DEFINED AREAS."

**Defined Area No. 2 Tax**

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the Defined Area No. 2's improvements, if such maintenance tax is authorized by the District's voters. At an election held May 6, 2023, the Board was authorized to levy such a maintenance tax in an unlimited amount in accordance with the constitution and laws of the state of Texas. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, the Defined Area No. 2 bonds, the maintenance tax levied on all taxable property within the District and any additional tax bonds which may be issued in the future. The District levied a maintenance and operations tax in Defined Area No. 2 for 2026 at the rate of $0.68599 per $100 of assessed valuation. See "—Tax Rate Distribution" herein and "DEFINED AREAS."

**Tax Exemptions**

As discussed in the section titled "TAX PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. The District does not exempt any percentage of the market value of any residential homesteads from taxation. For tax year 2026, the District has adopted a $37,500 exemption for persons who are 65 or older and/or disabled.

**Additional Penalties**

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

**Principal Taxpayers**

The following list of principal taxpayers was provided by the District's Tax Assessor/Collector based upon the certified portion ($1,104,084,795) of the 2026 Taxable Assessed Valuation of $1,160,450,039, which reflects ownership at January 1, 2026. Accurate principal taxpayer lists related to the uncertified portion ($56,365,244) of the 2026 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of July 1, 2026 of $1,191,117,035 are not available as of the date hereof.

| Taxpayer | Type of Property | 2026 Certified Taxable Assessed Valuation | % of 2026 Certified Taxable Assessed Valuation |
|---|---|---|---|
| Meridan Peak Holdings | Land & Improvements | $ 7,696,631 | 0.70% |
| Centerpoint Energy Hou Electric | Utilities | 6,231,590 | 0.56% |
| LDG Newport Village LP | Land & Improvements | 3,300,000 | 0.30% |
| Crosby Car Wash | Land & Improvements | 1,966,408 | 0.18% |
| Stonebridge at Newport Inc. | Land & Improvements | 1,866,116 | 0.17% |
| Mass Mutual Asset Finance LLC | Land & Improvements | 1,789,291 | 0.16% |
| Newport Pointe LTD (a) | Land | 1,740,297 | 0.16% |
| Handi Stop No. 98 | Land & Improvements | 1,738,210 | 0.16% |
| Individual | Land & Improvements | 1,401,699 | 0.13% |
| Centerpoint Energy Entex | Utilities | 1,065,850 | 0.10% |
| Total | | $ 28,796,092 | 2.61% |

(a) See "THE DEVELOPERS AND MAJOR LANDOWNER."

**Summary of Assessed Valuation**

The District's certified value as of January 1 of each year is used by the District in establishing its tax rate for the same year. See "TAX PROCEDURES—Levy and Collection of Taxes." The following represents the type of property comprising the District's tax roll for the years 2022 through 2026. Accurate breakdowns related to the uncertified portion ($56,365,244) of the 2026 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of July 1, 2026 of $1,191,117,035 are not available as of the date hereof.

| | 2026 | 2025 | 2024 | 2023 | 2022 |
|---|---|---|---|---|---|
| Land | $ 269,864,501 | $ 275,726,129 | $ 251,865,927 | $ 246,801,647 | $ 203,905,464 |
| Improvements | 924,073,578 | 961,032,081 | 946,047,625 | 971,169,526 | 876,031,000 |
| Personal Property | 15,923,504 | 15,946,751 | 13,800,768 | 12,172,787 | 8,182,764 |
| Exemptions (a) | (105,776,788) | (106,529,026) | (108,630,117) | (178,579,005) | (151,128,456) |
| Uncertified | 56,365,244 | - | - | - | - |
| Total | $ 1,160,450,039 | $ 1,146,175,935 | $ 1,103,084,203 | $ 1,051,564,955 | $ 936,990,772 |

(a) According to the District's Tax Assessor/Collector, the discrepancy in the exemption values for a given year is due to higher market values on certain properties in the District. This can result in greater exemption values for such properties due to the homestead cap on appraised value.

**Tax Adequacy for Debt Service**

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2026 Taxable Assessed Valuation of $1,160,450,039 ($1,104,084,795 of certified value and $56,365,244 of uncertified value), and the Estimated Taxable Assessed Valuation as of July 1, 2026 of $1,191,117,035 and a debt service tax rate necessary to pay the District's average annual and maximum annual debt service requirements on the District's Outstanding Bonds and the Bonds assuming tax collections of ninety-five percent (95%). See "INVESTMENT CONSIDERATIONS—Impact on District Tax Rates."

Average Annual Debt Service Requirement (2027-2052).....$5,073,721
$0.47 Tax Rate on the 2026 Taxable Assessed Valuation.....$5,181,409
$0.45 Tax Rate on Estimated Taxable Assessed Valuation as of July 1, 2026 .....$5,092,025

Maximum Annual Debt Service Requirement (2029).....$5,364,534
$0.49 Tax Rate on the 2026 Taxable Assessed Valuation.....$5,401,895
$0.48 Tax Rate on Estimated Taxable Assessed Valuation as of July 1, 2026 .....$5,431,494

No representations or suggestions are made that the uncertified portion ($56,365,244) of the 2026 Taxable Assessed Valuation or the Estimated Taxable Assessed Valuation as of July 1, 2026 of $1,191,117,035 for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See "TAX PROCEDURES."

## TAX PROCEDURES

**Authority to Levy Taxes**

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

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

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

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

**Property Subject to Taxation by the District**

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, and mobile homes are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; most individually owned automobiles and all intangible personal property. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. For the 2026 tax year, the District has adopted a residential homestead exemption in the amount of $37,500 for persons age 65 and older and disabled persons. Additionally, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 depending on the disability rating of the veteran. 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. See "TAX DATA."

Partially disabled veterans 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. The surviving spouse of a member of the armed forces who was killed or fatally injured in the line of duty is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

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

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

**Tax Abatement**

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

**Valuation of Property for Taxation**

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

The Tax Code permits land designated for agricultural or timber land use to be appraised at its value based on the land's capacity to produce agricultural products or, with respect to timber land, the value based upon accepted income capitalization methods. The 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 of such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of the agricultural, timber land or residential real property appraisal must apply for such appraisal, and the Appraisal District is required to act on each claimant's application individually. If a claimant receives the agricultural or timber land appraisal on land and later changes the land use or sells the land to an unqualified owner, an additional tax is imposed on the land equal to the difference between the taxes imposed on the land for each of the three years preceding the year in which the change of use occurs that the land was appraised as agricultural or timber land and the tax that would have been imposed had the land been taxed on the basis on market value in each of those years. Provisions of the Tax Code are complex and are not fully summarized here.

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

**District and Taxpayer Remedies**

Under certain circumstances taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Tax Code. The Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

**Levy and Collection of Taxes**

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

Certain qualified taxpayers, including owners of residential homesteads, located within a natural disaster area and whose property has been damaged as a direct result of the disaster, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District if the 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 municipal utility districts differently based on their current operation and maintenance tax rate or on the percentage of projected build-out that a district has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per $100 of taxable value are classified herein as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all land, improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by an election held within any of the districts described below.

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

*Developed Districts*: Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.035 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions, plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a 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 imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, are authorized to petition for an election to reduce the operation and maintenance tax rate. If an election is called and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions.

*The District*: A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. For 2026, the District was designated as a "Developing District." The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

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

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "ESTIMATED OVERLAPPING DEBT AND TAX RATES STATEMENT." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; 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, among other collection methods available, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both, subject to the restrictions on residential homesteads described under "—Levy and Collection of Taxes". In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the cost of suit and sale, by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See "INVESTMENT CONSIDERATIONS."

## INVESTMENT CONSIDERATIONS

### General

The Bonds are obligations solely of the District and are not obligations of the City of Houston, Harris County, the State of Texas, or any entity other than the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect taxes levied on taxable property within the District in an amount sufficient to service the District's bonded debt or in the event of foreclosure, on the value of the taxable property in the District and the taxes levied by the District and other taxing authorities upon the property within the District. See "THE BONDS—Source of Payment." The collection by the District of delinquent taxes owed to it and the enforcement by Registered Owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of taxable property within the District will accumulate or maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property or that owners of the property will have the ability to pay taxes. See "—Registered Owners' Remedies and Bankruptcy Limitations" herein.

### Landowners/Developers Obligation to the District

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

### Undeveloped Acreage and Vacant Lots

There are approximately 129 developable acres of land in the District that have not been fully provided with water, sanitary sewer, storm sewer, road and other facilities necessary for the construction of taxable improvements and 808 developed lots that remain vacant. Approximately 451 of the 808 vacant lots are owned by individuals with no intention of building on the lot or may have homes built on two lots. The District makes no representation as to when or if development of the undeveloped acreage will occur or the success of any homebuilding program. Failure of the Developers to develop the developable land or of any builders to construct homes on developed lots could restrict the rate of growth of taxable values in the District. Future increases in value will result primarily from the construction of homes by builders. See "THE DISTRICT—Land Use" and "—Status of Development."

### 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.

### Economic Factors and Interest Rates

A portion of the taxable value of the District results from the current market value of single-family residences, multi-family residences and developed lots which are currently being marketed by the Developers for sale to homebuilders for the construction of residences. The market value of such development is related to general economic conditions in the Houston region and the national economy. The demand for lots and the construction of taxable improvements thereon can be significantly affected by factors such as interest rates, credit availability (see "—Credit Markets and Liquidity in the Financial Markets" below), construction costs and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity could tend to restrict the growth of property values in the District or could adversely impact such values. See "STATUS OF DEVELOPMENT IN THE DISTRICT."

**Credit Markets and Liquidity in the Financial Markets**

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 23 miles from the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A decline in the nation's real estate and financial markets could adversely affect development and home-building plans in the District and restrain the growth or reduce the value of the District's property tax base.

**Competition**

The demand for and construction of single-family homes in the District, which is approximately 23 miles from downtown Houston, could be affected by competition from other residential developments in the northern portion of the Houston area market. In addition to competition for new home sales from other developments, there are numerous previously owned homes in the area of the District. Such homes could represent additional competition for new homes proposed to be sold within the District.

The competitive position of builders in the sale of single-family residential houses within the District is affected by most of the factors discussed in this section. Such a competitive position directly affects the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developers will be implemented or, if implemented, will be successful.

**Impact on District Tax Rates**

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2026 Taxable Assessed Valuation of the District is $1,160,450,039 ($1,104,084,795 of certified value and $56,365,244 of uncertified value). After issuance of the Bonds, the maximum annual debt service requirement will be $5,364,534 (2029) and the average annual debt service requirement will be $5,073,721 (2027-2052, inclusive). Assuming no increase or decrease from the 2026 Taxable Assessed Valuation and no use of funds other than tax collections, a tax rate of $0.49 per $100 of taxable assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of $5,364,534 and a tax rate of $0.47 per $100 of taxable assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of $5,073,721 (see "DEBT SERVICE REQUIREMENTS"). The Estimated Taxable Assessed Valuation as of July 1, 2026, within the District is $1,191,117,035. Assuming no increase or decrease from the Estimated Taxable Assessed Valuation as of July 1, 2026, and a 95% collection rate, tax rates of $0.48 and $0.45 per $100 of taxable assessed valuation would be necessary to pay the maximum annual requirement and average annual requirement, respectively. Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds based upon the 2026 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of July 1, 2026, the District can make no representations regarding the future level of assessed valuation within the District. Increases in taxable values depend primarily on the continuing construction and sale of taxable improvements within the District. See "TAX DATA—Tax Adequacy for Debt Service" and "TAX PROCEDURES."

No representations or suggestions are made that the uncertified portion of the 2026 Taxable Assessed Valuation or the Estimated Taxable Assessed Valuation as of July 1, 2026 for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See "TAX PROCEDURES."

**Future Debt**

The District has reserved in the Bond Order the right to issue obligations other than the Bonds and the Outstanding Bonds, including tax anticipation notes, bond anticipation notes, and to borrow for any valid corporate purpose. Voters within the District have authorized the issuance of $192,960,000 principal amount of unlimited tax bonds for purposes of construction and acquisition of water, sanitary sewer and drainage facilities, of which $105,890,000 of unlimited tax bonds for purposes of construction and acquisition of water, sanitary sewer and drainage facilities remain authorized but unissued after issuance of the Bonds. The future issuance of additional obligations may adversely affect the security for the Bonds and the investment quality and value of the Bonds. The District does not employ any formula with respect to assessed valuation or tax collections and does not otherwise limit the amount of additional bonds or other obligations which may be issued. The issuance of additional unlimited tax bonds (other than refunding bonds), if any, however, is subject to approval by the Commission under guidelines of feasibility established by the Commission.

Voters within Defined Area No. 1 within the District have authorized the issuance of $50,000,000 principal amount of unlimited tax bonds for purposes of construction and acquisition of water, sanitary sewer and drainage facilities to serve Defined Area No. 1. To date, the District has previously issued $6,310,000 principal amount of unlimited tax bonds in two series from the voted authorization related to Defined Area No. 1, of which $6,240,000 principal amount is currently outstanding as of the date hereof. The District expects to issue an additional $2,650,000 principal amount of unlimited tax bonds for water, sewer and drainage facilities within Defined Area No. 1, which are expected to be issued on October 20, 2026. Such bonds are not secured by taxes levied on any land located within the District outside of the boundaries of Defined Area No. 1. Voters within Defined Area No. 2 within the District have authorized the issuance of $55,000,000 principal amount of unlimited tax bonds for purposes of construction and acquisition of water, wastewater and drainage facilities to serve Defined Area No. 2. To date, the District has not issued any unlimited tax bonds from the voted authorization related to Defined Area No. 2. Bonds issued for Defined Area No. 2 are not secured by taxes levied on any land located within the District outside of the boundaries of Defined Area No. 2. See "THE BONDS—Authority for Issuance and Issuance of Additional Debt" and "THE DISTRICT—General."

The District contains approximately 129 developable acres in the District remaining to be developed. The District has fully reimbursed developers for facilities constructed on behalf of the District. However, Defined Area No. 1 and Defined Area No. 2, collectively, will owe approximately $24,600,000 to the Developers in the District for facilities constructed on behalf of Defined Area No. 1 and Defined Area No. 2. The District may issue future bonds for Defined Area No. 1 and Defined Area No. 2 to repay the Developers in accordance with the various contracts between the Developers and the District.

**Potential Effects of Oil Price Fluctuations on the Houston Area**

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

**Extreme Weather Events**

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms, hurricanes and freezes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced multiple storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days and Tropical Storm Imelda, which occurred on September 19, 2019. Several of these weather events have impacted the District as described below.

According to Si Environmental, LLC (the "Operator"), there was no interruption of water and sewer service as a result of Tropical Storm Imelda, but the District did sustain damage to a stormwater pump station and lift station and force main which required emergency repairs. To the knowledge of the District, approximately 75 homes within the District experienced structural flooding or other damage as a result of Tropical Storm Imelda. To date, the District has recovered $188,192 in damages from insurance claims and the claim has been closed.

According to the Operator, there was no interruption of water and sewer service as a result of Hurricane Harvey, but the District did sustain damage to its wastewater treatment plant and control building, the wastewater treatment plant emergency generator, Water Plant No. 1 booster pump and other facilities. The District Operator, on behalf of the District, submitted claims to the District insurance carrier and the District has received approximately $585,443. Any and all damage claims not covered by the District insurance carrier were filed with the Federal Emergency Management Agency ("FEMA"). As of July 31, 2026, the District has received from FEMA funds in the amount of approximately $2,445,693 for a total reimbursement of approximately $3,031,136, which includes reimbursements for mitigation and administration costs associated with the FEMA claim. The total District expense for damages claimed due to Hurricane Harvey was over $1,251,188. To the knowledge of the District, approximately 25 homes within the District experienced structural flooding or other damage as a result of Hurricane Harvey.

According to the Operator, the District suffered damages at multiple locations in the District from the extreme weather caused by Winter Storm Uri beginning on February 14, 2021 and lasting until February 20, 2021. The District pursued insurance reimbursement as well as FEMA reimbursement for the emergency protective measures expense the District incurred. To date, the total cost of emergency protective measures and damages that have been submitted for reimbursement for Winter Storm Uri is $117,348, of which $61,242 has been reimbursed with insurance proceeds. The claim has been closed and additional reimbursement is not expected.

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

**Specific Flood Type Risks**

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 man-made drainage systems (canals or channels) downstream.

**Environmental Regulations**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Subsequently, the EPA and USACE issued a final rule amending the definition of "waters of the United States" under the CWA to conform with the Supreme Court's decision.

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

**Tax Collections Limitations**

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

**Registered Owners' Remedies and Bankruptcy Limitations**

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

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

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

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

A district may not be forced into bankruptcy involuntarily.

**Continuing Compliance with Certain Covenants**

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

**Marketability**

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

**Cybersecurity**

The District's consultants use digital technologies to collect taxes, hold funds and process disbursements. These systems necessarily hold sensitive protected information that is valued on the black market. As a result, the electronic systems and networks of organizations like the District's consultants are considered targets for cyber-attacks and other potential breaches of their systems. To the extent the District is determined to be the party responsible for various electronic systems or suffers a loss of funds due to a security breach, there could be a material adverse effect on the District's finances. Insurance to protect against such breaches is limited.

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

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

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

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

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

## LEGAL MATTERS

### Legal Opinion

The District will furnish the Initial Purchaser a transcript of certain certified proceedings incident to the authorization and issuance of the Bonds. Such transcript will include a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and binding obligations of the District, payable from the proceeds of an annual ad valorem tax levied without limitation as to rate or amount upon all taxable property within the District. The District also will furnish the approving legal opinion of Smith, Murdaugh, Little & Bonham, L.L.P., Houston, Texas, Bond Counsel to the District ("Bond Counsel"), to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium or other similar laws of general application affecting rights of creditors of political subdivisions such as the District. The legal opinion of Bond Counsel will further state that the Bonds, including principal of and interest thereon, are payable from ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property located within the District and that interest on the Bonds is excludable from gross income for federal income tax purposes under existing laws subject to the matters described under the caption which follows entitled "TAX MATTERS."

### Legal Review

In its capacity as Bond Counsel, Smith, Murdaugh, Little & Bonham, L.L.P. has reviewed the information appearing in this Official Statement under the captions "THE BONDS" (except for "—Book-Entry-Only System"), "TAX PROCEDURES," "THE DISTRICT—General," "LEGAL MATTERS," "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" to determine whether such information fairly summarizes the procedures, law and documents referred to therein. Bond Counsel has not, however, independently verified any of the other factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any of the information contained herein. The legal fees to be paid 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 on the sale and delivery of the Bonds. Bond Counsel acts as general counsel for the District on matters other than the issuance of bonds.

### No-Litigation Certificate

The District will furnish to the Initial Purchaser a certificate, dated as of the date of delivery of the Bonds, to the effect that no litigation of any nature has been filed or is then pending or threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

### 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 from that set forth or contemplated in the Preliminary Official Statement, as it may have been supplemented or amended, through the date of sale.

## TAX MATTERS

### Opinion

On the date of initial delivery of the Bonds, Bond Counsel will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof, and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Interest on the Bonds may be excludable in certain corporations "adjusted financial statement income" determined under Section 56A of the Code to calculate the alternative minimum tax imposed by Section 55 of the Code. Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

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

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the District with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

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

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

**Federal Income Tax Accounting Treatment of Original Discount Bonds**

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

Under existing law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

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

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

**Federal Income Tax Accounting Treatment of Premium Bonds**

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

**Collateral Federal Income Tax Consequences**

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, taxpayers qualifying for the health-insurance premium assistance credit, foreign corporations subject to the branch profits tax and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

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

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

**Future and Proposed Legislation**

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

**State, Local and Foreign Taxes**

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

**Not Qualified Tax-Exempt Obligations for Financial Institutions**

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

**Information Reporting and Backup Withholding**

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

## MUNICIPAL BOND RATING

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

The ratings reflect only the view of such organization and the District makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised or withdrawn entirely by S&P, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

## MUNICIPAL BOND INSURANCE

**Bond Insurance Policy**

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

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

**Build America Mutual Assurance Company**

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 28 Liberty Street, 59th Floor, New York, New York 10005, its telephone number is: 212-235-2500, and its website is located at: https://bambonds.com.

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

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

*Capitalization of BAM*

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2026 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $505.6 million, $295.6 million and $210.0 million, respectively.

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

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

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

*Additional Information Available from BAM*

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

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

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

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

## SALE AND DISTRIBUTION OF THE BONDS

### Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was tendered by TD Financial Products LLC (the "Initial Purchaser") bearing the interest rates shown on the cover page hereof, at a price of 98.7678% of the principal amount thereof, which resulted in a net effective interest rate of 5.067927% as calculated pursuant to Chapter 1204 of the Texas Government Code.

### Prices and Marketability

The prices and other terms with respect to the offering and sale of the Bonds may be changed at any 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 offering 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 that stabilize or maintain the market prices of the Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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

### Securities Laws

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

## PREPARATION OF OFFICIAL STATEMENT

### Sources and Compilation of Information

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

**Financial Advisor**

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

> the summaries of the Bond Order, District contracts and provisions of state and federal law contained under the captions "THE BONDS (except "—Book Entry Only System")," "THE DISTRICT—General," "TAX PROCEDURES," "LEGAL MATTERS" and "TAX MATTERS"—Smith, Murdaugh, Little & Bonham, L.L.P.; "STATUS OF DEVELOPMENT IN THE DISTRICT" — Lockwood, Andrews & Newnam, Inc. and Si Environmental, LLC; "THE SYSTEM" — Lockwood, Andrews & Newnam, Inc., "SELECTED FINANCIAL INFORMATION," "ESTIMATED OVERLAPPING DEBT STATEMENT" and "TAX DATA" — Harris Central Appraisal District, Assessments of the Southwest, Inc. and the Municipal Advisory Council of Texas.

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

**Consultants**

In approving this Official Statement, the District has relied upon the following consultants.

*Auditor:* The District's audited financial statements for the year ended December 31, 2025, were prepared by McCall Gibson Swedlund Barfoot Ellis PLLC, Certified Public Accountant. See "APPENDIX A" for a copy of the District's December 31, 2025, audited financial statements.

*Engineer:* The information contained in this Official Statement relating to engineering matters and to the description of the System and, in particular that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM" has been provided by Lockwood, Andrews, and Newnam, Inc., and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

*Appraisal District:* The information contained in this Official Statement relating to the assessed valuations has been provided by the Harris Central Appraisal District and has been included herein in reliance upon the authority of such entity to establish the taxable value of property in Harris County, including the District.

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

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

**Updating the Official Statement**

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

**Certification of Official Statement**

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

## CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following agreement for the benefit of the registered and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). This information will be available to the public without charge through its Electronic Municipal Market Access ("EMMA") internet portal at www.emma.msrb.org.

**Annual Reports**

The District will provide annually to the MSRB certain updated financial information and operating data. The information to be updated includes the quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings "FINANCIAL STATEMENT," "TAX DATA (except for the subsection entitled "—Tax Adequacy for Debt Service")," "THE SYSTEM" and "WATER AND SEWER OPERATIONS" (most of which information is contained in the District's annual audit report) and in APPENDIX A. The District will update and provide this information to the MSRB within six (6) months after the end of each fiscal year ending in or after 2026.

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

The District's current fiscal year end is December 31. Accordingly, it must provide updated information by June 30 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

**Specified Event Notices**

The District will provide timely notices of certain events to the MSRB via EMMA, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District; (13) consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or an obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District

or an obligated person, any of which affect security holders, 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 an obligated person, any of which reflect financial difficulties. The terms "financial obligation" and "material" when used in this paragraph shall have the meanings ascribed to them under federal securities laws. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described under "—Annual Reports."

**Availability of Information from the MSRB**

The District has agreed to provide the foregoing information only to the MSRB. Investors will be able to access, without charge from the MSRB, continuing disclosure information filed with the MSRB at www.emma.msrb.org.

**Limitations and Amendments**

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

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with SEC Rule 15c2-12, taking into account any amendments or interpretations of SEC Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the Registered Owners and Beneficial Owners of the Bonds. 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 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 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 with the following exception: the District timely filed its annual financial operating data for the fiscal year ended December 31, 2024, but such report inadvertently did not include the 2024 top taxpayers for Defined Area No. 1. The District filed a notice of such failure to file on October 1, 2025 and filed the report again to include the 2024 top taxpayers for Defined Area No. 1 on October 1, 2025. The District has adopted procedures to ensure future disclosures are prepared and submitted in a timely manner.

## MISCELLANEOUS

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

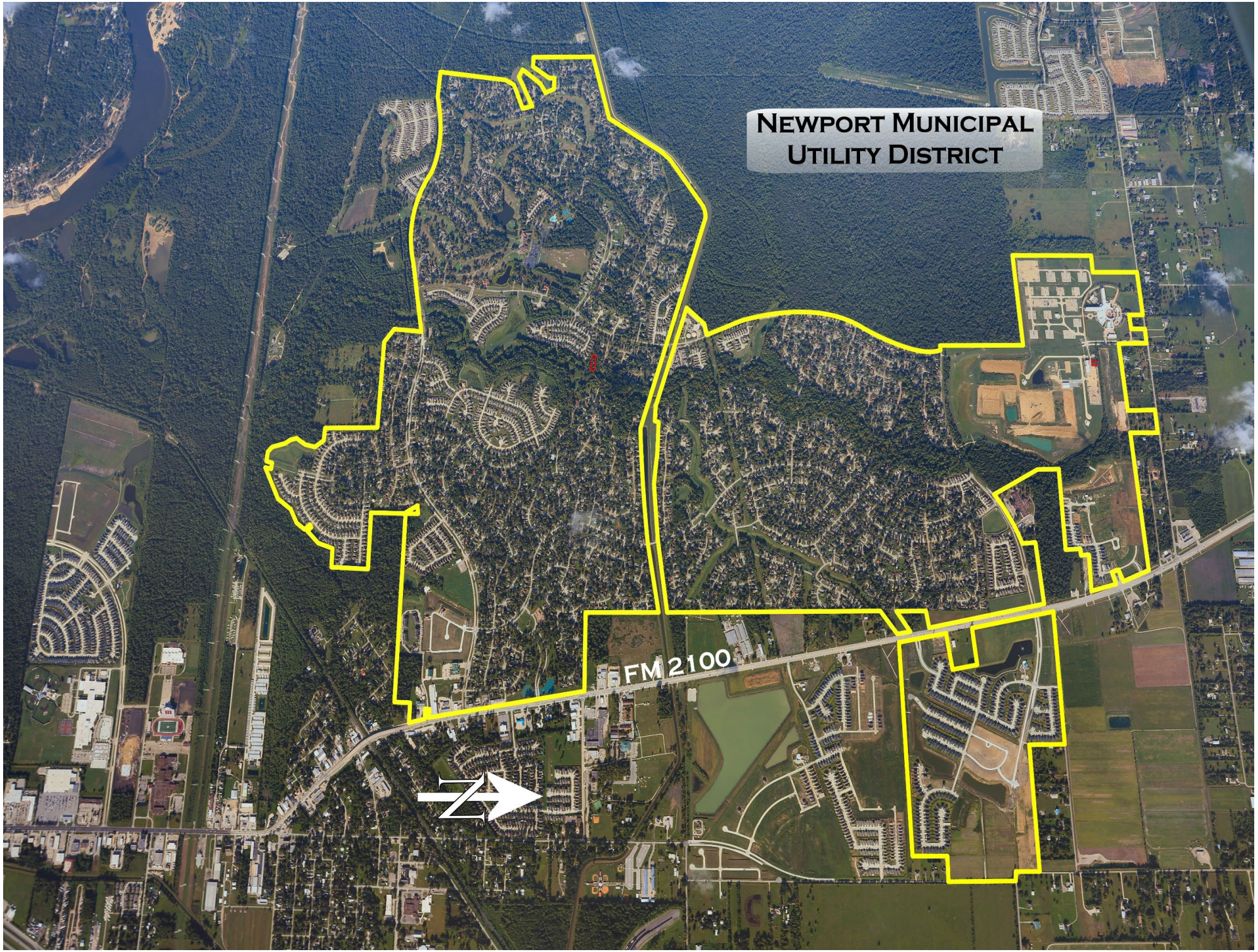
This Official Statement was approved by the Board of Directors of Newport Municipal Utility District, as of the date shown on the cover page.

/s/ DeLonne Johnson
President, Board of Directors

ATTEST:

/s/ Deborah Florus
Secretary, Board of Directors

**AERIAL PHOTOGRAPH**
**(As of September 2026)**


Newport Municipal
Utility District
FM 2100

**PHOTOGRAPHS OF THE DISTRICT**
**(As of September 2026)**






17506






SOLD


SITE SAFETY
DO NOT ENTER
NO TRESPASSING


DRYline
TSX


SPRING HILL VILLAGE
APARTMENT HOMES


15919
Golf Club Dr.
Fairway
Port
Condominiums
1


STEVENS
DENTISTRY



# APPENDIX A

**District Audited Financial Statements for the Fiscal Year Ended December 31, 2025**

# NEWPORT MUNICIPAL UTILITY DISTRICT

**HARRIS COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**DECEMBER 31, 2025**

**McCALL GIBSON SWEDLUND BARFOOT ELLIS PLLC**
Certified Public Accountants

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# *McCall Gibson Swedlund Barfoot Ellis PLLC*

*Certified Public Accountants*

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

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


INDEPENDENT AUDITOR'S REPORT

Board of Directors
Newport Municipal Utility District
Harris County, Texas

**Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of Newport Municipal Utility District (the "District") as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

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

**Responsibilities of Management for the Financial Statements**

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

**Required Supplementary Information**

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

Board of Directors
Newport Municipal Utility District

**Supplementary Information**

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

McCall Gibson Swedlund Barfoot Ellis PLLC

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

April 16, 2026

# NEWPORT MUNICIPAL UTILITY DISTRICT
## MANAGEMENT'S DISCUSSION AND ANALYSIS
## FOR THE YEAR ENDED DECEMBER 31, 2025

Management's discussion and analysis of the financial performance of Newport Municipal Utility District (the "District") provides an overview of the District's financial activities for the fiscal year ended December 31, 2025. Please read it in conjunction with the District's financial statements.

### USING THIS ANNUAL REPORT

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

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

### FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

## FUND FINANCIAL STATEMENTS (Continued)

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

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

## NOTES TO THE FINANCIAL STATEMENTS

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

## OTHER INFORMATION

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $21,066,453 as of December 31, 2025. A portion of the District's net position reflects its net investment in capital assets which includes land and land improvements, construction in progress, equipment, buildings, water, wastewater and drainage facilities and parks less any debt used to acquire those assets that is still outstanding.

The first table on the following page presents a comparative analysis of government-wide changes in net position for the current and prior years.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Summary of Changes in the Statement of Net Position

| | 2025 | 2024 | Change Positive (Negative) |
|---|---|---|---|
| Current and Other Assets | $ 62,734,679 | $ 47,059,603 | $ 15,675,076 |
| Capital Assets (Net of Accumulated Depreciation) | 81,413,176 | 68,033,221 | 13,379,955 |
| Total Assets | $ 144,147,855 | $ 115,092,824 | $ 29,055,031 |
| Deferred Outflows of Resources | $ 207,751 | $ 271,634 | $ (63,883) |
| Due to Developer | $ 29,157,189 | $ 21,318,733 | $ (7,838,456) |
| Bonds Payable | 77,707,718 | 59,462,512 | (18,245,206) |
| Other Liabilities | 7,656,310 | 6,681,363 | (974,947) |
| Total Liabilities | $ 114,521,217 | $ 87,462,608 | $ (27,058,609) |
| Deferred Inflows of Resources | $ 8,767,936 | $ 7,972,870 | $ (795,066) |
| Net Position: | | | |
| Net Investment in Capital Assets | $ (6,418,365) | $ (1,931,159) | $ (4,487,206) |
| Restricted | 2,312,336 | 1,941,489 | 370,847 |
| Unrestricted | 25,172,482 | 19,918,650 | 5,253,832 |
| Total Net Position | $ 21,066,453 | $ 19,928,980 | $ 1,137,473 |

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

Summary of Changes in the Statement of Activities

| | 2025 | 2024 | Change Positive (Negative) |
|---|---|---|---|
| Revenues: | | | |
| Property Taxes | $ 7,180,616 | $ 6,366,308 | $ 814,308 |
| Charges for Services | 7,022,251 | 6,446,860 | 575,391 |
| Other Revenues | 2,944,470 | 2,848,400 | 96,070 |
| Total Revenues | $ 17,147,337 | $ 15,661,568 | $ 1,485,769 |
| Expenses for Services | 16,009,864 | 11,790,867 | (4,218,997) |
| Change in Net Position | $ 1,137,473 | $ 3,870,701 | $ (2,733,228) |
| Net Position, Beginning of Year | 19,928,980 | 16,058,279 | 3,870,701 |
| Net Position, End of Year | $ 21,066,453 | $ 19,928,980 | $ 1,137,473 |

## FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of December 31, 2025, were $50,270,576, an increase of $14,098,238 from the prior year.

The General Fund fund balance increased by $5,021,841, primarily due to service revenues, property tax revenues, and investment revenues exceeding operating, capital, and administrative costs.

The Debt Service Fund fund balance increased by $796,013, primarily due to the structure of the District's outstanding long-term debt.

The Capital Projects Fund fund balance increased by $8,280,384. The increase was due to the proceeds from the issuance of the Series 2025 and Series 2025 Defined Area No. 1 bonds in the current year net of capital outlay costs.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The Board adopts a budget for the General Fund each year. Actual revenues were $1,519,403 more than budgeted revenues and actual expenditures were $585,602 less than budgeted expenditures which resulted in a positive variance compared to budget of $2,105,005.

## CAPITAL ASSETS

Capital assets as of December 31, 2025, totaled $81,413,176 (net of accumulated depreciation) and included land and land improvements, construction in progress, buildings, equipment, parks and the water, wastewater and drainage systems.

Capital Assets At Year-End

| | 2025 | 2024 | Change Positive (Negative) |
|---|---|---|---|
| Capital Assets Not Being Depreciated: | | | |
| Land and Land Improvements | $ 1,475,203 | $ 649,253 | $ 825,950 |
| Construction in Progress | 17,287,796 | 18,115,040 | (827,244) |
| Capital Assets Subject to Depreciation: | | | |
| Buildings and Equipment | 478,489 | 478,489 | |
| Water System | 22,130,953 | 20,331,218 | 1,799,735 |
| Wastewater System | 34,940,159 | 28,328,296 | 6,611,863 |
| Drainage System | 30,124,898 | 23,207,125 | 6,917,773 |
| Parks | 3,882,984 | 3,882,984 | |
| Less: Accumulated Depreciation | (28,907,306) | (26,959,184) | (1,948,122) |
| Total Net Capital Assets | $ 81,413,176 | $ 68,033,221 | $ 13,379,955 |

## LONG-TERM DEBT ACTIVITY

At year end, the District had total bond debt payable of $77,935,000. The changes in the debt position of the District during the current fiscal year are summarized as follows:

| | |
|---|---|
| Bond Debt Payable, January 1, 2025 | $ 59,490,000 |
| Add: Bond Sales | 19,700,000 |
| Less: Bond Principal Paid | (1,255,000) |
| Bond Debt Payable, December 31, 2025 | $ 77,935,000 |

All of the District's bonds carry underlying ratings of "A" from Standard & Poor's except for the Defined Area No. 1's Unlimited Tax Bonds Series 2024 and Series 2025 bonds which are not rated. All of the District's bonds carry insured ratings of "AA" or "AA+" by virtue of bond insurance issued by Assured Guaranty Inc. or Build America Mutual Assurance Company except for the Series 2016A Bonds, and Defined Area Series 2024 Bonds which do not carry insured ratings. Credit enhanced ratings provided through bond insurance policies are subject to change based on changes to the ratings of the insurers.

## CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The adopted budget for fiscal year 2026 projects a General Fund fund balance increase of $2,920,487.

## CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Newport Municipal Utility District, c/o Smith, Murdaugh, Little & Bonham, L.L.P., 2727 Allen Parkway, Suite 1100, Houston, TX 77019.

# NEWPORT MUNICIPAL UTILITY DISTRICT
## STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
## DECEMBER 31, 2025

| | General Fund | Debt Service Fund |
|---|---|---|
| **ASSETS** | | |
| Cash | $ 710,994 | $ 945,017 |
| Investments | 27,131,129 | 2,791,502 |
| Receivables: | | |
| Property Taxes | 2,767,995 | 4,409,467 |
| Penalty and Interest on Delinquent Taxes | | |
| Service Accounts (Net of Allowance for Doubtful Accounts of $215,000) | 887,518 | |
| Leases, Due Within One Year | | |
| Leases, Due After One Year | | |
| Other | | |
| Due from Other Funds | 2,076,110 | |
| Prepaid Costs | 128,727 | |
| Capital Assets: | | |
| Land and Land Improvements | | |
| Construction in Progress | | |
| Capital Assets (Net of Accumulated Depreciation) | | |
| **TOTAL ASSETS** | $ 33,702,473 | $ 8,145,986 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Deferred Charges on Refunding Bonds | $ -0- | $ -0- |
| **TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES** | $ 33,702,473 | $ 8,145,986 |

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

| Capital Projects Fund | Total | Adjustments | Statement of Net Position |
|---|---|---|---|
| $ 8,019 | $ 1,664,030 | $ | $ 1,664,030 |
| 22,057,728 | 51,980,359 | | 51,980,359 |
| | 7,177,462 | | 7,177,462 |
| | | 73,734 | 73,734 |
| | 887,518 | | 887,518 |
| | | 24,087 | 24,087 |
| | | 796,784 | 796,784 |
| | 2,076,110 | (2,076,110) | |
| | 128,727 | 1,978 | 130,705 |
| | | 1,475,203 | 1,475,203 |
| | | 17,287,796 | 17,287,796 |
| | | 62,650,177 | 62,650,177 |
| $ 22,065,747 | $ 63,914,206 | $ 80,233,649 | $ 144,147,855 |
| $ -0- | $ -0- | $ 207,751 | $ 207,751 |
| $ 22,065,747 | $ 63,914,206 | $ 80,441,400 | $ 144,355,606 |

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

# NEWPORT MUNICIPAL UTILITY DISTRICT
## STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
## DECEMBER 31, 2025

| | General Fund | Debt Service Fund |
|---|---|---|
| **LIABILITIES** | | |
| Accounts Payable | $ 275,240 | $ 30,431 |
| Accrued Interest Payable | | |
| Unearned Revenue | 120,484 | |
| Due to Developer | | |
| Due to Other Funds | | 63,180 |
| Security Deposits | 926,611 | |
| Developer Advances | 796,334 | |
| Long-Term Liabilities: | | |
| Bonds Payable, Due Within One Year | | |
| Bonds Payable, Due After One Year | | |
| Note Payable, Due Within One Year | | |
| Note Payable, Due After One Year | | |
| **TOTAL LIABILITIES** | $ 2,118,669 | $ 93,611 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Property Taxes | $ 3,175,326 | $ 5,015,892 |
| Lease Revenues | | |
| **TOTAL DEFERRED INFLOWS OF RESOURCES** | $ 3,175,326 | $ 5,015,892 |
| **FUND BALANCES** | | |
| Nonspendable - Prepaid Costs | $ 128,727 | $ |
| Restricted for Authorized Construction | | |
| Restricted for Debt Service | | 2,880,144 |
| Restricted for Defined Area Activity | 447,388 | 156,339 |
| Committed for Capital Improvements | 2,005,057 | |
| Unassigned | 25,827,306 | |
| **TOTAL FUND BALANCES** | $ 28,408,478 | $ 3,036,483 |
| **TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES** | $ 33,702,473 | $ 8,145,986 |
| **NET POSITION** | | |
| Net Investment in Capital Assets | | |
| Restricted for Debt Service | | |
| Unrestricted | | |
| **TOTAL NET POSITION** | | |

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

| Capital Projects Fund | Total | Adjustments | Statement of Net Position |
|---|---|---|---|
| $ 1,227,202 | $ 1,532,873 | $ | $ 1,532,873 |
| | | 884,471 | 884,471 |
| | 120,484 | 3,375,000 | 3,495,484 |
| | | 29,157,189 | 29,157,189 |
| 2,012,930 | 2,076,110 | (2,076,110) | |
| | 926,611 | | 926,611 |
| | 796,334 | | 796,334 |
| | | 2,005,000 | 2,005,000 |
| | | 75,702,718 | 75,702,718 |
| | | 3,432 | 3,432 |
| | | 17,105 | 17,105 |
| $ 3,240,132 | $ 5,452,412 | $ 109,068,805 | $ 114,521,217 |
| $ | $ 8,191,218 | $ (165,791) | $ 8,025,427 |
| | | 742,509 | 742,509 |
| $ -0- | $ 8,191,218 | $ 576,718 | $ 8,767,936 |
| $ | $ 128,727 | $ (128,727) | $ |
| 18,640,460 | 18,640,460 | (18,640,460) | |
| | 2,880,144 | (2,880,144) | |
| 185,155 | 788,882 | (788,882) | |
| | 2,005,057 | (2,005,057) | |
| | 25,827,306 | (25,827,306) | |
| $ 18,825,615 | $ 50,270,576 | $ (50,270,576) | $ -0- |
| $ 22,065,747 | $ 63,914,206 | | |
| | | $ (6,418,365) | $ (6,418,365) |
| | | 2,312,336 | 2,312,336 |
| | | 25,172,482 | 25,172,482 |
| | | $ 21,066,453 | $ 21,066,453 |

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

# NEWPORT MUNICIPAL UTILITY DISTRICT
## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
## DECEMBER 31, 2025

| | | |
|---|---|---|
| Total Fund Balances - Governmental Funds | | $ 50,270,576 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Prepaid bond insurance in governmental activities is not a current financial resource and, therefore, is not reported as an asset in the governmental funds. | | 1,978 |
| Deferred charges on refunding bonds are not expenditures of the current period. | | 207,751 |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. | | 81,413,176 |
| Leases receivable and the corresponding deferred inflows of resources are reported in the government-wide financial statements in accordance with auditing standards. | | 78,362 |
| Deferred tax revenues and penalty and interest receivable on delinquent taxes for the 2024 and prior tax levies became part of recognized revenue in the governmental activities of the District. | | 239,525 |
| Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of: | | |
| Due to Developer | $ (29,157,189) | |
| Accrued Interest Payable | (884,471) | |
| Unearned Revenue - Payment in Lieu of Taxes | (3,375,000) | |
| Bonds Payable | (77,707,718) | |
| Note Payable | (20,537) | (111,144,915) |
| Total Net Position - Governmental Activities | | $ 21,066,453 |

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

# NEWPORT MUNICIPAL UTILITY DISTRICT
## STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED DECEMBER 31, 2025

| | General Fund | Debt Service Fund |
|---|---|---|
| **REVENUES** | | |
| Property Taxes | $ 3,416,172 | $ 3,738,873 |
| Water Service | 2,664,430 | |
| Wastewater Service | 3,148,248 | |
| San Jacinto River Authority Fees | 209,843 | |
| Penalty and Interest | 93,803 | 51,303 |
| Tap Connection and Inspection Fees | 865,857 | |
| Groundwater Credits | 480,654 | |
| Investment and Miscellaneous Revenues | 1,158,771 | 213,438 |
| **TOTAL REVENUES** | $ 12,037,778 | $ 4,003,614 |
| **EXPENDITURES/EXPENSES** | | |
| Service Operations: | | |
| Professional Fees | $ 507,915 | $ |
| Contracted Services | 3,424,634 | 171,400 |
| Purchased Water Service | 411,903 | |
| Utilities | 293,866 | |
| Repairs and Maintenance | 956,939 | |
| Depreciation | | |
| Bad Debt Expense | 175,000 | |
| Other | 1,095,495 | 33,406 |
| Capital Outlay | 150,185 | |
| Conveyance of Assets | | |
| Developer Interest | | |
| Debt Service: | | |
| Bond Principal | | 1,255,000 |
| Bond Interest | | 1,747,795 |
| Bond Issuance Costs | | |
| **TOTAL EXPENDITURES/EXPENSES** | $ 7,015,937 | $ 3,207,601 |
| **EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES/EXPENSES** | $ 5,021,841 | $ 796,013 |
| **OTHER FINANCING SOURCES (USES)** | | |
| Proceeds from Issuance of Long-Term Debt | $ | $ |
| Bond Discount | | |
| Bond Premium | | |
| **TOTAL OTHER FINANCING SOURCES, NET** | $ -0- | $ -0- |
| **NET CHANGE IN FUND BALANCES** | $ 5,021,841 | $ 796,013 |
| **CHANGE IN NET POSITION** | | |
| **FUND BALANCES/NET POSITION - JANUARY 1, 2025** | 23,386,637 | 2,240,470 |
| **FUND BALANCES/NET POSITION - DECEMBER 31, 2025** | $ 28,408,478 | $ 3,036,483 |

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

| Capital Projects Fund | Total | Adjustments | Statement of Activities |
|---|---|---|---|
| $ | $ 7,155,045 | $ 25,571 | $ 7,180,616 |
| | 2,664,430 | (20,537) | 2,643,893 |
| | 3,148,248 | | 3,148,248 |
| | 209,843 | | 209,843 |
| | 145,106 | 9,304 | 154,410 |
| | 865,857 | | 865,857 |
| | 480,654 | | 480,654 |
| 816,401 | 2,188,610 | 275,206 | 2,463,816 |
| $ 816,401 | $ 16,857,793 | $ 289,544 | $ 17,147,337 |
| $ | $ 507,915 | $ | $ 507,915 |
| | 3,596,034 | | 3,596,034 |
| | 411,903 | | 411,903 |
| | 293,866 | | 293,866 |
| 148,070 | 1,105,009 | | 1,105,009 |
| | | 1,948,122 | 1,948,122 |
| | 175,000 | | 175,000 |
| 26,893 | 1,155,794 | | 1,155,794 |
| 9,912,627 | 10,062,812 | (10,062,812) | |
| | | 2,599,642 | 2,599,642 |
| 435,152 | 435,152 | | 435,152 |
| | 1,255,000 | (1,255,000) | |
| | 1,747,795 | 486,549 | 2,234,344 |
| 1,547,083 | 1,547,083 | | 1,547,083 |
| $ 12,069,825 | $ 22,293,363 | $ (6,283,499) | $ 16,009,864 |
| $ (11,253,424) | $ (5,435,570) | $ 6,573,043 | $ 1,137,473 |
| $ 19,700,000 | $ 19,700,000 | $ (19,700,000) | $ |
| (190,738) | (190,738) | 190,738 | |
| 24,546 | 24,546 | (24,546) | |
| $ 19,533,808 | $ 19,533,808 | $ (19,533,808) | $ -0- |
| $ 8,280,384 | $ 14,098,238 | $ (14,098,238) | $ |
| | | 1,137,473 | 1,137,473 |
| 10,545,231 | 36,172,338 | (16,243,358) | 19,928,980 |
| $ 18,825,615 | $ 50,270,576 | $ (29,204,123) | $ 21,066,453 |

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

# NEWPORT MUNICIPAL UTILITY DISTRICT
## RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2025

| | |
|---|---|
| Net Change in Fund Balances - Governmental Funds | $ 14,098,238 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | |
| Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied. | 25,571 |
| Governmental funds report penalty and interest revenue on property taxes when collected. In governmental activities revenue is recorded when penalties and interest are assessed. | 9,304 |
| In the Statement of Net Position, Developer credits to be applied against future water supplied are recognized as a liability and amortized over the life of the agreement with the Developer, and the current year amortized portion of the credits is recorded in the Statement of Activities. | (20,537) |
| Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities. | (1,948,122) |
| Governmental funds report capital outlay as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is decreased by conveyance of assets. | 7,463,170 |
| In the Statement of Net Position, bond discounts, bond premiums, deferred charges on refundings and bond insurance are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities. | 135,303 |
| Governmental funds report bond principal payments as expenditures. In governmental activities the principal portion of bond payments are reported as decreases in long-term liabilities. | 1,255,000 |
| Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end. | (455,660) |
| Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position. | (19,700,000) |
| Governmental funds report receipts of payments in lieu of taxes as revenues in the period received. However, in the Statement of Net Position, payments in lieu of taxes are recorded as unearned revenue and amortized over 20 years, as defined by the governing agreement. | 251,451 |
| Governmental funds report lease revenues when collected. The net present value of future lease payments are recognized over the term of the lease in governmental activities. | 23,755 |
| Change in Net Position - Governmental Activities | $ 1,137,473 |

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

# NEWPORT MUNICIPAL UTILITY DISTRICT
## NOTES TO THE FINANCIAL STATEMENTS
## DECEMBER 31, 2025

### NOTE 1. CREATION OF DISTRICT

Harris County Municipal Utility District No. 20 ("District No. 20") was created by an Order of the Texas Water Rights Commission, presently known as the Texas Commission on Environmental Quality (the "Commission"), effective December 13, 1972. Harris County Municipal Utility District No. 73 ("District No. 73") was created by an Order of the Texas Water Rights Commission, presently known as the Commission, effective September 13, 1977. Pursuant to the Texas Water Code, two or more districts governed by the provisions of Chapter 54 may be consolidated to form a single district. The Board of Directors of District No. 20 and District No. 73 agreed to consolidate. Effective May 2, 1998, voters within both districts voted to approve the consolidation into Newport Municipal Utility District (the "District"). Effective August 1, 1998, the District was formed. Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on August 26, 1998, and the first bonds of the District were sold on August 31, 1999.

The District is contiguous to Harris County Municipal Utility District No. 19 ("District No. 19"), which was organized at the inception of the Newport Project to own and operate the regional water supply and distribution and sewage collection and treatment facilities to serve all of the municipal utility districts in the Newport Project. District No. 19 operated in that capacity pursuant to a Water Supply Contract by and among District No. 19, Harris County Municipal Utility District No. 74 ("District No. 74"), District No. 20, District No. 73 and Purcell Co., Inc. ("Purcell") (a previous developer in the Newport Project) dated May 1, 1978, as amended, and an Amended and Restated Waste Disposal Agreement by and among District No. 19, District No. 74, District No. 20, District No. 73 and Purcell dated September 1, 1980, as amended. District No. 19 owned and operated the central water supply facilities and wastewater treatment facilities for the benefit of other municipal utility districts that in turn provided retail water and wastewater service for all residential and commercial customers in the Newport Project.

After the consolidation of District No. 20 and District No. 73, the District became the only municipal utility district providing retail water and wastewater service to all residential and commercial customers in the Newport Project. In an effort to increase efficiency and reduce overall costs of administration of operations and maintenance of the water supply and wastewater treatment systems and facilities by eliminating certain duplicative administrative expenses, the District agreed to assume the rights, powers, duties and property of District No. 19. Pursuant to a Contract for Assignment of Rights, Powers and Duties and Transfer of Property, District No. 19 and the District agreed to transfer to the District all of District No. 19's rights,

## NOTE 1. CREATION OF DISTRICT (Continued)

powers and duties with respect to all of the existing central water supply and wastewater treatment facilities owned and operated by District No. 19, along with any future expansions or replacement of the facilities. The assignment and transfer were effective as of December 31, 1998, and since the effective date, District No. 19 has been inactive. Dissolution of District No. 19 occurred in 2016. Currently, the District operates all water supply and wastewater treatment plants and facilities in the Newport Project.

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

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

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

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Financial Statement Presentation (Continued)

- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

Governmental Funds

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

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Governmental Funds (Continued)

The General Fund accounts for resources not required to be accounted for in another fund, customer service revenues, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

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

Property taxes considered available by the District and included in revenue include the 2024 tax levy collections during the period October 1, 2024 to December 31, 2025, and taxes collected from January 1, 2025 to December 31, 2025, for the 2023 and prior tax levies. The 2025 tax levy has been fully deferred to meet the obligations of the District in the 2026 fiscal year.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. The Debt Service Fund owed the General Fund $63,180 for maintenance tax collections and the Capital Projects Fund owed the General Fund $2,012,930 for capital costs.

Service Accounts Receivable

Service account receivables are recorded when billed and represent amounts due from customers within the District's service area. An allowance for uncollectible accounts is established based on management's evaluation of outstanding receivables, historical collection experience, aging of accounts, and current economic conditions. Delinquent accounts are written off against the allowance when management determines that collection is unlikely. Subsequent recoveries of accounts previously written off are recorded as revenue when received. During the year, the District recorded bad debt expense (provision for uncollectible accounts) of $175,000 and had an allowance for uncollectible accounts of $215,000 at December 31, 2025.

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include land and land improvements, construction in progress, equipment, buildings, water, wastewater and drainage systems, and parks, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their acquisition value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than $10,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation over estimated useful lives ranging from 3 to 45 years.

Budgeting

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

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Directors are considered to be wages subject to federal income tax withholding for payroll purposes only.

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.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position. Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources.

Fund balances in governmental funds are classified using the following hierarchy:

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

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

*Committed*: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. During the fiscal years ending 2019, 2020 and 2022, the District collected $2,005,057 in capital project base fees. As of December 31, 2025, this amount has been committed for future capital project improvements. Base fees are no longer included in charges to District customers.

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

*Unassigned*: all other spendable amounts in the General Fund.

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

### NOTE 3. LONG-TERM DEBT

| | Refunding Series 2016 | Series 2016A | Series 2018 | Refunding Series 2019 |
|---|---|---|---|---|
| Amount Outstanding – December 31, 2025 | $ 1,585,000 | $ 5,500,000 | $ 4,225,000 | $ 1,245,000 |
| Interest Rates | 4.00% | 2.125% – 3.000% | 3.000% – 3.625% | 2.00% – 3.00% |
| Maturity Dates – Serially Beginning/Ending | April 1, 2026/2029 | April 1, 2026/2039 | April 1, 2026/2041 | April 1, 2026/2029 |
| Interest Payment Dates | April 1/ October 1 | April 1/ October 1 | April 1/ October 1 | April 1/ October 1 |
| Callable Dates | April 1, 2024* | April 1, 2024* | April 1, 2024* | April 1, 2025* |

| | Series 2020A | Series 2020B | Series 2021 | Series 2023 |
|---|---|---|---|---|
| Amount Outstanding – December 31, 2025 | $ 7,500,000 | $ 1,410,000 | $ 20,840,000 | $ 12,430,000 |
| Interest Rates | 2.25% – 2.75% | 2.25% – 2.75% | 2.00% – 4.50% | 4.00% – 4.50% |
| Maturity Dates – Serially Beginning/Ending | April 1, 2030/2043 | April 1, 2030/2042 | April 1, 2026/2046 | April 1, 2026/2048 |
| Interest Payment Dates | April 1/ October 1 | April 1/ October 1 | April 1/ October 1 | April 1/ October 1 |
| Callable Dates | April 1, 2025* | April 1, 2025* | April 1, 2027* | April 1, 2029* |

* Or any date thereafter, callable at par plus unpaid accrued interest in whole or in part at the option of the District. Series 2016A term bonds due April 1, 2031 are subject to mandatory redemption beginning April 1, 2026. Series 2018 term bonds due April 1, 2030 are subject to mandatory redemption beginning April 1, 2029. Series 2020A term bonds due April 1, 2041 and 2043 are subject to mandatory redemption beginning April 1, 2040 and 2042. Series 2020B term bonds due April 1, 2031, 2033, 2036, 2039 and 2042 are subject to mandatory redemption beginning April 1, 2030, 2032, 2034, 2037 and 2040. Series 2021 term bonds due April 1, 2036, 2044 and 2046 are subject to mandatory redemption beginning April 1, 2035, 2043 and 2045.

**NOTE 3. LONG-TERM DEBT** (Continued)

| | Defined Area Series 2024 | Series 2025 | Defined Area Series 2025 |
|---|---|---|---|
| Amount Outstanding – December 31, 2025 | $ 3,500,000 | $ 16,890,000 | $ 2,810,000 |
| Interest Rates | 4.25% | 4.50% – 7.00% | 4.00% – 6.50% |
| Maturity Dates – Serially Beginning/Ending | April 1, 2026/2050 | April 1, 2027/2050 | April 1, 2027/2051 |
| Interest Payment Dates | April 1/ October 1 | April 1/ October 1 | April 1/ October 1 |
| Callable Dates | April 1, 2031** | April 1, 2032** | April 1, 2032** |

** Or any date thereafter, callable at par plus unpaid accrued interest in whole or in part at the option of the District. The Defined Area Series 2024 term bonds due April 1, 2042 and 2050 are subject to mandatory redemption beginning April 1, 2035 and 2043. The Series 2025 term bonds due April 1, 2038, 2040, 2042, 2044 and 2046 are subject to mandatory redemption beginning April 1, 2037, 2039, 2041, 2043 and 2045. The Defined Area Series 2025 term bonds due April 1, 2036, 2040, 2042, 2044, 2046, 2048 and 2051 are subject to mandatory redemption beginning April 1, 2035, 2039, 2041, 2043, 2045, 2047 and 2049.

Transactions regarding bonds payable for the current year is summarized in the following table:

| | January 1, 2025 | Additions | Retirements | December 31, 2025 |
|---|---|---|---|---|
| Bonds Payable | $ 59,490,000 | $ 19,700,000 | $ 1,255,000 | $ 77,935,000 |
| Unamortized Discounts | (204,603) | (190,738) | (13,596) | (381,745) |
| Unamortized Premiums | 177,115 | 24,546 | 47,198 | 154,463 |
| Bonds Payable, Net | $ 59,462,512 | $ 19,533,808 | $ 1,288,602 | $ 77,707,718 |

| | |
|---|---|
| Amount Due Within One Year | $ 2,005,000 |
| Amount Due After One Year | 75,702,718 |
| Bonds Payable, Net | $ 77,707,718 |

On June 17, 2025, the District closed on the sale of its $16,890,000 Series 2025 Unlimited Tax Bonds. Proceeds from the bond sale were used to reimburse a developer for construction costs (including developer interest) for water, sanitary sewer and drainage facilities. Bond proceeds also funded bond issuance costs and will be used to finance District projects, including water and wastewater system improvements.

**NOTE 3. LONG-TERM DEBT** (Continued)

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

| Fiscal Year | Principal | Interest | Total |
|---|---|---|---|
| 2026 | $ 2,005,000 | $ 2,868,873 | $ 4,873,873 |
| 2027 | 2,220,000 | 2,575,902 | 4,795,902 |
| 2028 | 2,285,000 | 2,494,989 | 4,779,989 |
| 2029 | 2,350,000 | 2,418,809 | 4,768,809 |
| 2030 | 2,360,000 | 2,345,519 | 4,705,519 |
| 2031-2035 | 12,930,000 | 10,618,619 | 23,548,619 |
| 2036-2040 | 15,050,000 | 8,589,613 | 23,639,613 |
| 2041-2045 | 17,675,000 | 6,083,592 | 23,758,592 |
| 2046-2050 | 20,865,000 | 2,528,000 | 23,393,000 |
| 2051 | 195,000 | 4,388 | 199,388 |
| | $ 77,935,000 | $ 40,528,304 | $ 118,463,304 |

At an election held on November 5, 2024, District voters authorized additional bonding authorization of $110,000,000 to be used for water, sewer and drainage system improvements. The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount, and certain bonds are further payable from and secured by a lien on and pledge of the net revenues to be received from the operation of the District's waterworks and sanitary sewer system.

As of December 31, 2025, the District had authorized but unissued bonds in the amount of $120,890,000 for water, sewer and drainage facilities. The District also has authorization to issue bonds for refunding purposes.

During the year ended December 31, 2025, the District levied an ad valorem debt service tax rate of $0.39 per $100 of assessed valuation, which resulted in a tax levy of $4,467,063 on the adjusted taxable valuation of $1,145,400,729 for the 2025 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the District's maintenance tax levy.

See Notes 12 and 13 for bond authorizations and the levy of taxes for Defined Area No. 1 and Defined Area No. 2.

## NOTE 3. LONG-TERM DEBT (Continued)

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

## NOTE 4. SIGNIFICANT BOND ORDERS AND LEGAL REQUIREMENTS

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

The bond resolutions state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data with respect to the District to certain information repositories. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

## NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was $1,664,030 and the bank balance was $1,789,177. Of the bank balance, $982,903 was covered by federal depository insurance and the remaining by pledged collateral held by a third party in the District's name. The District was not exposed to custodial credit risk at year-end.

## NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The carrying values of the deposits as of year end are summarized in the following table:

| | Cash |
|---|---|
| GENERAL FUND | $ 710,994 |
| DEBT SERVICE FUND | 945,017 |
| CAPITAL PROJECTS FUND | 8,019 |
| TOTAL DEPOSITS | $ 1,664,030 |

Investments

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

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

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

**NOTE 5. DEPOSITS AND INVESTMENTS** (Continued)

Investments (Continued)

The District also invests in Texas CLASS, an external investment pool that is not SEC-registered. Texas CLASS invests only in securities allowed by the Public Funds Investment Act and is governed by a board of trustees, elected annually by its participants. Public Trust Advisors, LLC serves as the pool's administrator and investment advisor and UMB Bank, N.A. serves as custodian for the pool. Texas CLASS measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in Texas CLASS at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from Texas CLASS.

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

| Funds and Investment Type | Fair Value | Maturities of Less Than 1 Year |
|---|---|---|
| GENERAL FUND | | |
| TexPool | $ 13,520,777 | $ 13,520,777 |
| Texas CLASS | 13,610,352 | 13,610,352 |
| DEBT SERVICE FUND | | |
| TexPool | 1,539,718 | 1,539,718 |
| Texas CLASS | 1,251,784 | 1,251,784 |
| CAPITAL PROJECTS FUND | | |
| Texas CLASS | 22,057,728 | 22,057,728 |
| TOTAL INVESTMENTS | $ 51,980,359 | $ 51,980,359 |

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District's investments in TexPool and Texas CLASS were rated AAAm by Standard and Poor's. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in TexPool and Texas CLASS to have maturities of less than one year since the share positions can usually be redeemed each day at the discretion of the District unless there have been significant changes in value.

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets. Certain cash and investments are restricted for payment of Defined Area No. 1 and Defined Area No. 2 operations, debt service obligations and the purchase of capital assets.

## NOTE 6. CAPITAL ASSETS

Capital asset activity for the current year is summarized in the following table:

| | January 1, 2025 | Increases | Decreases | December 31, 2025 |
|---|---|---|---|---|
| **Capital Assets Not Being Depreciated** | | | | |
| Land and Land Improvements | $ 649,253 | $ 825,950 | $ | $ 1,475,203 |
| Construction in Progress | 18,115,040 | 5,422,069 | 6,249,313 | 17,287,796 |
| **Total Capital Assets Not Being Depreciated** | $ 18,764,293 | $ 6,248,019 | $ 6,249,313 | $ 18,762,999 |
| **Capital Assets Subject to Depreciation** | | | | |
| Buildings and Equipment | $ 478,489 | $ | $ | $ 478,489 |
| Water System | 20,331,218 | 1,799,735 | | 22,130,953 |
| Wastewater System | 28,328,296 | 6,611,863 | | 34,940,159 |
| Drainage System | 23,207,125 | 6,917,773 | | 30,124,898 |
| Parks | 3,882,984 | | | 3,882,984 |
| **Total Capital Assets Subject to Depreciation** | $ 76,228,112 | $ 15,329,371 | $ - 0 - | $ 91,557,483 |
| **Accumulated Depreciation** | | | | |
| Buildings and Equipment | $ 295,384 | $ 13,403 | $ | $ 308,787 |
| Water System | 11,119,533 | 563,513 | | 11,683,046 |
| Wastewater System | 11,480,050 | 750,218 | | 12,230,268 |
| Drainage System | 1,203,014 | 559,347 | | 1,762,361 |
| Parks | 2,861,203 | 61,641 | | 2,922,844 |
| **Total Accumulated Depreciation** | $ 26,959,184 | $ 1,948,122 | $ - 0 - | $ 28,907,306 |
| **Total Depreciable Capital Assets, Net of Accumulated Depreciation** | $ 49,268,928 | $ 13,381,249 | $ - 0 - | $ 62,650,177 |
| **Total Capital Assets, Net of Accumulated Depreciation** | $ 68,033,221 | $ 19,629,268 | $ 6,249,313 | $ 81,413,176 |

## NOTE 7. MAINTENANCE TAX

At an election held on May 2, 1998, the voters of the District approved the levy and collection of a maintenance tax not to exceed $1.00 per $100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and sanitary sewer system and for any other lawful purpose. During the year ended December 31, 2025, the District levied an ad valorem maintenance tax rate of $0.2678 per $100 of assessed valuation, which resulted in a tax levy of $3,067,382 on the adjusted taxable valuation of $1,145,400,729 for the 2025 tax year.

## NOTE 8. AGREEMENT WITH DEVELOPER

On April 25, 1991, the districts that now form the District executed an agreement with Purcell, the Developer within the District at that time. The agreement provided for the purchase of a tract of land to be used for the surface water treatment plant at a price of $25,000. The districts agreed to provide water on an interim basis up to 24,000,000 gallons a year at a cost of $0.22 per 1,000 gallons of water used by the Newport Country Club Golf Course.

On June 30, 1999, the District executed a First Amendment to Agreement with Stonebridge Properties Corporation (the "Developer"), as successor in interest to Newport Partners and Purcell. The Developer agreed to fund the cost of the distribution line to provide water from a point of connection to the golf course and obtain approval of the San Jacinto River Authority at no cost to the District. The Developer will have a credit applied against the cost of water supplied to the golf course consisting of the $25,000 original cost of the land plus compounded interest of $27,032 from the original contract date to present. As of December 31, 2025, the estimate of credits remaining is $20,537. Future credits are estimated as follows:

| Fiscal Year | Principal | Interest | Total |
|---|---|---|---|
| 2026 | $ 3,432 | $ 1,848 | $ 5,280 |
| 2027 | 3,740 | 1,540 | 5,280 |
| 2028 | 4,077 | 1,203 | 5,280 |
| 2029 | 4,444 | 836 | 5,280 |
| 2030 | 4,844 | 436 | 5,280 |
| | $ 20,537 | $ 5,863 | $ 26,400 |

In certain years, the Developer has taken water in amounts that are less than the total yearly credit amount, and in other years, the Developer has taken water in amounts that are more than the total credit amount. The District's requirement to provide raw water at its cost will terminate on December 31, 2030.

## NOTE 9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The District carries commercial insurance for its fidelity bonds and participates in the Texas Municipal League Intergovernmental Risk Pool (TML) to provide property, general liability, automobile, boiler and machinery, errors and omissions and workers compensation coverage. The District, along with other participating entities, contributes annual amounts determined by TML's management. As claims arise they are submitted and paid by TML. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

## NOTE 10. UNREIMBURSED COSTS

The District has executed Water, Sewer and Drainage Improvement Financing and Construction Contracts with Developers within the District. These agreements provide for the Developers to advance funds for the construction of certain facilities with the agreement that the District will use its best efforts to issue, sell and deliver its bonds on the best available terms as soon as reasonably practical and use the proceeds to reimburse the costs incurred by the Developers. The District will not initiate a sale of bonds to pay the reimbursable costs until the District receives the advice of its financial advisor that two tests are met: 1) the sale of bonds will not necessitate the increase in the District's debt service tax rate beyond certain set amounts, and 2) the assessed valuation of the project and all taxable improvements constructed would independently support the issuance of bonds in one or more series to pay the Developers. The District will apply certain formulas to determine when the District is obligated to issue bonds for the purpose of reimbursing the Developers. The amount to be reimbursed to the Developers is limited by certain financial tests in the contracts and rules of the Commission and may not be the full amount expended by the Developers on behalf of the District.

The following table presents a summary of due to developer transactions for the current year:

| | |
|---|---|
| Due to Developer – January 1, 2025 | $ 21,318,733 |
| Plus: Current Year Additions | 12,505,651 |
| Less: Current Year Payments | (4,667,195) |
| Due to Developer – December 31, 2025 | $ 29,157,189 |

## NOTE 11. WATER SUPPLY CONTRACT

On April 17, 2008, the District entered into a Water Supply Contract ("Contract") with the San Jacinto River Authority (the "Authority"). The Contract states the Authority will provide up to 1,850,000 gallons of untreated surface water per day ("demand quantity") to the District. The District is obligated to pay the Authority for an average daily quantity equal to the demand quantity, whether actually taken by the District or not, at the applicable rate per 1,000 gallons. The rate as of December 31, 2025, was $0.61 per 1,000 gallons. During the current fiscal year, the District paid $411,903 for water purchased in accordance with the Contract. The Contract is in effect for a term of 40 years commencing May 1, 2008.

## NOTE 12. DEFINED AREA NO. 1

On May 11, 2017, the District approved the creation of a defined area encompassing approximately 188 acres within the District ( "Defined Area No. 1"). At an election within Defined Area No. 1, held on May 6, 2017, the voters within Defined Area No. 1 authorized $50,000,000 principal amount of unlimited tax bonds to finance water, wastewater and drainage improvements solely within Defined Area No. 1 and for the further purpose of refunding those bonds, the levy of an unlimited tax in payment of such bonds within Defined Area No. 1 and the levy of an unlimited operation and maintenance tax for facilities authorized by Article XVI, Section 59 of the Texas Constitution within Defined Area No. 1.

To date, $6,310,000 of bonds have been issued leaving remaining bond authorization of $43,690,000 for water, sewer and drainage facilities for Defined Area No. 1. The Series 2024 Defined Area No. 1 Unlimited Tax Bonds and the Series 2025 Defined Area No. 1 Unlimited Tax Bonds are secured solely by ad valorem taxes levied on all taxable property within Defined Area No. 1.

During the year ended December 31, 2025, the District levied an ad valorem debt service tax rate for Defined Area No. 1 of $0.7422 per $100 of assessed valuation, which resulted in a tax levy of $462,240 on the adjusted taxable valuation of $62,279,643 for the 2025 tax year.

On November 25, 2025, the District closed on the sale of its $2,810,000 Series 2025 Defined Area No. 1 Unlimited Tax Bonds. Proceeds from the bond sale were used to reimburse a developer for construction costs (including developer interest) for water, sanitary sewer and drainage facilities. Bond proceeds also funded bond issuance costs.

## NOTE 13. DEFINED AREA NO. 2

On November 17, 2022, the District approved the creation of a defined area encompassing approximately 107 acres within the District ("Defined Area No. 2"). At an election within Defined Area No. 2, held on November 8, 2022, the voters within Defined Area No. 2 authorized $55,000,000 principal amount of unlimited tax bonds to finance water, wastewater and drainage improvements solely within Defined Area No. 2. At an election within Defined Area No. 2 held on May 6, 2023, the voters within Defined Area No. 2 authorized $18,350,000 for the further purpose of refunding those bonds, the levy of an unlimited tax in payment of such bonds within Defined Area No. 2 and the levy of an unlimited operation and maintenance tax for facilities authorized by Article XVI, Section 59 of the Texas Constitution within Defined Area No. 2.

To date, the District has not issued any unlimited tax bonds from the voted authorization related to Defined Area No. 2. Future bonds issued for Defined Area No. 2 will be secured by taxes levied only on land located within the boundaries of Defined Area No. 2.

**NOTE 13. DEFINED AREA NO. 2** (Continued)

During the year ended December 31, 2025, the District levied an ad valorem maintenance tax rate for Defined Area No. 2 of $0.7422 per $100 of assessed valuation, which resulted in a tax levy of $28,742 on the adjusted taxable valuation of $3,872,579 for the 2025 tax year.

**NOTE 14. LEASE AGREEMENTS**

On January 1, 1997, the District entered into a Site Agreement to lease property to a third party for the purpose of constructing and operating a communication facility, including tower structures and related equipment. The term of this Site Agreement was December 31, 2001, with four five-year renewal option periods. On August 16, 2018, the District entered into the First Amendment to Site Agreement which extended the term of the lease for another five additional five-year renewal option periods. Quarterly payments are expected to range from $5,658 to $11,166 for the 96 quarters from fiscal years 2023 to 2046 which encompasses an annual rent expense increase of 3.00% each year. The expected lease termination is December 31, 2046. The discount rate used to calculate the lease receivable and related deferred inflow was 3.00%.

On November 28, 2007, the District entered into a Communications Facilities License Agreement ("CFLA") to provide a third party with facilities for housing and operating certain communications equipment. The term of the CFLA is ten years with four additional five-year option renewal periods. Monthly payments are expected to range from $1,981 to $3,431 for the 180 months from fiscal year 2023 to 2037 which encompasses an annual rent expense increase of 4.00% each year. The expected lease termination is December 31, 2037. The discount rate used to calculate the lease receivable and related deferred inflow was 4.00%.

These agreements are both required to be recorded in the financial statements in accordance with GASB Statement No. 87. The District recognized lease revenue of $45,279 during the current fiscal year which resulted in a year-end balance for deferred inflows of resources of $742,509. The changes in lease receivable during the current fiscal year are summarized in the following table:

| | | |
|---|---|---|
| Lease Receivable, January 1, 2025 | $ | 842,395 |
| Less: Lease Principal Received | | (21,524) |
| Lease Receivable, December 31, 2025 | $ | 820,871 |

Future lease payments are summarized in the table on the following page.

**NOTE 14. LEASE AGREEMENTS** (Continued)

| Fiscal Year | Principal | Interest | Total |
|---|---|---|---|
| 2026 | $ 24,087 | $ 27,383 | $ 51,470 |
| 2027 | 26,808 | 26,473 | 53,281 |
| 2028 | 29,696 | 25,463 | 55,159 |
| 2029 | 32,758 | 24,345 | 57,103 |
| 2030 | 36,007 | 23,112 | 59,119 |
| 2031-2035 | 235,831 | 92,590 | 328,421 |
| 2036-2040 | 208,976 | 48,221 | 257,197 |
| 2041-2045 | 182,872 | 21,679 | 204,551 |
| 2046 | 43,836 | 824 | 44,660 |
| | $ 820,871 | $ 290,090 | $ 1,110,961 |

## NOTE 15. UNEARNED REVENUE

In September 2020, the District received $4,500,000 for a non-taxable entity tap fee. The tap fee was calculated based on the assessed value of certain tracts totaling $37,500,000 and a tax rate of $0.60 per $100 assessed valuation multiplied by the number of years left to retire all of the District's outstanding bonds at the time the exemption was granted by the appraisal district. The District recognized revenue of $225,000 in the current fiscal year which resulted in a year end balance of unearned revenue of $3,375,000. Unearned revenue of $225,000 per year will continue to be recognized each year for the next 15 years.

## NOTE 16. WATER AND WASTEWATER TREATMENT AGREEMENTS

The District has entered into a Water Supply Agreement with Harris County Municipal Utility District No. 578 ("District No. 578") to provide water to District No. 578. District No. 578 is required to construct a water supply line and related facilities from the District to District No. 578. The District is obligated to provide up to, but not more than, 350 ESFCs to District No. 578. Pursuant to such Water Supply Agreement with District No. 578, District No. 578 is obligated to pay the District a total of $1,262 per ESFCs in two equal installments and to make monthly payments for water at 150% of the in-District rate.

The District has also entered into a Wastewater Treatment Agreement with Harris County Municipal Utility District No. 578 to provide wastewater service to District No. 578. District No. 578 is required to construct a sewer line and related facilities from the District to District No. 578. The District is obligated to provide up to, but not more than, 350 ESFCs to District No. 578. District No. 578 is obligated to pay the District a total of $1,738 per ESFCs in two equal installments and to make monthly payments for sewer at 150% of the in-District rate.

# NEWPORT MUNICIPAL UTILITY DISTRICT

## REQUIRED SUPPLEMENTARY INFORMATION

## DECEMBER 31, 2025

# NEWPORT MUNICIPAL UTILITY DISTRICT
## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 2025

| | Original and Final Budget | Actual | Variance Positive (Negative) |
|---|---|---|---|
| **REVENUES** | | | |
| Property Taxes | $ 3,220,994 | $ 3,416,172 | $ 195,178 |
| Water Service | 2,458,800 | 2,664,430 | 205,630 |
| Wastewater Service | 2,520,000 | 3,148,248 | 628,248 |
| San Jacinto River Authority Fees | 178,200 | 209,843 | 31,643 |
| Penalty and Interest | 108,000 | 93,803 | (14,197) |
| Tap Connection and Inspection Fees | 588,000 | 865,857 | 277,857 |
| Groundwater Credits | 287,572 | 480,654 | 193,082 |
| Investment and Miscellaneous Revenues | 1,156,809 | 1,158,771 | 1,962 |
| **TOTAL REVENUES** | $ 10,518,375 | $ 12,037,778 | $ 1,519,403 |
| **EXPENDITURES** | | | |
| Service Operations: | | | |
| Professional Fees | $ 777,008 | $ 507,915 | $ 269,093 |
| Contracted Services | 3,325,767 | 3,424,634 | (98,867) |
| Purchased Water Service | 412,800 | 411,903 | 897 |
| Utilities | 307,732 | 293,866 | 13,866 |
| Repairs and Maintenance | 1,673,880 | 956,939 | 716,941 |
| Other | 1,104,352 | 1,270,495 | (166,143) |
| Capital Outlay | | 150,185 | (150,185) |
| **TOTAL EXPENDITURES** | $ 7,601,539 | $ 7,015,937 | $ 585,602 |
| **NET CHANGE IN FUND BALANCE** | $ 2,916,836 | $ 5,021,841 | $ 2,105,005 |
| **FUND BALANCE - JANUARY 1, 2025** | 23,386,637 | 23,386,637 | |
| **FUND BALANCE - DECEMBER 31, 2025** | $ 26,303,473 | $ 28,408,478 | $ 2,105,005 |

See accompanying independent auditor's report.

# NEWPORT MUNICIPAL UTILITY DISTRICT

## SUPPLEMENTARY INFORMATION – REQUIRED BY THE

## WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

## DECEMBER 31, 2025

# NEWPORT MUNICIPAL UTILITY DISTRICT
## SERVICES AND RATES
## FOR THE YEAR ENDED DECEMBER 31, 2025

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

| | | | | | |
|---|---|---|---|---|---|
| X | Retail Water | | Wholesale Water | X | Drainage |
| X | Retail Wastewater | | Wholesale Wastewater | | Irrigation |
| X | Parks/Recreation | | Fire Protection | | Security |
| X | Solid Waste/Garbage | | Flood Control | | Roads |

| | |
|---|---|
| | Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) |
| | Other (specify): _____ |

### 2. RETAIL SERVICE PROVIDERS

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

The following rates are based on the rate order approved December 5, 2024, and effective January 1, 2025.

| | Minimum Charge | Minimum Usage | Flat Rate Y/N | Rate per 1,000 Gallons over Minimum Use | Usage Levels |
|---|---|---|---|---|---|
| WATER: | $ 35.15 | 4,000 | N | $ 2.80 | 4,001 and up |
| WASTEWATER: | $ 46.69 | 4,000 | N | $ 2.20 | 4,001 and up |
| SURCHARGE: | | | | | |
| Solid Waste/ Garbage | Included in wastewater charges | | | | |
| San Jacinto River Authority | $0.61 per 1,000 gallons | | | | |

District employs winter averaging for wastewater usage? ____ Yes X No

Total monthly charges per 10,000 gallons usage: Water: $51.95 Wastewater: $59.89 Surcharge : $6.10

See accompanying independent auditor's report.

# NEWPORT MUNICIPAL UTILITY DISTRICT
## SERVICES AND RATES
## FOR THE YEAR ENDED DECEMBER 31, 2025

**2. RETAIL SERVICE PROVIDERS** (Continued)

**b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)**

| Meter Size | Total Connections | Active Connections | ESFC Factor | Active ESFCs |
|---|---|---|---|---|
| Unmetered | | | x 1.0 | |
| ≤¾" | 4,497 | 4,419 | x 1.0 | 4,419 |
| 1" | 12 | 12 | x 2.5 | 30 |
| 1½" | | | x 5.0 | |
| 2" | 26 | 26 | x 8.0 | 208 |
| 3" | 2 | 2 | x 15.0 | 30 |
| 4" | 1 | 1 | x 25.0 | 25 |
| 6" | 2 | 2 | x 50.0 | 100 |
| 8" | 11 | 11 | x 80.0 | 880 |
| 10" | | | x 115.0 | |
| Total Water Connections | 4,551 | 4,473 | | 5,692 |
| Total Wastewater Connections | 4,479 | 4,406 | x 1.0 | 4,406 |

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

| | | |
|---|---|---|
| Gallons pumped into system: | 477,504,000 | Water Accountability Ratio: 76.1%<br>(Gallons billed and sold/<br>Gallons pumped) |
| Gallons billed to customers: | 352,652,000 | |
| Total Gallons sold: | 10,605,000 | To: Harris County MUD No. 578 |

See accompanying independent auditor's report.

# NEWPORT MUNICIPAL UTILITY DISTRICT
## SERVICES AND RATES
## FOR THE YEAR ENDED DECEMBER 31, 2025

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

Does the District have Debt Service standby fees? Yes ___ No X

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

** The District no longer assesses standby fees, but is still collecting fees due from prior years.

**5. LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes X No _____

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely _____ Partly _____ Not at all X

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

Entirely X Partly _____ Not at all _____

ETJ in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes _____ No X

See accompanying independent auditor's report.

# NEWPORT MUNICIPAL UTILITY DISTRICT
## GENERAL FUND EXPENDITURES
## FOR THE YEAR ENDED DECEMBER 31, 2025

| | | |
|---|---|---|
| PROFESSIONAL FEES: | | |
| Auditing | $ | 25,000 |
| Engineering | | 351,166 |
| Legal | | 131,749 |
| TOTAL PROFESSIONAL FEES | $ | 507,915 |
| PURCHASED WATER SERVICE | $ | 411,903 |
| CONTRACTED SERVICES: | | |
| Bookkeeping | $ | 59,185 |
| Operations and Billing | | 2,496,935 |
| Solid Waste Disposal | | 868,514 |
| TOTAL CONTRACTED SERVICES | $ | 3,424,634 |
| UTILITIES | $ | 293,866 |
| REPAIRS AND MAINTENANCE | $ | 956,939 |
| ADMINISTRATIVE EXPENDITURES: | | |
| Director Fees, Including Payroll Taxes and Administration | $ | 34,378 |
| Insurance | | 103,829 |
| Dues, Office, Website, and Other | | 58,666 |
| TOTAL ADMINISTRATIVE EXPENDITURES | $ | 196,873 |
| CAPITAL OUTLAY | $ | 150,185 |
| TAP CONNECTIONS | $ | 130,135 |
| OTHER EXPENDITURES: | | |
| Chemicals | $ | 280,463 |
| Monitoring and Testing | | 69,751 |
| Laboratory Fees | | 19,736 |
| Permit Fees | | 33,605 |
| Regulatory Assessment | | 27,292 |
| Sludge Hauling | | 337,640 |
| Bad Debt Expense | | 175,000 |
| TOTAL OTHER EXPENDITURES | $ | 943,487 |
| TOTAL EXPENDITURES | $ | 7,015,937 |

See accompanying independent auditor's report.

# NEWPORT MUNICIPAL UTILITY DISTRICT
## INVESTMENTS
## DECEMBER 31, 2025

| Funds | Identification or Certificate Number | Interest Rate | Maturity Date | Balance at End of Year | Accrued Interest Receivable at End of Year |
|---|---|---|---|---|---|
| GENERAL FUND | | | | | |
| TexPool | XXXX0002 | Varies | Daily | $ 13,520,777 | $ |
| Texas CLASS | XXXX0001 | Varies | Daily | 13,162,964 | |
| Texas CLASS | XXXX0004 | Varies | Daily | 384,459 | |
| Texas CLASS | XXXX0007 | Varies | Daily | 62,929 | |
| TOTAL GENERAL FUND | | | | $ 27,131,129 | $ -0- |
| DEBT SERVICE FUND | | | | | |
| TexPool | XXXX0001 | Varies | Daily | $ 1,539,718 | $ |
| Texas CLASS | XXXX0002 | Varies | Daily | 1,095,445 | |
| Texas CLASS | XXXX0009 | Varies | Daily | 156,339 | |
| TOTAL DEBT SERVICE FUND | | | | $ 2,791,502 | $ -0- |
| CAPITAL PROJECTS FUND | | | | | |
| Texas CLASS | XXXX0003 | Varies | Daily | $ 3,059,178 | $ |
| Texas CLASS | XXXX0005 | Varies | Daily | 477,249 | |
| Texas CLASS | XXXX0006 | Varies | Daily | 5,574,353 | |
| Texas CLASS | XXXX0008 | Varies | Daily | 185,155 | |
| Texas CLASS | XXXX0010 | Varies | Daily | 12,761,793 | |
| TOTAL CAPITAL PROJECTS FUND | | | | $ 22,057,728 | $ -0- |
| TOTAL - ALL FUNDS | | | | $ 51,980,359 | $ -0- |

See accompanying independent auditor's report.

# NEWPORT MUNICIPAL UTILITY DISTRICT
## TAXES LEVIED AND RECEIVABLE
## FOR THE YEAR ENDED DECEMBER 31, 2025

| | Maintenance Taxes - District, Defined Area No. 1 and Defined Area No. 2 | | Debt Service Taxes - District and Defined Area No. 1 | |
|---|---|---|---|---|
| TAXES RECEIVABLE - JANUARY 1, 2025 | $ 3,023,948 | | $ 3,315,049 | |
| Adjustments to Beginning Balance | (3,996) | $ 3,019,952 | (471) | $ 3,314,578 |
| Original 2025 Tax Levy | $ 2,875,602 | | $ 4,537,109 | |
| Adjustment to 2025 Tax Levy | 220,523 | 3,096,125 | 392,193 | 4,929,302 |
| TOTAL TO BE ACCOUNTED FOR | | $ 6,116,077 | | $ 8,243,880 |
| TAX COLLECTIONS: | | | | |
| Prior Years | $ 2,940,751 | | $ 3,227,988 | |
| Current Year | 407,331 | 3,348,082 | 606,425 | 3,834,413 |
| TAXES RECEIVABLE - DECEMBER 31, 2025 | | $ 2,767,995 | | $ 4,409,467 |
| TAXES RECEIVABLE BY YEAR: | | | | |
| 2025 | | $ 2,688,794 | | $ 4,322,877 |
| 2024 | | 40,462 | | 48,887 |
| 2023 | | 10,334 | | 8,087 |
| 2022 | | 5,886 | | 4,322 |
| 2021 | | 3,829 | | 4,714 |
| 2020 | | 3,180 | | 2,792 |
| 2019 | | 3,184 | | 2,913 |
| 2018 | | 2,822 | | 2,549 |
| 2017 | | 2,741 | | 2,649 |
| 2016 and Prior | | 6,763 | | 9,677 |
| TOTAL | | $ 2,767,995 | | $ 4,409,467 |

See accompanying independent auditor's report.

# NEWPORT MUNICIPAL UTILITY DISTRICT
## TAXES LEVIED AND RECEIVABLE
## FOR THE YEAR ENDED DECEMBER 31, 2025

| | 2025 | 2024 | 2023 | 2022 |
|---|---|---|---|---|
| **PROPERTY VALUATIONS - DISTRICT:** | | | | |
| Land | $ 274,546,036 | $ 251,287,366 | $ 243,812,165 | $ 201,526,931 |
| Improvements | 959,285,851 | 944,042,276 | 971,658,500 | 870,978,535 |
| Personal Property | 14,033,028 | 12,658,783 | 11,104,507 | 9,309,475 |
| Exemptions | (102,464,186) | (104,583,762) | (174,978,800) | (144,075,436) |
| **TOTAL DISTRICT** | $ 1,145,400,729 | $ 1,103,404,663 | $ 1,051,596,372 | $ 937,739,505 |
| **PROPERTY VALUATIONS - DEFINED AREA NO. 1:** | | | | |
| Land | $ 22,660,880 | $ 9,406,285 | $ 5,199,085 | $ 3,192,232 |
| Improvements | 44,084,555 | 29,520,216 | | |
| Personal Property | 450,358 | 58,591 | 278 | |
| Exemptions | (4,916,150) | (2,349,013) | (1,208,818) | |
| **TOTAL DEFINED AREA NO. 1** | $ 62,279,643 | $ 36,636,079 | $ 3,990,545 | $ 3,192,232 |
| **PROPERTY VALUATIONS - DEFINED AREA NO. 2:** | | | | |
| Land | $ 3,872,579 | $ 3,920,178 | $ 2,146,602 | N/A |
| Improvements | | | | |
| **TOTAL DEFINED AREA NO. 2** | $ 3,872,579 | $ 3,920,178 | $ 2,146,602 | N/A |

See accompanying independent auditor's report.

# NEWPORT MUNICIPAL UTILITY DISTRICT
## TAXES LEVIED AND RECEIVABLE
## FOR THE YEAR ENDED DECEMBER 31, 2025

| | 2025 | 2024 | 2023 | 2022 |
|---|---|---|---|---|
| TAX RATES PER $100 VALUATION: | | | | |
| **DISTRICT:** | | | | |
| Debt Service | $ 0.3900 | $ 0.3150 | $ 0.2700 | $ 0.2550 |
| Maintenance | 0.2678 | 0.3076 | 0.3323 | 0.3473 |
| **TOTAL DISTRICT** | $ 0.6578 | $ 0.6226 | $ 0.6023 | $ 0.6023 |
| **DEFINED AREA NO. 1:** | | | | |
| Debt Service | $ 0.7422 | $ 0.7774 | $ 0.00 | $ 0.00 |
| Maintenance | 0.00 | 0.00 | 0.7977 | 0.7977 |
| **TOTAL DEFINED AREA NO. 1** | $ 0.7422 | $ 0.7774 | $ 0.7977 | $ 0.7977 |
| **DEFINED AREA NO. 2:** | | | | |
| Maintenance | $ 0.7422 | $ 0.7774 | $ 0.7977 | N/A |
| ADJUSTED TAX LEVY: * | | | | |
| **DISTRICT** | $ 7,534,445 | $ 6,869,798 | $ 7,153,249 | $ 5,648,004 |
| **DEFINED AREA NO. 1** | $ 462,240 | $ 284,809 | $ 31,833 | $ 25,464 |
| **DEFINED AREA NO. 2** | $ 28,742 | $ 30,475 | $ 17,123 | N/A |
| PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED: | | | | |
| **DISTRICT** | 13.29 % | 98.81 % | 99.75 % | 99.82 % |
| **DEFINED AREA NO. 1** | 2.80 % | 97.38 % | 99.43 % | 100.00 % |
| **DEFINED AREA NO. 2** | - % | 100.00 % | 98.83 % | N/A % |

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

See accompanying independent auditor's report.

# NEWPORT MUNICIPAL UTILITY DISTRICT
## LONG-TERM DEBT SERVICE REQUIREMENTS
## DECEMBER 31, 2025

| | SERIES-2016 REFUNDING | | |
|---|---|---|---|
| Due During Fiscal Years Ending December 31 | Principal Due April 1 | Interest Due April 1/ October 1 | Total |
| 2026 | $ 375,000 | $ 55,900 | $ 430,900 |
| 2027 | 385,000 | 40,700 | 425,700 |
| 2028 | 405,000 | 24,900 | 429,900 |
| 2029 | 420,000 | 8,400 | 428,400 |
| 2030 | | | |
| 2031 | | | |
| 2032 | | | |
| 2033 | | | |
| 2034 | | | |
| 2035 | | | |
| 2036 | | | |
| 2037 | | | |
| 2038 | | | |
| 2039 | | | |
| 2040 | | | |
| 2041 | | | |
| 2042 | | | |
| 2043 | | | |
| 2044 | | | |
| 2045 | | | |
| 2046 | | | |
| 2047 | | | |
| 2048 | | | |
| 2049 | | | |
| 2050 | | | |
| 2051 | | | |
| | $ 1,585,000 | $ 129,900 | $ 1,714,900 |

See accompanying independent auditor's report.

# NEWPORT MUNICIPAL UTILITY DISTRICT
## LONG-TERM DEBT SERVICE REQUIREMENTS
## DECEMBER 31, 2025

| | SERIES-2016A | | |
|---|---|---|---|
| Due During Fiscal Years Ending December 31 | Principal Due April 1 | Interest Due April 1/ October 1 | Total |
| 2026 | $ 280,000 | $ 131,706 | $ 411,706 |
| 2027 | 295,000 | 125,597 | 420,597 |
| 2028 | 310,000 | 119,169 | 429,169 |
| 2029 | 325,000 | 112,422 | 437,422 |
| 2030 | 340,000 | 105,356 | 445,356 |
| 2031 | 360,000 | 97,919 | 457,919 |
| 2032 | 375,000 | 89,875 | 464,875 |
| 2033 | 395,000 | 80,966 | 475,966 |
| 2034 | 415,000 | 71,088 | 486,088 |
| 2035 | 435,000 | 60,463 | 495,463 |
| 2036 | 455,000 | 49,338 | 504,338 |
| 2037 | 480,000 | 37,350 | 517,350 |
| 2038 | 505,000 | 23,475 | 528,475 |
| 2039 | 530,000 | 7,950 | 537,950 |
| 2040 | | | |
| 2041 | | | |
| 2042 | | | |
| 2043 | | | |
| 2044 | | | |
| 2045 | | | |
| 2046 | | | |
| 2047 | | | |
| 2048 | | | |
| 2049 | | | |
| 2050 | | | |
| 2051 | | | |
| | $ 5,500,000 | $ 1,112,674 | $ 6,612,674 |

See accompanying independent auditor's report.

# NEWPORT MUNICIPAL UTILITY DISTRICT
## LONG-TERM DEBT SERVICE REQUIREMENTS
## DECEMBER 31, 2025

| | SERIES-2018 | | |
|---|---|---|---|
| Due During Fiscal Years Ending December 31 | Principal Due April 1 | Interest Due April 1/ October 1 | Total |
| 2026 | $ 100,000 | $ 138,438 | $ 238,438 |
| 2027 | 100,000 | 135,438 | 235,438 |
| 2028 | 100,000 | 132,438 | 232,438 |
| 2029 | 50,000 | 130,187 | 180,187 |
| 2030 | 300,000 | 124,937 | 424,937 |
| 2031 | 300,000 | 115,750 | 415,750 |
| 2032 | 300,000 | 106,187 | 406,187 |
| 2033 | 300,000 | 96,437 | 396,437 |
| 2034 | 300,000 | 86,687 | 386,687 |
| 2035 | 300,000 | 76,937 | 376,937 |
| 2036 | 300,000 | 67,000 | 367,000 |
| 2037 | 300,000 | 56,875 | 356,875 |
| 2038 | 300,000 | 46,750 | 346,750 |
| 2039 | 300,000 | 36,437 | 336,437 |
| 2040 | 425,000 | 23,750 | 448,750 |
| 2041 | 450,000 | 8,156 | 458,156 |
| 2042 | | | |
| 2043 | | | |
| 2044 | | | |
| 2045 | | | |
| 2046 | | | |
| 2047 | | | |
| 2048 | | | |
| 2049 | | | |
| 2050 | | | |
| 2051 | | | |
| | $ 4,225,000 | $ 1,382,404 | $ 5,607,404 |

See accompanying independent auditor's report.

# NEWPORT MUNICIPAL UTILITY DISTRICT
## LONG-TERM DEBT SERVICE REQUIREMENTS
## DECEMBER 31, 2025

| | SERIES-2019 REFUNDING | | |
|---|---|---|---|
| Due During Fiscal Years Ending December 31 | Principal Due April 1 | Interest Due April 1/ October 1 | Total |
| 2026 | $ 305,000 | $ 31,250 | $ 336,250 |
| 2027 | 315,000 | 23,475 | 338,475 |
| 2028 | 285,000 | 14,475 | 299,475 |
| 2029 | 340,000 | 5,100 | 345,100 |
| 2030 | | | |
| 2031 | | | |
| 2032 | | | |
| 2033 | | | |
| 2034 | | | |
| 2035 | | | |
| 2036 | | | |
| 2037 | | | |
| 2038 | | | |
| 2039 | | | |
| 2040 | | | |
| 2041 | | | |
| 2042 | | | |
| 2043 | | | |
| 2044 | | | |
| 2045 | | | |
| 2046 | | | |
| 2047 | | | |
| 2048 | | | |
| 2049 | | | |
| 2050 | | | |
| 2051 | | | |
| | $ 1,245,000 | $ 74,300 | $ 1,319,300 |

See accompanying independent auditor's report.

# NEWPORT MUNICIPAL UTILITY DISTRICT
## LONG-TERM DEBT SERVICE REQUIREMENTS
## DECEMBER 31, 2025

| | SERIES-2020A | | |
|---|---|---|---|
| Due During Fiscal Years Ending December 31 | Principal Due April 1 | Interest Due April 1/ October 1 | Total |
| 2026 | $ | $ 192,669 | $ 192,669 |
| 2027 | | 192,669 | 192,669 |
| 2028 | | 192,669 | 192,669 |
| 2029 | | 192,669 | 192,669 |
| 2030 | 395,000 | 188,225 | 583,225 |
| 2031 | 415,000 | 179,113 | 594,113 |
| 2032 | 435,000 | 169,550 | 604,550 |
| 2033 | 450,000 | 159,312 | 609,312 |
| 2034 | 470,000 | 148,387 | 618,387 |
| 2035 | 495,000 | 136,619 | 631,619 |
| 2036 | 515,000 | 123,994 | 638,994 |
| 2037 | 540,000 | 110,469 | 650,469 |
| 2038 | 565,000 | 95,966 | 660,966 |
| 2039 | 590,000 | 80,438 | 670,438 |
| 2040 | 615,000 | 63,869 | 678,869 |
| 2041 | 645,000 | 46,544 | 691,544 |
| 2042 | 670,000 | 28,463 | 698,463 |
| 2043 | 700,000 | 9,625 | 709,625 |
| 2044 | | | |
| 2045 | | | |
| 2046 | | | |
| 2047 | | | |
| 2048 | | | |
| 2049 | | | |
| 2050 | | | |
| 2051 | | | |
| | $ 7,500,000 | $ 2,311,250 | $ 9,811,250 |

See accompanying independent auditor's report.

# NEWPORT MUNICIPAL UTILITY DISTRICT
## LONG-TERM DEBT SERVICE REQUIREMENTS
## DECEMBER 31, 2025

| | SERIES-2020B | | |
|---|---|---|---|
| Due During Fiscal Years Ending December 31 | Principal Due April 1 | Interest Due April 1/ October 1 | Total |
| 2026 | $ | $ 36,481 | $ 36,481 |
| 2027 | | 36,481 | 36,481 |
| 2028 | | 36,481 | 36,481 |
| 2029 | | 36,481 | 36,481 |
| 2030 | 80,000 | 35,582 | 115,582 |
| 2031 | 85,000 | 33,725 | 118,725 |
| 2032 | 90,000 | 31,700 | 121,700 |
| 2033 | 95,000 | 29,504 | 124,504 |
| 2034 | 100,000 | 27,125 | 127,125 |
| 2035 | 105,000 | 24,563 | 129,563 |
| 2036 | 105,000 | 21,938 | 126,938 |
| 2037 | 110,000 | 19,113 | 129,113 |
| 2038 | 115,000 | 16,019 | 131,019 |
| 2039 | 120,000 | 12,787 | 132,787 |
| 2040 | 130,000 | 9,350 | 139,350 |
| 2041 | 135,000 | 5,706 | 140,706 |
| 2042 | 140,000 | 1,925 | 141,925 |
| 2043 | | | |
| 2044 | | | |
| 2045 | | | |
| 2046 | | | |
| 2047 | | | |
| 2048 | | | |
| 2049 | | | |
| 2050 | | | |
| 2051 | | | |
| | $ 1,410,000 | $ 414,961 | $ 1,824,961 |

See accompanying independent auditor's report.

# NEWPORT MUNICIPAL UTILITY DISTRICT
## LONG-TERM DEBT SERVICE REQUIREMENTS
## DECEMBER 31, 2025

| Due During Fiscal Years Ending December 31 | SERIES-2021 Principal Due April 1 | Interest Due April 1/ October 1 | Total |
|---|---|---|---|
| 2026 | $ 575,000 | $ 445,113 | $ 1,020,113 |
| 2027 | 595,000 | 418,787 | 1,013,787 |
| 2028 | 615,000 | 399,250 | 1,014,250 |
| 2029 | 635,000 | 386,750 | 1,021,750 |
| 2030 | 660,000 | 373,800 | 1,033,800 |
| 2031 | 680,000 | 360,400 | 1,040,400 |
| 2032 | 705,000 | 346,550 | 1,051,550 |
| 2033 | 730,000 | 332,200 | 1,062,200 |
| 2034 | 755,000 | 317,350 | 1,072,350 |
| 2035 | 780,000 | 302,000 | 1,082,000 |
| 2036 | 810,000 | 286,100 | 1,096,100 |
| 2037 | 840,000 | 269,600 | 1,109,600 |
| 2038 | 865,000 | 252,550 | 1,117,550 |
| 2039 | 895,000 | 234,950 | 1,129,950 |
| 2040 | 1,100,000 | 215,000 | 1,315,000 |
| 2041 | 1,100,000 | 192,313 | 1,292,313 |
| 2042 | 1,350,000 | 166,281 | 1,516,281 |
| 2043 | 1,450,000 | 136,531 | 1,586,531 |
| 2044 | 1,900,000 | 100,937 | 2,000,937 |
| 2045 | 1,900,000 | 60,562 | 1,960,562 |
| 2046 | 1,900,000 | 20,188 | 1,920,188 |
| 2047 | | | |
| 2048 | | | |
| 2049 | | | |
| 2050 | | | |
| 2051 | | | |
| | $ 20,840,000 | $ 5,617,212 | $ 26,457,212 |

See accompanying independent auditor's report.

# NEWPORT MUNICIPAL UTILITY DISTRICT
## LONG-TERM DEBT SERVICE REQUIREMENTS
## DECEMBER 31, 2025

| | SERIES-2023 | | |
|---|---|---|---|
| Due During Fiscal Years Ending December 31 | Principal Due April 1 | Interest Due April 1/ October 1 | Total |
| 2026 | $ 300,000 | $ 529,850 | $ 829,850 |
| 2027 | 300,000 | 517,850 | 817,850 |
| 2028 | 300,000 | 505,850 | 805,850 |
| 2029 | 300,000 | 493,850 | 793,850 |
| 2030 | 300,000 | 481,850 | 781,850 |
| 2031 | 300,000 | 469,850 | 769,850 |
| 2032 | 300,000 | 457,850 | 757,850 |
| 2033 | 300,000 | 445,850 | 745,850 |
| 2034 | 300,000 | 433,850 | 733,850 |
| 2035 | 300,000 | 421,850 | 721,850 |
| 2036 | 300,000 | 409,850 | 709,850 |
| 2037 | 300,000 | 397,850 | 697,850 |
| 2038 | 300,000 | 385,850 | 685,850 |
| 2039 | 300,000 | 373,663 | 673,663 |
| 2040 | 400,000 | 358,975 | 758,975 |
| 2041 | 400,000 | 341,725 | 741,725 |
| 2042 | 500,000 | 322,037 | 822,037 |
| 2043 | 600,000 | 297,975 | 897,975 |
| 2044 | 930,000 | 263,925 | 1,193,925 |
| 2045 | 1,000,000 | 220,500 | 1,220,500 |
| 2046 | 1,100,000 | 173,250 | 1,273,250 |
| 2047 | 1,650,000 | 111,375 | 1,761,375 |
| 2048 | 1,650,000 | 37,125 | 1,687,125 |
| 2049 | | | |
| 2050 | | | |
| 2051 | | | |
| | $ 12,430,000 | $ 8,452,600 | $ 20,882,600 |

See accompanying independent auditor's report.

# NEWPORT MUNICIPAL UTILITY DISTRICT
## LONG-TERM DEBT SERVICE REQUIREMENTS
## DECEMBER 31, 2025

| Due During Fiscal Years Ending December 31 | DEFINED AREA NO. 1 SERIES-2024 Principal Due April 1 | Interest Due April 1/ October 1 | Total |
|---|---|---|---|
| 2026 | $ 70,000 | $ 147,263 | $ 217,263 |
| 2027 | 75,000 | 144,181 | 219,181 |
| 2028 | 75,000 | 140,994 | 215,994 |
| 2029 | 80,000 | 137,700 | 217,700 |
| 2030 | 85,000 | 134,194 | 219,194 |
| 2031 | 90,000 | 130,475 | 220,475 |
| 2032 | 95,000 | 126,543 | 221,543 |
| 2033 | 100,000 | 122,400 | 222,400 |
| 2034 | 105,000 | 118,044 | 223,044 |
| 2035 | 110,000 | 113,475 | 223,475 |
| 2036 | 115,000 | 108,694 | 223,694 |
| 2037 | 125,000 | 103,594 | 228,594 |
| 2038 | 130,000 | 98,175 | 228,175 |
| 2039 | 135,000 | 92,543 | 227,543 |
| 2040 | 145,000 | 86,593 | 231,593 |
| 2041 | 155,000 | 80,218 | 235,218 |
| 2042 | 160,000 | 73,525 | 233,525 |
| 2043 | 170,000 | 66,513 | 236,513 |
| 2044 | 180,000 | 59,075 | 239,075 |
| 2045 | 190,000 | 51,213 | 241,213 |
| 2046 | 200,000 | 42,925 | 242,925 |
| 2047 | 210,000 | 34,213 | 244,213 |
| 2048 | 220,000 | 25,075 | 245,075 |
| 2049 | 235,000 | 15,406 | 250,406 |
| 2050 | 245,000 | 5,206 | 250,206 |
| 2051 | | | |
| | $ 3,500,000 | $ 2,258,237 | $ 5,758,237 |

See accompanying independent auditor's report.

# NEWPORT MUNICIPAL UTILITY DISTRICT
## LONG-TERM DEBT SERVICE REQUIREMENTS
## DECEMBER 31, 2025

| | SERIES-2025 | | |
|---|---|---|---|
| Due During Fiscal Years Ending December 31 | Principal Due April 1 | Interest Due April 1/ October 1 | Total |
| 2026 | $ | $ 1,045,740 | $ 1,045,740 |
| 2027 | 100,000 | 807,850 | 907,850 |
| 2028 | 135,000 | 799,625 | 934,625 |
| 2029 | 135,000 | 790,175 | 925,175 |
| 2030 | 135,000 | 780,725 | 915,725 |
| 2031 | 135,000 | 771,275 | 906,275 |
| 2032 | 135,000 | 761,825 | 896,825 |
| 2033 | 135,000 | 752,375 | 887,375 |
| 2034 | 135,000 | 742,925 | 877,925 |
| 2035 | 135,000 | 735,163 | 870,163 |
| 2036 | 135,000 | 729,088 | 864,088 |
| 2037 | 135,000 | 723,012 | 858,012 |
| 2038 | 135,000 | 716,938 | 851,938 |
| 2039 | 135,000 | 710,863 | 845,863 |
| 2040 | 250,000 | 702,200 | 952,200 |
| 2041 | 300,000 | 689,825 | 989,825 |
| 2042 | 500,000 | 671,825 | 1,171,825 |
| 2043 | 500,000 | 649,325 | 1,149,325 |
| 2044 | 500,000 | 626,825 | 1,126,825 |
| 2045 | 500,000 | 604,325 | 1,104,325 |
| 2046 | 500,000 | 581,825 | 1,081,825 |
| 2047 | 2,000,000 | 524,325 | 2,524,325 |
| 2048 | 2,100,000 | 429,512 | 2,529,512 |
| 2049 | 3,905,000 | 288,206 | 4,193,206 |
| 2050 | 4,115,000 | 97,731 | 4,212,731 |
| 2051 | | | |
| | $ 16,890,000 | $ 16,733,503 | $ 33,623,503 |

See accompanying independent auditor's report.

# NEWPORT MUNICIPAL UTILITY DISTRICT
## LONG-TERM DEBT SERVICE REQUIREMENTS
## DECEMBER 31, 2025

| | DEFINED AREA NO. 1 SERIES-2025 | | |
|---|---|---|---|
| Due During Fiscal Years Ending December 31 | Principal Due April 1 | Interest Due April 1/ October 1 | Total |
| 2026 | $ | $ 114,463 | $ 114,463 |
| 2027 | 55,000 | 132,874 | 187,874 |
| 2028 | 60,000 | 129,138 | 189,138 |
| 2029 | 65,000 | 125,075 | 190,075 |
| 2030 | 65,000 | 120,850 | 185,850 |
| 2031 | 70,000 | 116,462 | 186,462 |
| 2032 | 75,000 | 111,750 | 186,750 |
| 2033 | 75,000 | 106,875 | 181,875 |
| 2034 | 80,000 | 101,838 | 181,838 |
| 2035 | 85,000 | 97,537 | 182,537 |
| 2036 | 90,000 | 94,038 | 184,038 |
| 2037 | 95,000 | 90,338 | 185,338 |
| 2038 | 100,000 | 86,438 | 186,438 |
| 2039 | 105,000 | 82,205 | 187,205 |
| 2040 | 110,000 | 77,638 | 187,638 |
| 2041 | 115,000 | 72,784 | 187,784 |
| 2042 | 125,000 | 67,534 | 192,534 |
| 2043 | 130,000 | 61,874 | 191,874 |
| 2044 | 135,000 | 55,913 | 190,913 |
| 2045 | 145,000 | 49,613 | 194,613 |
| 2046 | 150,000 | 42,975 | 192,975 |
| 2047 | 160,000 | 35,999 | 195,999 |
| 2048 | 165,000 | 28,688 | 193,688 |
| 2049 | 175,000 | 21,038 | 196,038 |
| 2050 | 185,000 | 12,938 | 197,938 |
| 2051 | 195,000 | 4,388 | 199,388 |
| | $ 2,810,000 | $ 2,041,263 | $ 4,851,263 |

See accompanying independent auditor's report.

# NEWPORT MUNICIPAL UTILITY DISTRICT
## LONG-TERM DEBT SERVICE REQUIREMENTS
## DECEMBER 31, 2025

| Due During Fiscal Years Ending December 31 | ANNUAL REQUIREMENTS FOR ALL SERIES | | |
|---|---|---|---|
| | Total Principal Due | Total Interest Due | Total Principal and Interest Due |
| 2026 | $ 2,005,000 | $ 2,868,873 | $ 4,873,873 |
| 2027 | 2,220,000 | 2,575,902 | 4,795,902 |
| 2028 | 2,285,000 | 2,494,989 | 4,779,989 |
| 2029 | 2,350,000 | 2,418,809 | 4,768,809 |
| 2030 | 2,360,000 | 2,345,519 | 4,705,519 |
| 2031 | 2,435,000 | 2,274,969 | 4,709,969 |
| 2032 | 2,510,000 | 2,201,830 | 4,711,830 |
| 2033 | 2,580,000 | 2,125,919 | 4,705,919 |
| 2034 | 2,660,000 | 2,047,294 | 4,707,294 |
| 2035 | 2,745,000 | 1,968,607 | 4,713,607 |
| 2036 | 2,825,000 | 1,890,040 | 4,715,040 |
| 2037 | 2,925,000 | 1,808,201 | 4,733,201 |
| 2038 | 3,015,000 | 1,722,161 | 4,737,161 |
| 2039 | 3,110,000 | 1,631,836 | 4,741,836 |
| 2040 | 3,175,000 | 1,537,375 | 4,712,375 |
| 2041 | 3,300,000 | 1,437,271 | 4,737,271 |
| 2042 | 3,445,000 | 1,331,590 | 4,776,590 |
| 2043 | 3,550,000 | 1,221,843 | 4,771,843 |
| 2044 | 3,645,000 | 1,106,675 | 4,751,675 |
| 2045 | 3,735,000 | 986,213 | 4,721,213 |
| 2046 | 3,850,000 | 861,163 | 4,711,163 |
| 2047 | 4,020,000 | 705,912 | 4,725,912 |
| 2048 | 4,135,000 | 520,400 | 4,655,400 |
| 2049 | 4,315,000 | 324,650 | 4,639,650 |
| 2050 | 4,545,000 | 115,875 | 4,660,875 |
| 2051 | 195,000 | 4,388 | 199,388 |
| | $ 77,935,000 | $ 40,528,304 | $ 118,463,304 |

See accompanying independent auditor's report.

# NEWPORT MUNICIPAL UTILITY DISTRICT
## CHANGES IN LONG-TERM BOND DEBT
## FOR THE YEAR ENDED DECEMBER 31, 2025

| Description | Original Bonds Issued | Bonds Outstanding January 1, 2025 |
|---|---|---|
| Newport Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2013 | $ 5,295,000 | $ 605,000 |
| Newport Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds - Series 2016 | 3,535,000 | 1,945,000 |
| Newport Municipal Utility District Unlimited Tax Bonds - Series 2016A | 5,500,000 | 5,500,000 |
| Newport Municipal Utility District Unlimited Tax Bonds - Series 2018 | 4,225,000 | 4,225,000 |
| Newport Municipal Utility District Unlimited Tax Refunding Bonds - Series 2019 | 2,720,000 | 1,535,000 |
| Newport Municipal Utility District Unlimited Tax Bonds - Series 2020A | 7,500,000 | 7,500,000 |
| Newport Municipal Utility District Unlimited Tax Park Bonds - Series 2020B | 1,410,000 | 1,410,000 |
| Newport Municipal Utility District Unlimited Tax Bonds - Series 2021 | 20,840,000 | 20,840,000 |
| Newport Municipal Utility District Unlimited Tax Bonds - Series 2023 | 12,430,000 | 12,430,000 |
| Newport Municipal Utility District Defined Area No. 1 Unlimited Tax Bonds - Series 2024 | 3,500,000 | 3,500,000 |
| Newport Municipal Utility District Unlimited Tax Bonds - Series 2025 | 16,890,000 | |
| Newport Municipal Utility District Defined Area No. 1 Unlimited Tax Bonds - Series 2025 | 2,810,000 | |
| TOTAL | $ 86,655,000 | $ 59,490,000 |

See accompanying independent auditor's report.

| Current Year Transactions | | | | |
|---|---|---|---|---|
| | Retirements | | Bonds Outstanding | |
| Bonds Sold | Principal | Interest | December 31, 2025 | Paying Agent |
| $ | $ 605,000 | $ 11,344 | $ - 0 - | The Bank of New York Mellon Trust Company, N.A. Dallas, TX |
| | 360,000 | 70,600 | 1,585,000 | The Bank of New York Mellon Trust Company, N.A. Dallas, TX |
| | | 134,681 | 5,500,000 | The Bank of New York Mellon Trust Company, N.A. Dallas, TX |
| | | 139,938 | 4,225,000 | The Bank of New York Mellon Trust Company, N.A. Dallas, TX |
| | 290,000 | 37,200 | 1,245,000 | The Bank of New York Mellon Trust Company, N.A. Dallas, TX |
| | | 192,669 | 7,500,000 | The Bank of New York Mellon Trust Company, N.A. Dallas, TX |
| | | 36,481 | 1,410,000 | The Bank of New York Mellon Trust Company, N.A. Dallas, TX |
| | | 458,050 | 20,840,000 | The Bank of New York Mellon Trust Company, N.A. Dallas, TX |
| | | 535,850 | 12,430,000 | The Bank of New York Mellon Trust Company, N.A. Dallas, TX |
| | | 130,982 | 3,500,000 | The Bank of New York Mellon Trust Company, N.A. Houston, TX |
| 16,890,000 | | | 16,890,000 | The Bank of New York Mellon Trust Company, N.A. Houston, TX |
| 2,810,000 | | | 2,810,000 | The Bank of New York Mellon Trust Company, N.A. Houston, TX |
| $ 19,700,000 | $ 1,255,000 | $ 1,747,795 | $ 77,935,000 | |

See accompanying independent auditor's report.

# NEWPORT MUNICIPAL UTILITY DISTRICT
## CHANGES IN LONG-TERM BOND DEBT
## FOR THE YEAR ENDED DECEMBER 31, 2025

| Bond Authority: | Tax Bonds | Park Bonds | Defined Area No. 1 Tax Bonds | Defined Area No. 2 Tax Bonds |
|---|---|---|---|---|
| Amount Authorized by Voters | $ 222,110,000 | $ 5,000,000 | $ 50,000,000 | $ 55,000,000 |
| Amount Issued | (101,220,000) | (5,000,000) | (6,310,000) | |
| Remaining to be Issued | $ 120,890,000 | $ - 0 - | $ 43,690,000 | $ 55,000,000 |

| | |
|---|---|
| Debt Service Fund cash and investment balances as of December 31, 2025: | $ 3,736,519 |
| Average annual debt service payment for remaining term of all bond debt: | $ 4,556,281 |

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

Note: The District also has authorization to issue refunding utility bonds as well as Defined Area No. 2 refunding bonds.

See accompanying independent auditor's report.

# NEWPORT MUNICIPAL UTILITY DISTRICT
## COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
## GENERAL FUND - FIVE YEARS

| | Amounts | | |
|---|---|---|---|
| | 2025 | 2024 | 2023 |
| **REVENUES** | | | |
| Property Taxes | $ 3,416,172 | $ 3,512,523 | $ 3,276,407 |
| Water Service | 2,664,430 | 2,562,438 | 2,461,028 |
| Wastewater Service | 3,148,248 | 2,993,957 | 2,980,681 |
| San Jacinto River Authority Fees | 209,843 | 185,341 | 197,052 |
| Capital Project Base Fees | | | |
| Penalty and Interest | 93,803 | 129,005 | 129,778 |
| Tap Connection and Inspection Fees | 865,857 | 537,993 | 557,606 |
| Groundwater Credits | 480,654 | 374,450 | 397,034 |
| Grant Revenues | | | |
| Investment and Miscellaneous Revenues | 1,158,771 | 1,212,650 | 1,043,126 |
| **TOTAL REVENUES** | $ 12,037,778 | $ 11,508,357 | $ 11,042,712 |
| **EXPENDITURES** | | | |
| Professional Fees | $ 507,915 | $ 656,763 | $ 532,328 |
| Contracted Services | 3,424,634 | 3,564,162 | 3,497,793 |
| Purchased Water Service | 411,903 | 392,718 | 376,270 |
| Utilities | 293,866 | 272,407 | 281,262 |
| Repairs and Maintenance | 956,939 | 1,533,522 | 1,199,809 |
| Bad Debt Expense | 175,000 | | |
| Other | 1,095,495 | 1,073,243 | 831,781 |
| Capital Outlay | 150,185 | 799,874 | 623,701 |
| Note Principal and Interest | | 3,944 | 5,280 |
| **TOTAL EXPENDITURES** | $ 7,015,937 | $ 8,296,633 | $ 7,348,224 |
| **EXCESS OF REVENUES OVER EXPENDITURES** | $ 5,021,841 | $ 3,211,724 | $ 3,694,488 |
| **OTHER FINANCING SOURCES** | | | |
| Transfer In | $ | $ | $ |
| Insurance Proceeds | | | |
| **TOTAL OTHER FINANCING SOURCES** | $ - 0 - | $ - 0 - | $ - 0 - |
| **NET CHANGE IN FUND BALANCE** | $ 5,021,841 | $ 3,211,724 | $ 3,694,488 |
| **BEGINNING FUND BALANCE** | 23,386,637 | 20,174,913 | 16,480,425 |
| **ENDING FUND BALANCE** | $ 28,408,478 | $ 23,386,637 | $ 20,174,913 |

See accompanying independent auditor's report.

| | | Percentage of Total Revenues | | | | |
|---|---|---|---|---|---|---|
| 2022 | 2021 | 2025 | 2024 | 2023 | 2022 | 2021 |
| $ 2,247,056 | $ 2,371,145 | 28.4 % | 30.5 % | 29.7 % | 22.4 % | 29.3 % |
| 2,561,512 | 1,802,678 | 22.1 | 22.3 | 22.3 | 25.5 | 22.3 |
| 2,766,567 | 2,632,301 | 26.2 | 26.0 | 27.0 | 27.5 | 32.5 |
| 169,730 | 142,313 | 1.7 | 1.6 | 1.8 | 1.7 | 1.8 |
| 555,000 | | | | | 5.5 | |
| 103,944 | 81,396 | 0.8 | 1.1 | 1.2 | 1.0 | 1.0 |
| 73,625 | 625,217 | 7.2 | 4.7 | 5.0 | 0.7 | 7.7 |
| 321,260 | 323,222 | 4.0 | 3.3 | 3.6 | 3.2 | 4.0 |
| 879,695 | | | | | 8.8 | |
| 367,836 | 117,004 | 9.6 | 10.5 | 9.4 | 3.7 | 1.4 |
| $ 10,046,225 | $ 8,095,276 | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % |
| $ 431,560 | $ 411,334 | 4.3 % | 5.7 % | 4.9 % | 4.4 % | 5.2 % |
| 3,462,406 | 3,399,581 | 28.5 | 31.0 | 31.7 | 34.5 | 42.0 |
| 344,378 | 334,249 | 3.4 | 3.4 | 3.4 | 3.4 | 4.1 |
| 194,795 | 219,113 | 2.4 | 2.4 | 2.5 | 1.9 | 2.7 |
| 1,229,231 | 1,098,928 | 7.9 | 13.3 | 10.9 | 12.2 | 13.6 |
| | | 1.5 | | | | |
| 696,120 | 697,381 | 9.1 | 9.3 | 7.5 | 6.9 | 8.6 |
| | 186,928 | 1.2 | 7.0 | 5.6 | | 2.3 |
| 5,280 | 5,280 | | | | 0.1 | 0.1 |
| $ 6,363,770 | $ 6,352,794 | 58.3 % | 72.1 % | 66.5 % | 63.4 % | 78.6 % |
| $ 3,682,455 | $ 1,742,482 | 41.7 % | 27.9 % | 33.5 % | 36.6 % | 21.4 % |
| $ | $ 250,525 | | | | | |
| 52,274 | 189,540 | | | | | |
| $ 52,274 | $ 440,065 | | | | | |
| $ 3,734,729 | $ 2,182,547 | | | | | |
| 12,745,696 | 10,563,149 | | | | | |
| $ 16,480,425 | $ 12,745,696 | | | | | |

See accompanying independent auditor's report.

# NEWPORT MUNICIPAL UTILITY DISTRICT
## COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
## DEBT SERVICE FUND - FIVE YEARS

| | Amounts | | |
|---|---|---|---|
| | 2025 | 2024 | 2023 |
| **REVENUES** | | | |
| Property Taxes | $ 3,738,873 | $ 2,842,715 | $ 2,396,062 |
| Penalty and Interest | 51,303 | 67,848 | 46,354 |
| Investment and Miscellaneous Revenues | 213,438 | 157,124 | 137,130 |
| **TOTAL REVENUES** | $ 4,003,614 | $ 3,067,687 | $ 2,579,546 |
| **EXPENDITURES** | | | |
| Tax Collection Expenditures | $ 195,881 | $ 137,960 | $ 124,469 |
| Debt Service Principal | 1,255,000 | 1,200,000 | 1,150,000 |
| Debt Service Interest and Fees | 1,756,720 | 1,683,874 | 1,167,144 |
| **TOTAL EXPENDITURES** | $ 3,207,601 | $ 3,021,834 | $ 2,441,613 |
| **EXCESS OF REVENUES OVER EXPENDITURES** | $ 796,013 | $ 45,853 | $ 137,933 |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Proceeds from the Issuance of Bonds | $ - 0 - | $ 148,750 | $ - 0 - |
| **NET CHANGE IN FUND BALANCE** | $ 796,013 | $ 194,603 | $ 137,933 |
| **BEGINNING FUND BALANCE** | 2,240,470 | 2,045,867 | 1,907,934 |
| **ENDING FUND BALANCE** | $ 3,036,483 | $ 2,240,470 | $ 2,045,867 |
| **TOTAL ACTIVE RETAIL WATER CONNECTIONS** | 4,473 | 4,457 | 4,356 |
| **TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS** | 4,406 | 4,434 | 4,299 |

See accompanying independent auditor's report.

| | | Percentage of Total Revenues | | | | |
|---|---|---|---|---|---|---|
| 2022 | 2021 | 2025 | 2024 | 2023 | 2022 | 2021 |
| $ 2,740,033 | $ 2,069,871 | 93.4 % | 92.7 % | 92.9 % | 96.5 % | 97.3 % |
| 62,372 | 41,143 | 1.3 | 2.2 | 1.8 | 2.2 | 1.9 |
| 38,280 | 16,781 | 5.3 | 5.1 | 5.3 | 1.3 | 0.8 |
| $ 2,840,685 | $ 2,127,795 | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % |
| $ 112,530 | $ 123,007 | 4.9 % | 4.5 % | 4.9 % | 4.0 % | 5.8 % |
| 1,105,000 | 1,055,000 | 31.3 | 39.1 | 44.6 | 38.9 | 49.6 |
| 1,256,978 | 772,344 | 43.9 | 54.9 | 45.2 | 44.2 | 36.3 |
| $ 2,474,508 | $ 1,950,351 | 80.1 % | 98.5 % | 94.7 % | 87.1 % | 91.7 % |
| $ 366,177 | $ 177,444 | 19.9 % | 1.5 % | 5.3 % | 12.9 % | 8.3 % |
| $ - 0 - | $ - 0 - | | | | | |
| $ 366,177 | $ 177,444 | | | | | |
| 1,541,757 | 1,364,313 | | | | | |
| $ 1,907,934 | $ 1,541,757 | | | | | |
| 4,233 | 4,201 | | | | | |
| 4,177 | 4,134 | | | | | |

See accompanying independent auditor's report.

# NEWPORT MUNICIPAL UTILITY DISTRICT
## BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
## DECEMBER 31, 2025

District Mailing Address - Newport Municipal Utility District
c/o Smith, Murdaugh, Little & Bonham, L.L.P.
2727 Allen Parkway, Suite 1100
Houston, TX 77019

District Telephone Number - (713) 652-6500

| **Board Members** | Term of Office (Elected or Appointed) | Fees of Office for the year ended December 31, 2025 | Expense Reimbursements for the year ended December 31, 2025 | Title |
|---|---|---|---|---|
| DeLonne Johnson | 05/22<br>05/26<br>(Elected) | $ 5,083 | $ 1,284 | President |
| Margarette Chasteen<br>(Resigned February 2026) | 05/24<br>05/28<br>(Elected) | $ 7,200 | $ 1,430 | Vice President |
| Deborah Florus | 05/22<br>05/26<br>(Elected) | $ 3,536 | $ 972 | Secretary |
| Brandon Lankford | 12/25<br>05/26<br>(Appointed) | $ 221 | $ -0- | Director |
| Gary Hasse | 05/24<br>05/28<br>(Elected) | $ 7,200 | $ -0- | Director |

Notes: 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.

The most recent submission date of the District Registration Form was on December 18, 2025.

The limit on Fees of Office that a Director may receive during a fiscal year is $7,200 as set by Board Resolution on July 23, 2003. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

# NEWPORT MUNICIPAL UTILITY DISTRICT
## BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
## DECEMBER 31, 2025

| **Consultants:** | Date Hired | Fees for the year ended December 31, 2025 | Title |
|---|---|---|---|
| Smith, Murdaugh, Little & Bonham, L.L.P. | 08/01/98 | $ 139,743<br>$ 517,551 | General Counsel/<br>Bond Related |
| McCall Gibson Swedlund Barfoot Ellis PLLC | 12/15/99 | $ 25,000<br>$ 33,000 | Auditor/<br>Bond Related |
| McLennan & Associates | 03/24/04 | $ 66,061<br>$ 11,370 | Bookkeeper<br>Bond Related |
| Lockwood, Andrews and Newman, Inc. | 02/21/19 | $ 1,500,997<br>$ 62,253 | Engineer/<br>Bond Related |
| Masterson Advisors | 04/26/18 | $ 405,643 | Financial Advisor |
| Jorge Diaz | 01/26/17 | $ -0- | Investment Officer |
| Si Environmental (previously Professional Utility Services, Inc.) | 08/01/98 | $ 2,960,730 | Operator |
| Assessments of the Southwest | 08/01/98 | $ 79,953 | Tax Assessor/ Collector |

See accompanying independent auditor's report.

# APPENDIX B
## Specimen Municipal Bond Insurance Policy

# MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: $_____
Member Surplus Contribution: $_____
Total Insurance Payment: $_____

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

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

Email:
claims@buildamerica.com
Address:
1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)

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