

**PRELIMINARY OFFICIAL STATEMENT
DATED OCTOBER 14, 2025**

This Preliminary Official Statement is subject to completion and amendment and is intended solely for the solicitation of initial bids to purchase the Bonds. Upon sale of the Bonds, the Official Statement will be completed and delivered to the Initial Purchaser.

In the opinion of Orrick, Herrington & Sutcliffe, LLP, Special Tax Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Special Tax Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Special Tax Counsel observes that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Special Tax Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

NEW ISSUE-Book-Entry-Only

Rating: Not Rated

\$5,000,000

CROSBY MUNICIPAL UTILITY DISTRICT

(A political subdivision of the State of Texas located within Harris County)

**DEFINED AREA NO. 1 UNLIMITED TAX
BONDS, SERIES 2025**

The bonds (described below) (the "Bonds") are special limited obligations of Crosby Municipal Utility District (the "District") secured solely by a continuing direct annual ad valorem tax levied on all taxable property in the Defined Area No. 1 (the "Defined Area") within the District, and are not obligations of the State of Texas, Harris County, Texas, the City of Houston or any entity other than the District.

Dated: November 1, 2025

Interest Accrual Date: Date of Delivery

Due: August 15, as shown on the inside cover

Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially UMB Bank, N.A., Houston, Texas, (the "Paying Agent/Registrar"). Interest on the Bonds will accrue from the date of delivery (expected November 18, 2025) (the "Delivery Date") and will be payable on February 15 and August 15 of each year commencing February 15, 2026, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity, as shown on inside cover.

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

The District created a defined area within the District pursuant to Texas law comprised of approximately 193.6 acres (the "Defined Area") for the purpose of financing water, sewer and drainage facilities within the Defined Area. The Bonds constitute the second series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing such improvements to serve the Defined Area. Voters in the Defined Area have authorized a total of \$15,000,000 principal amount of Defined Area unlimited tax bonds for acquisition and construction of water, sewer and drainage facilities to serve the Defined Area and refunding such bonds. The District has previously issued \$4,065,000 of such bonds.

Proceeds of the Bonds will be used by the District (i) to reimburse the Developer (as defined herein) for the cost of the remaining portion of Pecan Estates Phase 2 Stormwater Detention Basin (ii) to reimburse the Developer for water, wastewater, and drainage facilities to serve single-family residential development within Pecan Estates Sections 2 and 3 (iii) to capitalize six month of interest on the Bonds and (iv) to pay the costs associated with the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

SEE INSIDE COVER PAGE FOR MATURITY SCHEDULE

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without limitation as to rate or amount, levied upon all taxable property within the Defined Area portion of the District as further described herein. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston or any entity other than the District. The Bonds are subject to special investment risks 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 Orrick, Herrington & Sutcliffe, LLP ("Special Tax Counsel"), Baker Williams Matthiesen LLP, Houston, Texas, ("Bond Counsel"), and Norton Rose Fulbright US, LLP as Disclosure Counsel. Delivery of the Bonds through DTC is expected on or about November 18, 2025.

BIDS DUE ON TUESDAY, OCTOBER 21, 2025, AT 10:15 A.M. HOUSTON, TEXAS TIME

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Due Aug. 15	Principal Amount	Interest Rate	Initial Reoffering Yield ⁽¹⁾	CUSIP Number ⁽²⁾	Due Aug. 15	Principal Amount	Interest Rate	Initial Reoffering Yield ⁽¹⁾	CUSIP Number ⁽²⁾
2026	\$ 160,000				2039	\$ 200,000 ⁽³⁾			
2027	105,000				2040	205,000 ⁽³⁾			
2028	115,000				2041	215,000 ⁽³⁾			
2029	120,000				2042	225,000 ⁽³⁾			
2030	125,000				2043	235,000 ⁽³⁾			
2031	135,000				2044	245,000 ⁽³⁾			
2032	145,000				2045	260,000 ⁽³⁾			
2033	150,000 ⁽³⁾				2046	270,000 ⁽³⁾			
2034	160,000 ⁽³⁾				2047	280,000 ⁽³⁾			
2035	170,000 ⁽³⁾				2048	295,000 ⁽³⁾			
2036	175,000 ⁽³⁾				2049	310,000 ⁽³⁾			
2037	185,000 ⁽³⁾				2050	325,000 ⁽³⁾			
2038	190,000 ⁽³⁾								

- (1) Initial reoffering yield represents the initial offering yield to the public which has been established by the Initial Purchaser (as herein defined) for offers to the public and which 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. Accrued interest will begin from the date of delivery.
- (2) CUSIP Numbers have been assigned to the Bonds by CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc.
- (3) Bonds maturing on or after August 15, 2033, are subject to redemption prior to maturity at the option of the District, in whole or, from time to time, in part, on August 15, 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."

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USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), this document constitutes an Official Statement of the District and with respect to the Bonds that has been deemed "final" by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12(a)(1).

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

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

All of the summaries of the statutes, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the District, 103 West Wahl Street, Crosby, Texas, upon payment of the costs of duplication.

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 "UPDATING OF OFFICIAL STATEMENT."

References to website 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 websites and the information or links contained therein are not incorporated into and are not part of this Official Statement for purposes of, and as the term is defined in, the Rule.

OFFICIAL STATEMENT SUMMARY

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

THE DISTRICT

PURPOSE Crosby Municipal Utility District (the "District"), a political subdivision of the State of Texas, was created by an act of the 59th Legislature, Regular Session, 1965 (compiled as 8280-315, Vernon's Texas Civil Statutes, codified as Chapter 9012 of the Texas Special District Local Laws Code) in order to provide water and sanitary sewer service to the unincorporated community of Crosby. The District currently operates under the provisions of Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes of the State of Texas applicable to municipal utility districts. See "THE DISTRICT."

LOCATION..... The District is a political subdivision of the State of Texas located in northeastern Harris County, Texas approximately 7.8 miles northeast on State Highway 90 from Beltway 8 and 6.4 miles north from Interstate Highway 10, and 9.6 miles south on F.M. 2100 from F.M. 1960. The majority of the District lies within the extraterritorial jurisdiction of the City of Houston. The District contains approximately 2,156 acres of land, of which approximately 1,856 acres are currently developed. See "THE DISTRICT."

DEFINED AREA In 2018, pursuant to Section 54.801 of the Texas Water Code, as amended, the District designated a Defined Area No. 1 (the "Defined Area") over an approximate 193.6-acre tract located within the District. This 193.6-acre area comprises the Pecan Estates Subdivision. Murff Castle Estates LLC (the "Developer") has constructed water, sewer, and drainage facilities, within the Defined Area. The District has agreed to reimburse the Developer for a portion of these costs, plus interest, from the proceeds of bond issuances that are secured by ad valorem taxes collected solely from the Defined Area. As described below, the development within the Defined Area, Pecan Estates, is a residential development located on the west side of the District and has an ultimate build-out of 542 single-family lots. The development is separated into five sections. Pecan Estates, Section 1 includes 148 residential lots. Pecan Estates, Section 2 includes 69 residential lots. Pecan Estates, Section 3 includes 161 residential lots. Pecan Estates, Section 4 includes 68 residential lots. Pecan Estates Section 5 includes 96 lots. To date 303 homes have been constructed, 24 homes are under construction and 51 developed lots are vacant in the Defined Area. Homes range in value from approximately \$235,000 to \$389,000 as of the 2025 tax year.

The District levies taxes that are imposed on the entirety of the District, including the Defined Area (the "District-Wide Tax") and taxes that are imposed on the Defined Area only (the "Defined Area Tax"). District-Wide Taxes levied by the District cannot be used to pay debt service on the Bonds. For tax year 2024, the District levied a District-Wide Tax that consisted of a debt service tax of \$0.3100 per \$100 of Assessed Valuation. In addition, for 2024, the District levied a Defined Area Tax that consisted of a maintenance tax of \$0.1924 and a debt service tax of \$0.6676 for a total of \$0.8600 per \$100 of Assessed Valuation. Property owners in the Defined Area must pay the District-Wide Tax and the Defined Area Tax. The District anticipates levying a tax year 2025 District-Wide Tax of \$0.28 per \$100 of Assessed Valuation and a Defined Area Tax of approximately \$0.76 per \$100 of Assessed Valuation for debt service and approximately \$0.10 per \$100 Assessed Valuation for maintenance and operations, for a total Defined Area tax rate of \$0.86. The tax rate for tax year 2025 is expected to be set in October.

THE DEVELOPER Murff Castle Estates, LLC, a Texas limited liability company (the "Developer") is developing approximately 542 single family lots in a subdivision named Pecan Estates within the Defined Area. Castlerock Communities LLC is building homes within Pecan Estates. There are 303 completed homes, 24 homes under construction and 51 vacant lots in Sections 1, 2 and 3.

PAYMENT RECORD The District has previously issued nine series of unlimited tax bonds, and two series of unlimited tax refunding bonds, of which a total of \$16,305,000 principal amount remained outstanding as of September, 2025 (the "Outstanding Bonds"). In addition to the Outstanding Bonds, the District has also previously issued five series of revenue bonds, of which there was no principal amount outstanding as of October 14, 2025 (the "Revenue Bonds"). The District has never defaulted in payment of principal and interest on the Outstanding Bonds or on the Revenue Bonds.

CHARACTERISTICS The District encompasses the unincorporated community of Crosby, Texas, which has the appearance and characteristics of a small town. Commercial and retail establishments include restaurants, banks, shopping centers and several industrial facilities. The District is currently providing utility service to approximately 1,854 residential, commercial and institutional metered connections, which are estimated to be equivalent to approximately 2,085 single family connections. See "THE DISTRICT."

THE FINANCING

- THE ISSUER**..... Crosby Municipal Utility District (the "District"), a political subdivision of the State of Texas, is located in Harris County, Texas. See "THE DISTRICT."
- THE ISSUE**..... \$5,000,000 Crosby Municipal Utility District, Defined Area No. 1 Unlimited Tax Bonds, Series 2025, dated November 1, 2025. Interest on the Bonds will accrue from the Date of Delivery. The Bonds mature serially on August 15 in each of the years 2026 through 2050, inclusive, in the respective principal amounts and bearing interest at the rates shown on the inside cover hereof. The Initial Purchaser of the Bonds may designate one or more maturities as a Term Bond (the "Term Bonds") subject to mandatory redemption. The Bonds maturing on or after August 15, 2033, are subject to optional redemption, in whole or, from time to time, in part, on August 15, 2032, or on any date thereafter, at a price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption. The Bonds will be issued in fully registered form only, in denominations of \$5,000 or any integral multiple thereof. See "THE BONDS" and "DEFINED AREA NO. 1."
- SOURCE OF PAYMENT**..... The Bonds are payable from a continuing direct annual ad valorem tax, without legal limit as to rate or amount, levied against all taxable property within the Defined Area within the District. See "THE BONDS—SOURCE AND SECURITY FOR PAYMENT." The District-Wide Tax levied by the District cannot be used to pay debt service on the Bonds.
- USE OF PROCEEDS** Proceeds of the Bonds will be used by the District (i) to reimburse the Developer (as defined herein) for the cost of the remaining portion of Pecan Estates Phase 2 Stormwater Detention Basin (ii) to reimburse the Developer for water, wastewater, and drainage facilities to serve single-family residential development within Pecan Estates Sections 2 and 3 (iii) to capitalize six month of interest on the Bonds and (iv) to pay the costs associated with the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
- DEFINED AREA**
- PAYMENT RECORD**..... The Bonds are the second series of Defined Area bonds issued by the District. The District previously issued its Defined Area No.1 Unlimited Tax Bonds, Series 2022 in the principal amount of \$4,065,000 (the "Defined Area Prior Bonds"). The District has never defaulted on payment of the Defined Area Prior Bonds.
- BOOK-ENTRY-ONLY**..... 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**..... At an election held within the District on November 6, 2018, voters of the District within the Defined Area authorized a total of \$15,000,000 in bonds for purposes of construction and acquisition of water, sewer and drainage facilities to serve the Defined Area. After issuance of the Bonds, \$5,935,000 will remain as authorized but unissued bonds to serve the Defined Area. See "THE BONDS -ISSUANCE OF ADDITIONAL DEBT" and "DEFINED AREA NO. 1."
- MUNICIPAL BOND RATING** ... The District has made no application for a municipal bond rating of the Bonds, nor is it expected that the District would have been successful in receiving an investment grade rating had such an application been made.
- TAX EXEMPTION**..... In the opinion of Orrick, Herrington & Sutcliffe, LLP ("Special Tax Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Special Tax Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Special Tax Counsel observes that interest on the Bonds included in adjusted financial statement income of certain corporation is not excluded from the federal corporate alternative minimum tax. Special Tax Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

NOT QUALIFIED TAX-EXEMPT

OBLIGATIONS The District has not designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See "TAX MATTERS - QUALIFIED TAX-EXEMPT OBLIGATIONS."

BOND COUNSEL Baker Williams Matthiesen LLP, Houston, Texas

SPECIAL TAX COUNSEL

OPINION Orrick, Herrington & Sutcliffe, LLP, serves as Special Tax Counsel to the District

FINANCIAL ADVISOR Hilltop Securities Inc., Houston, Texas.

ENGINEER IDS Engineering Group, Houston, Texas.

INVESTMENT CONSIDERATIONS

THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS AS SET FORTH IN THIS OFFICIAL STATEMENT. PROSPECTIVE PURCHASERS SHOULD CAREFULLY REVIEW THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING THEIR INVESTMENT DECISIONS, ESPECIALLY THE PORTION OF THE OFFICIAL STATEMENT ENTITLED "INVESTMENT CONSIDERATIONS."

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SELECTED FINANCIAL INFORMATION

2025 Certified Valuation of the Defined Area as of January 1, 2025 (Certified through September 5, 2025)	\$ 86,306,920 ⁽¹⁾
June 30, 2025 Estimated Appraised Valuation of the Defined Area	\$ 96,798,522 ⁽²⁾
Direct Debt of the Defined Area:	
Existing Unlimited Tax Bonds	\$ 3,975,000
The Bonds	<u>5,000,000</u>
Total Debt for Defined Area	\$ 8,975,000
Estimated Overlapping Debt of the Defined Area	\$ 4,389,954
Total Direct and Estimated Overlapping Debt of the Defined Area	\$ 13,364,954
Direct Debt Ratios of the Defined Area:	
As a percent of the Estimated Appraised Valuation as of June 30, 2025	9.27%
Direct and Estimated Overlapping Debt Ratios of the Defined Area:	
As a percent of the Estimated Appraised Valuation as of June 30, 2025	13.81%
Defined Area Debt Service Fund Balance as of August 31, 2025	\$ 373,532
Defined Area General Fund Balance as of August 31, 2025	\$ 311,657
District Debt Service Fund Balance as of August 31, 2025	\$ 1,693,312 ⁽³⁾
District General Fund Balance as of August 31, 2025	\$ 5,802,132 ⁽³⁾
Anticipated 2025 Defined Area Tax Rate per \$100 of Assessed Valuation	
	Debt Service Tax \$ 0.7600
	Maintenance Tax 0.1000
	Total \$ 0.86000
Anticipated 2025 District-Wide Tax Rate per \$100 of Assessed Valuation	
	Debt Service Tax \$ 0.2800
	Maintenance Tax -
	Total \$ 0.28000
2025 District-Wide Tax Rate	0.28000
2025 Defined Area Tax Rate	<u>0.86000</u>
Total	\$ 1.14000
Average Annual Debt Service Defined Area (2026 - 2050)	\$ 605,789
Maximum Annual Debt Service Requirement Defined Area (2029)	\$ 650,413
Tax Rate Required to Pay Average Annual Debt Service (2026 - 2050) at 98% Collection Rate	
Based upon the June 30, 2025 Estimate of Appraised Valuation of the Defined Area	0.6386 ⁽⁴⁾
Tax Rate Required to Pay Maximum Annual Debt Service (2028) at 98% Collection Rate	
Based upon the June 30, 2025 Estimate of Appraised Valuation of the Defined Area	0.6857 ⁽⁴⁾

(1) Certified Appraised Value in the Defined Area as of January 1, 2025 as certified by the Harris Central Appraisal District (the "Appraisal District") as of September 5, 2025. See "TAX PROCEDURES."

(2) Estimate of Appraised Value in the Defined Area as of June 30, 2025, as provided by the Harris Central Appraisal District on July 9, 2025 at the request of the District. The estimate of the taxable value in the Defined Area was prepared by adding the estimated value attributable to the change in use of land in the Defined Area from January 1, 2025 through June 30, 2025, and the estimated value of improvements constructed from January 1, 2025 through June 30, 2025 to the 2025 Certified Value. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year. The value of improvements constructed from January 1, 2025 through June 30, 2025 will be reflected in the 2026 certified assessed value. See "TAX PROCEDURES."

(3) The proceeds of the District Debt Service Fund and of the District General Fund cannot be used to pay debt service of the Bonds.

(4) Includes the Bonds. Preliminary subject to change.

PRELIMINARY OFFICIAL STATEMENT

\$5,000,000

CROSBY MUNICIPAL UTILITY DISTRICT

(A political subdivision of the State of Texas located within Harris County)

DEFINED AREA NO. 1 UNLIMITED TAX

BONDS, SERIES 2025

This Official Statement provides certain information in connection with the issuance by Crosby Municipal Utility District (the "District"), of Harris County, Texas of its \$5,000,000 Defined Area No. 1 Unlimited Tax Bonds, Series 2025 (the "Bonds").

The Bonds are issued pursuant to the Texas Constitution, the general laws of the State of Texas, an election held in the District, an order of the Texas Commission on Environmental Quality (the "Commission") authorizing the sale of the Bonds, and an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board").

This Official Statement includes descriptions, among others, of the Bonds, the Bond Order, and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from the District, 103 West Wahl Street, Crosby, Texas, upon payment of the cost of duplication.

THE BONDS

GENERAL

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

DESCRIPTION

The Bonds will be dated November 1, 2025 and interest will accrue from the Delivery Date. Interest is payable on each February 15 and August 15, commencing February 15, 2026 (each an "Interest Payment Date") until the earlier of maturity or redemption. Unless the Initial Purchaser of the Bonds designates one or more maturities as a Term Bond (the "Term Bonds") the Bonds are serial bonds maturing on August 15 of the years and in the amounts and bearing interest at the rates shown under "MATURITY SCHEDULE" on the cover page hereof. Bonds maturing on or after August 15, 2033, are subject to optional redemption, in whole or, from time to time in part, on August 15, 2032, or on any date thereafter, at a price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption. The Bonds will be initially registered and delivered only to The Depository Trust Company, New York, New York ("DTC") in its nominee name of Cede & Co., pursuant to the book-entry system described herein. No physical delivery of the Bonds will be made to the purchasers thereof. See "THE BONDS - BOOK-ENTRY-ONLY SYSTEM."

AUTHORITY FOR ISSUANCE

At an election held within the District on November 6, 2018, voters of the Defined Area authorized \$15,000,000 in bonds for purposes of construction and acquisition of water, sewer and drainage facilities to serve the Defined Area. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended (the "Texas Water Code"); and an order of the Commission. See "THE BONDS - ISSUANCE OF ADDITIONAL DEBT." After issuance of the Bonds the District will have \$5,935,000 of remaining authorization.

SOURCE AND SECURITY FOR PAYMENT

The Bonds are secured by and payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located within the Defined Area of the District. See "TAX PROCEDURES."

In the Bond Order, the District covenants to levy a sufficient tax within the Defined Area to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, Registrar fees and Appraisal District fees. Such tax proceeds, after deduction for collection costs, will be placed in the Defined Area Debt Service Fund and used solely to pay principal of and interest on the Bonds, the Defined Area Prior Bonds, and any additional Defined Area No. 1 parity bonds which may be issued, Registrar fees, and Appraisal District fees. The District-Wide Tax levied by the District cannot be used to pay debt service on the Bonds.

The Bonds involve certain elements of risk, and all prospective purchasers are urged to examine carefully this Official Statement with respect to the investment security of the Bonds. See "INVESTMENT CONSIDERATIONS." The Bonds are obligations solely of the District and are not obligations of the City of Houston, Harris County, the State of Texas, or any political subdivision or entity other than the District.

FUNDS

The Bond Order confirms the establishment of the District's Defined Area No. 1 Construction Fund ("Defined Area No. 1 Construction Fund") and the District's Defined Area No. 1 Debt Service Fund (the "Defined Area No. 1 Bond Fund"). Capitalized interest on the Bonds will be deposited from proceeds from the sale of the Bonds into the Defined Area No. 1 Bond Fund. Following payment of costs of issuance, all remaining proceeds of the Bonds will be deposited in the Construction Fund. The Defined Area Bond Fund, which constitutes a trust fund for the benefit of the owners of the Bonds and all parity bonds issued by the District for the Defined Area, is to be kept separate from all other funds of the District and is to be used for payment of debt service on the Bonds, the Defined Area Prior Bonds and any additional Defined Area parity bonds which may be issued. Amounts on deposit in the Bond Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any additional Defined Area bonds payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

REDEMPTION PROVISIONS

The District reserves the right, at its option, to redeem the Bonds maturing on or after August 15, 2033, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on August 15, 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. If less than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District, provided that if less than all the Bonds within a particular maturity are redeemed at any time, the particular Bonds within each such maturity to be redeemed shall be selected by the Paying Agent/Registrar from the Bonds which have not previously been called for redemption, by lot or other customary method of random selection. However, if during any period in which ownership of the Bonds is determined only by a book entry at a securities depository, if fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected in accordance with arrangements between the District and the securities depository. See "THE BONDS - BOOK-ENTRY-ONLY SYSTEM."

In addition to the foregoing optional redemption provision, if the principal amounts for two or more consecutive maturities designated in the serial maturity schedules shown on page 2 hereof are combined to create term bonds (each a "Term Bond"), each such Term Bond shall be subject to mandatory sinking fund redemption commencing on August 15 of the maturity that was combined to form such Term Bond and continuing on August 15 in each year thereafter until the stated maturity date of that Term Bond, and the amount required to be redeemed in any year shall be equal to the principal amount for such year set forth in the Maturity Schedule shown on page 2 of this Official Statement. Term Bonds to be redeemed in any year by mandatory sinking fund redemption shall be redeemed at par and shall be selected by lot or other random selection method from the Term Bonds then subject to redemption. The District, at its option, may credit against any mandatory sinking fund redemption requirement Term Bonds of the maturity then subject to redemption which at least 45 days prior to the mandatory sinking fund redemption date have been acquired by the District and delivered to the Paying Agent/Registrar for cancellation or have been redeemed pursuant to the optional redemption provisions of the Order and not theretofore applied as a credit against any mandatory sinking fund redemption requirement.

METHOD OF PAYMENT OF PRINCIPAL AND INTEREST

The Board has appointed UMB Bank, N.A., having a payment office in Houston, Texas, as the initial Paying Agent/Registrar for the Bonds. The principal of and interest on the Bonds shall be paid to DTC, which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "THE BONDS - BOOK-ENTRY-ONLY SYSTEM." Interest calculations are based upon a thirty (30) day month and a three hundred sixty (360) day year.

REGISTRATION

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

RECORD DATE FOR INTEREST PAYMENT

The record date ("Record Date") for the interest payable on the Bonds on any interest payment date means the close of business on the last business day of the preceding month.

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

REPLACEMENT OF PAYING AGENT/REGISTRAR

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

LEGAL INVESTMENT AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Pursuant to Section 49.186, Texas Water Code, the Bonds, are 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. 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 Bonds are also eligible under the Public Funds Collateral Act, Chapter 2257, Texas Government Code, to secure deposits of public funds of the State or any political subdivision or public agency of the State and are lawful and sufficient security for those deposits to the extent of their market value. Most political subdivisions in the State are required to adopt investment guidelines under the Public Funds Investment Act, Chapter 2256, Texas Government Code, and such political subdivisions may impose other, more stringent requirements in order for the Bonds to be legal investments for such entity's funds or to be eligible to serve as collateral for their funds.

The District and Bond Counsel have not reviewed the laws in other states to determine whether the Bonds are legal investments for various institutions in those states or eligible to serve as collateral for public funds in those states. The District and Bond Counsel have made no investigation of any other laws, rules, regulations or investment criteria that might affect the legality or suitability of the Bonds for any of the above purposes or limit the authority of any of the above persons or entities to purchase or invest in the Bonds.

ISSUANCE OF ADDITIONAL DEBT

At an election held within the District on November 6, 2018, voters authorized \$15,000,000 in bonds for purposes of construction and acquisition of water, sewer and drainage facilities to serve the Defined Area. After the issuance of the Bonds, the District will have \$5,935,000 in authorized but unissued bonds for the Defined Area. See "THE BONDS - ISSUANCE OF ADDITIONAL DEBT."

At a District wide election held within the District on May 4, 2024, voters authorized \$20,000,000 principal amount in unlimited tax bonds. The District has \$10,000,000 in authorized but unissued bonds for the District.

ANNEXATION BY THE CITY OF HOUSTON

Under existing Texas law, since the District lies mostly within the extraterritorial jurisdiction of the City of Houston, the City can annex the 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. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement between the City and the District specifying the procedures for full purpose annexation of all or a portion of the District. The District does not currently have a strategic partnership agreement with the City. See "- STRATEGIC PARTNERSHIP AGREEMENT".

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

STRATEGIC PARTNERSHIP AGREEMENT

The District is authorized to enter into a strategic partnership agreement with the City of Houston to provide the terms and conditions under which the 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. Although the City has negotiated and entered into such an agreement with one or more 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.

CONSOLIDATION

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

REMEDIES IN EVENT OF DEFAULT

Texas law and the Bond Order provide that in the event the District defaults in the payment of the principal of or interest on any of the Bonds when due, fails to make payments required by the Bond Order into the Bond Fund or defaults in the observance or performance of any of the covenants, conditions, or obligations set forth in the Bond Order, any Registered Owner shall be entitled at any time to seek a writ of mandamus from a court of competent jurisdiction compelling and requiring the Board of Directors of the District to observe and perform any covenant, obligation or condition prescribed by the Bond Order.

Other than a writ of mandamus, the Bond Order does not provide a specific remedy for a default. 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 LIMITATION TO REGISTERED OWNERS' RIGHTS."

DEFEASANCE

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

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

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". 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. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the register and request that copies of the notices be provided directly to them.

Redemption notices for the Bonds shall be sent to DTC. If less than all of the Bonds of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity 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 Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar of each series, on the 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 nor its nominee, the Paying Agent/Registrar of each series, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent/Registrar of each series, 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 one or both series of the Bonds at any time by giving reasonable notice to the District or the respective Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered.

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

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

USE AND DISTRIBUTION OF BOND PROCEEDS – DEFINED AREA NO. 1

The estimated use and distribution of Bond proceeds as approved by the Commission is set forth below. From the proceeds to be received from sale of the Bonds, \$3,693,822 is estimated to be required for construction costs and \$1,306,178 is estimated to be required for non-construction costs.

Construction Costs	
A. Developer Items	District Share
1 Pecan Estates Phase 2 Stormwater Detention Basin	\$ 382,972
2 Pecan Estates Sections 2 and 3	2,879,030
3 Engineering, Surveying and material Testing (for Items 1-2)	388,018
4 Erosion Control Services (for Items 1-2)	43,802
Subtotal Construction Costs	\$ 3,693,822
Non-Construction Costs	
A Legal Fees (2.50%)	\$ 125,000
B Fiscal Agent Fees (2.00%)	100,000
C Interest	
1. Capitalized Interest (6 months at 6.00%)	150,000
2. Developer Interest	651,854
D Bond Discount (3%)	150,000
E Bond Issuance Expense	46,824
F TCEQ Bond Issuance Fee (0.25%)	12,500
G Attorney General Fee	5,000
H Bond Application Report Costs	65,000
Total Non-Construction Costs	\$ 1,306,178
Total Bond Issue	\$ 5,000,000

In the instance that Commission approved estimated costs exceed the actual cost, the difference comprises a surplus which may be expended for uses approved by the Commission for the sale of bonds, to retire debt, or for such other purposes as may be authorized by the Commission. In order for the District to issue additional bonds, other than for Pecan Estates Defined Area, District voters must approve such issuance. In the instance that actual costs exceed previously approved estimated amounts, additional Commission approval and the issuance of additional bonds may be required. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

THE DISTRICT

GENERAL

The District was created by an Act of the 59th Legislature, Regular Session, 1965 (compiled as 8280-315, Vernon's Texas Civil Statutes) and codified as Chapter 9012 of the Texas Special District Local Laws Code, in order to provide water and sanitary sewer service to the unincorporated community of Crosby. The District currently operates under the provisions of Chapters 49 and 54 of the Texas Water Code, and other general statutes of the State of Texas applicable to municipal utility districts. The District is empowered, among other things, to finance, purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; and the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may also provide solid waste disposal and collection services. The District is also empowered to establish, operate and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the Commission and the voters of the District. Additionally, the District may, subject to certain limitations, develop and finance parks and recreational facilities.

The majority of the District lies within the extraterritorial jurisdiction of the City of Houston.

PURPOSE AND CHARACTERISTICS

The District is a political subdivision of the State of Texas which provides water supply and distribution and wastewater collection and treatment to the unincorporated community of Crosby located in northeastern Harris County, Texas. Crosby is located on State Highway 90 at FM 2100 approximately 7.8 miles east of Beltway 8, 6.4 miles north of Interstate Highway 10, and 9.6 miles south on F.M. 2100 from F.M. 1960. The District consists of approximately 2,156 acres and encompasses most of the unincorporated community of Crosby, which has the appearance and characteristics of a small town with a significant business district along the FM 2100 and SH 90 corridors, including banks, restaurants, and retail strip centers. Approximately 1,856 acres in the District are developed and development includes single family residential, multifamily residential, commercial, institutional and industrial uses. There are approximately 1,431 single family connections (meters) within the District with residential homes ranging in value from approximately \$60,000 to \$389,000. There is an active home building program in the Pecan Estates residential subdivision. There are 4 apartment complexes with a total of 285 units. There are 155 spaces in mobile home parks and 88 spaces in recreational vehicle parks. In addition, the District serves Crosby Independent School District's high school, one middle school, one elementary and one kindergarten school located in or adjacent to the District. There are 20 out of District water meters.

STATUS OF DISTRICT-WIDE DEVELOPMENT

The community was originally founded in the mid 1800's. Most of the current residential development began in the 1940's with a substantial section, known locally as the Nelson tract that began development during the 1960's.

Single-Family Residential Development: The District contains approximately 1,046 single-family residential connections including duplexes, triplexes, and 1431 multi-family residential connections. The majority of homes in "old Crosby" were built from 1940 to the early 1970's. Homes in the District range in price from \$60,000 to approximately \$389,000. The average taxable value of single family residential units is approximately \$244,460. There are four mobile home parks within the District containing a total of 155 spaces. There are 5 out-of-District residential connections.

Some of the more recent single family developments include:

Crosby Village was developed in approximately 2018. It consists of 248 lots in three sections. 13.5 Crosby LLC constructed a 13.5-acre 60 lot single family subdivision named Crosby Park Village that is located on Hare Road adjacent to Crosby Village Subdivision.

Castlerock Communities has formed a joint venture with Murff Family Estates named Murff Castle Estates, LLC, to develop approximately 542 single family lots in a subdivision named Pecan Estates within Defined Area No. 1. Home building by Castlerock Communities is underway. There are 303 completed homes, 24 homes under construction and 51 vacant developed lots in the Defined Area.

Ashton Woods is in process of developing the community of Cedar Pointe, developing approximately 984 single family lots in Defined Area No. 2. Home building by Ashton Woods is underway. There are 68 completed home, 53 homes under construction and 254 vacant developed lots in Defined Area No. 2.

Multi-Family Residential Development: The District contains four multi-family apartment projects: Mill Creek Apartments with 64 units, Crosby Meadows Apartments with 101 units, Crosby Plaza Apartments with 87 units and Crosby Square Apartments with 33 units. There are also 155 spaces in mobile home parks and 88 spaces in recreational vehicle parks.

Commercial, Industrial and Institutional Development: There are approximately 510 in-District metered connections serving a wide variety of commercial, institutional and industrial uses ("commercial"). Neighborhood shopping facilities are located within the District, including such retail and service establishments as supermarkets, pharmacies, and dry cleaners. These facilities include

a Wal-Mart Store, several strip shopping centers and several pad sites. Establishments within the District include McDonald's, Sonic, Jack in the Box, Whataburger, Domino's Pizza, Papa John's Pizza, Little Caesars Pizza, Church's Chicken, Popeye's Chicken, Taco Bell, Shipley Donuts, Applebee's, Burger King, Wendy's, Subway, DQ Restaurant, CVS Pharmacy, Walgreen's Pharmacy, Aldi Grocery Store, AT&T Communications, UPS Center, Verizon, Ace Hardware, Advance Auto Parts, O'Reilly's Auto Parts, AutoZone, Kwik Kar Lube and Tune, Neighbors Emergency Center, Enterprise Rent-a-car, Starbucks, Dollar Tree, Family Dollar, a storage facility, car dealership and many other various retail establishments. There are three hotels located within the District containing 122 hotel rooms and one out of District hotel with 50 rooms. There are 15 out-of-District commercial connections.

Major Employers: The community of Crosby includes commercial and retail establishments. The industries surrounding and adjacent to the Houston Ship Channel are large sources of employment for residents of the District. The District is located 20 miles northeast of the central downtown business district of the City of Houston. Access to all major employment centers within the Harris County area from the District is provided by State Highway 90 to other major highways, thoroughfares, and communities.

Schools: The District is located within the Crosby Independent School District, which serves approximately 96 square miles in Harris County and operates a kindergarten, four elementary schools, an intermediate school, a middle school and a high school.

Police and Fire Protection: Police protection is provided by the Harris County Constable Precinct No. 3 and the Harris County Sheriff's Department. Emergency medical services are provided by the Harris County Emergency Services District No. 5 and fire protection is provided by the Crosby Volunteer Fire Department.

Industrial Facilities: The District includes industrial facilities such as Nabors Lux 2, Nabors Drilling USA Inc., and Altivia Oxide Chemicals, which are major tax-payers in the District.

MANAGEMENT OF THE DISTRICT

The District is governed by the Board of Directors, which has control over and management supervision of all affairs of the District. All of the Directors listed above reside within the District. Directors are elected by the voters in the District for four-year staggered terms. Director elections are held only in even numbered years. The directors and officers of the District are listed below:

Name	Position	Term Expires
Wesley Zarsky	President	May-29
Eddie Foster	Vice President	May-27
Diane Feland	Treasurer	May-27
Steven Scrheiber	Secretary	May-29
Donna Davenport	Assistant Secretary	May-27

District Managers . . . The District employs Beth McCormack as Office Manager, who is responsible for water and sewer fees billings, bookkeeping and office administration. Ms. McCormick has been employed by the District for 25 years.

The District employs Anthony Pineiro as Utility Manager, who is responsible for the operations, maintenance and regulatory compliance reporting of the District's water and wastewater facilities. Anthony Pineiro has been employed by the District for 3 months and is a Double A Licensed Operator in the state of Texas.

The District also employs an additional 2 office employees and 5 field employees to handle operations and management of the District.

Tax Assessor/Collector . . . Land and improvements in the District are appraised for ad valorem taxation purposes by the Harris County Appraisal District. The District contracts with Ms. Dawn Muth of San Jacinto Tax Service to serve as the tax assessor/collector.

Engineer . . . The consulting engineer for the District in connection with the design and construction of the District's facilities is IDS Engineering Group, Houston, Texas. IDS has been the District's Engineer for 21 years.

Auditor . . . The District's audited financial statements for the year ended December 31, 2024 were prepared by McCall, Gibson, Swedlund, Barfoot PLLC, Certified Public Accountants. See APPENDIX A for a copy of the District's December 31, 2024 audited financial statements.

Bond Counsel . . . Baker Williams Matthiesen LLP ("Bond Counsel") serve as bond counsel to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds.

Special Tax Counsel . . . Orrick, Herrington & Sutcliffe, LLP serves as Special Tax Counsel. The fee to be paid Special Tax Counsel for services rendered in connection with the issuance of the bonds is contingent upon the sale and delivery of the Bonds.

Financial Advisor . . . Hilltop Securities Inc., (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.

DEVELOPMENT AND HOME CONSTRUCTION - DEFINED AREA NO. 1

As of August 1, 2025, the Defined Area contained 303 completed homes, 24 homes under construction and 33 vacant single-family residential lots that are available for home construction. According to the District's Engineer, water supply and distribution, wastewater collection and treatment, and storm drainage/detention facilities and street paving have been completed to serve 378 single-family residential lots that have been developed on approximately 102.22 acres located within the Defined Area as Pecan Estates, Sections 1, 2 and 3. Construction of water supply and distribution, wastewater collection and treatment, and storm drainage/detention facilities and street paving is underway for 68 lots in Section 4, with completion expected by the end of 2025 and 96 lots in Section 5 with completion expected by the end of 2026.

For a description of District-Wide development see "THE DISTRICT – STATUS OF DISTRICT WIDE DEVELOPMENT", "THE DISTRICT-WIDE SYSTEM."

Subdivision	Lots				Homes				
	Fully	Acres	Under	Acres	Under	Unsold	Completed	Unsold	Totals
	Developed		Development		Construction		Sold		
Pecan Estates									
Section 1	148	33.5	0	0	0	0	142	0	142
Section 2	69	32.36	0	0	10	2	43	2	57
Section 3	161	36.361	0	0	7	5	110	6	128
Section 4	0	0	68	14.834	0	0	0	0	0
Section 5	0	0	96	74.512	0	0	0	0	0
Totals	378	102.221	164	89.346	17	7	295	8	327

THE DEVELOPER – DEFINED AREA NO. 1

Land in the Defined Area is being developed as Pecan Estates by Murff Castle Estates LLC, a Texas limited liability company (the "Developer"). The owners of the Developer are Castlerock Communities, LLC and Murff Family Land, LLC. The manager is Castlerock Communities, LLC.

Pursuant to a joint venture agreement between Murff Family Land, LLC and Castlerock Communities LLC, Murff Family Land, LLC contributes land to the Developer and Castlerock Communities LLC provides development financing and management to the Developer.

Castlerock Communities LLC has developed homesites within Texas since 2004. It obtains development financing through bank loans, credit lines, and lot sales. Castlerock Communities LLC is also a home builder and is currently the only home builder within Pecan Estates.

Neither the Developer nor any affiliates companies have any legal commitment to the District or to owners of the Bonds to continue development of the land within the District and the Developer may sell or otherwise dispose of its property within the District, or any other assets, at any time. Further, the financial condition of the Developer is subject to change at any time. Because of the foregoing, financial information concerning the Developer will neither be updated nor provided following issuance of the Bonds, except as described herein under "CONTINUING DISCLOSURE OF INFORMATION." See "INVESTMENT CONSIDERATIONS—Dependence on Developer and Major Taxpayers."

THE HOMEBUILDERS – DEFINED AREA NO. 1

Active Builders . . . The home builder in Pecan Estates is Castlerock Communities, LLC. The home prices range from \$235,733 to \$389,277. Pecan Estates Sections 1, 2, and 3 has 303 completed homes, 24 homes under construction and 51 vacant single-family lots that are available for home construction. Sizes range from approximately 1,362 to 3,313 square feet.

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**TRACT E
DEFINED AREA 1**

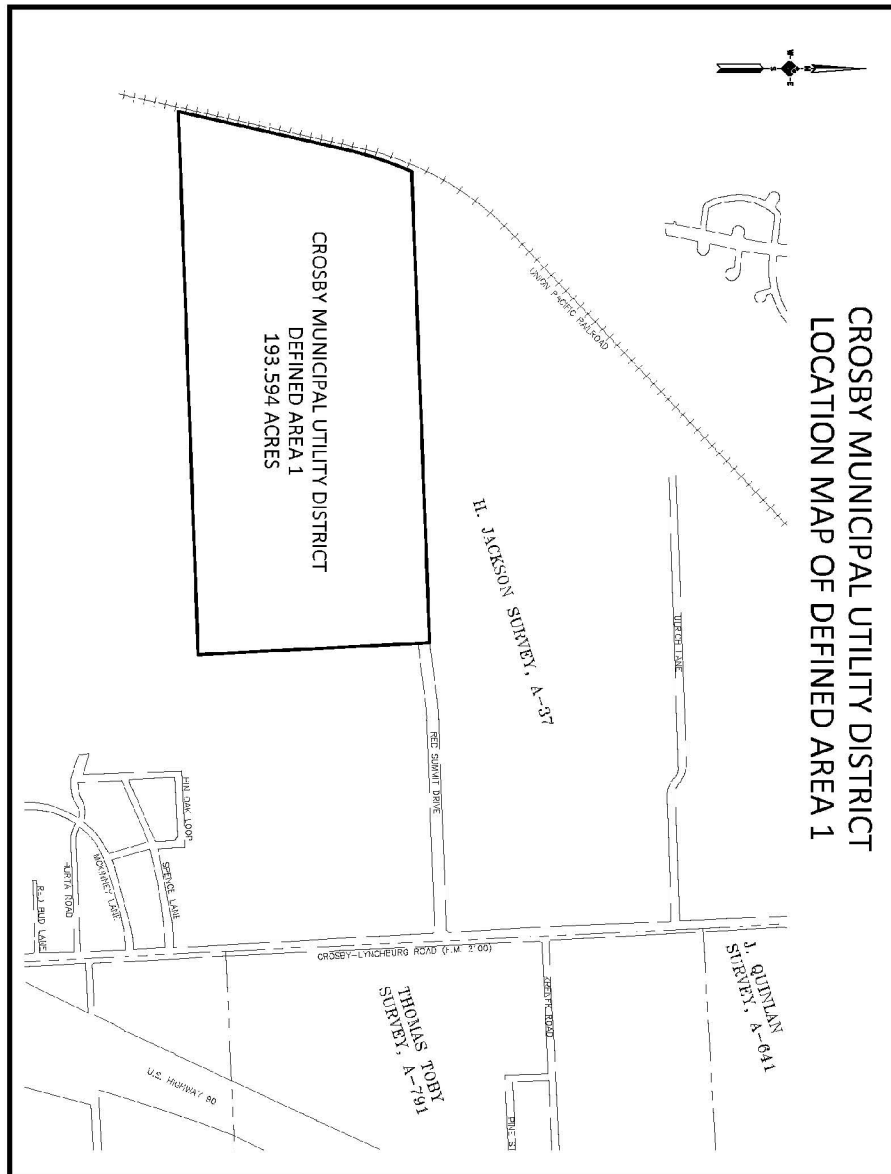
IDS
Engineering Group
13400 HWY. FARMWAY, SUITE 200
HOUSTON, TEXAS 77040
713.462.2179
TERRY.FRAZIER@IDS-ENG.COM

CROSBY M.U.D.
DEFINED AREA 1
AERIAL MAP

Scale:
0 300 600 Feet
1 inch = 600 feet

N

LOCATION MAP OF THE DISTRICT AND DEFINED AREA



PHOTOGRAPHS TAKEN WITHIN THE DEFINED AREA





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THE DISTRICT-WIDE SYSTEM

REGULATION

According to the Engineer, the water distribution and wastewater collection 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. The treatment and delivery of drinking water as well as the treatment and discharge of wastewater is subject to the regulatory authority of the Commission and the U.S. Environmental Protection Agency. Harris County and the Harris-Galveston Subsidence District (the "Subsidence District") also exercise regulatory jurisdiction over the System. The regulations and requirements of entities exercising regulatory jurisdiction over the System are subject to further development and revision which, in turn, could require additional expenditures by the District in order to achieve compliance. In particular, additional or revised requirements in connection with any permit for the wastewater treatment plant which provides service to the District beyond the criteria existing at the time of construction of the plant could result in the need to construct additional facilities in the future. The following descriptions are based upon information supplied by the District's Engineer.

WATER SUPPLY

The water supply system that currently serves the District includes a surface water treatment plant and one groundwater well. The District has entered into a long-term Water Supply Contract with the San Jacinto River Authority for the purchase of up to 1,000,000 gallons per day of untreated surface water from the SJRA's canal located adjacent to the District's plant. This contract provides for increasing the purchase of surface water from SJRA should the District's water demand require. The District's surface water plant has an existing capacity to treat a maximum of approximately 1,200 gallons per minute (gpm), equal to 1,728,000 gallons per day of surface water. In addition, the District's water well will produce 700 gpm, equal to 1,008,000 gallons per day.

Due to the surface water conversion requirements of the Harris-Galveston Subsidence District (see below), the District manages its well annual pumpage so as to not exceed 20% of total annual District water production. The current Subsidence District permit allows the District to pump a total of 42.0 million gallons per year of groundwater.

The District's existing water supply facilities are sufficient to serve the existing and near future development within the District.

SUBSIDENCE DISTRICT REQUIREMENTS

The District is within the boundaries of the Harris-Galveston Subsidence District (the "Subsidence District"), which regulates groundwater withdrawals in Harris and Galveston Counties. The District's authority to pump groundwater from its wells is subject to annual permits issued by the Subsidence District. In 1976, the Subsidence District adopted a District Regulatory Plan to reduce groundwater withdrawal through conversion to surface water in areas within the Subsidence District's jurisdiction. The District was required to convert to 80% surface water by 1990, and that goal was achieved. The District has been and is currently capable of treating and delivering sufficient quantities of surface water to be compliant with the Subsidence District's Regulatory Plan.

WASTEWATER TREATMENT SYSTEM

The District's wastewater treatment is provided by a wastewater treatment plant with 1,100,000 gallons per day (gpd) capacity, which is sufficient to serve 3,142 equivalent single-family connections ("esfc") based on 350 gpd per esfc. The District has a wastewater discharge permit from the Commission which authorizes discharge of up to 1,500,000 gpd of treated effluent.

The District's existing and proposed wastewater treatment facilities are sufficient to serve the existing and near future development within the District.

The District adopted a Sanitary Sewer Overflow Plan, which was approved by the Commission on April 3, 2009, in which it committed to a 10-year sanitary sewer collection system rehabilitation program. This program involved the cleaning, inspection, and either repair or replacement, as needed, throughout the District's sanitary sewer collection system. In connection with this program, the District applied to the Harris County Community Service Department and was awarded approximately \$1,250,000 in matching grant monies, the majority of which was used to fund the Sanitary Sewer Overflow Plan. The District matched these grant funds approximately dollar for dollar.

100-YEAR FLOOD PLAIN

According to the Engineer, approximately 423 acres of the District's total 2,155 acres are shown to be within the 100-year floodplain as delineated by the current Federal Emergency Management Agency's Flood Insurance Rate Maps (effective December 2021). Approximately 22 acres of the 423 acres of 100-year floodplain are located within or immediately along the Jackson Bayou channel, which is a natural drainage channel running from the east to the west through the District. Another approximately 58 acres are located in the eastern portion of the Defined Area No. 1, however these 58 acres are comprised of detention basins, lakes and green spaces and do not contain any existing or proposed lots. The remaining 343 acres are located in the northeastern portion of the District and outside of the Defined Area.

GENERAL FUND

	Fiscal Year Ended December 31,				
	2024	2023	2022	2021	2020
General Fund Revenues					
Service Revenues	\$ 2,767,744	\$ 2,646,744	\$ 2,066,203	\$ 1,912,164	\$ 1,869,850
Tap Connection Fees	677,453	490,162	295,064	225,850	264,097
Penalty and Interest	70,565	65,115	53,535	44,445	29,119
Property Taxes - Defined Area	83,533	117,421	114,286	7,493	4,081
Miscellaneous	227,317	198,611	96,812	66,236	60,978
Total General Fund Revenues	\$ 3,826,612	\$ 3,518,053	\$ 2,625,900	\$ 2,256,188	\$ 2,228,125
General Fund Expenditures					
Purchased Water	\$ 212,280	\$ 198,925	\$ 186,150	\$ 180,675	\$ 175,680
Payroll	1,073,345	959,481	919,242	1,037,536	1,003,901
Professional Fees	377,961	397,670	315,790	300,783	243,873
Purchased and Contracted Services	264,768	201,524	179,534	167,474	245,308
Consumable Supplies and Materials	597,678	577,688	487,860	413,050	420,854
Recurring Operating Expenses	169,453	166,974	127,190	135,195	99,830
Capital Outlay	201,474	-	51,626	2,827	16,387
Total General Fund Expenditures	\$ 2,896,959	\$ 2,502,262	\$ 2,267,392	\$ 2,237,540	\$ 2,205,833
Excess of Revenues Over (Under) Expenditures	\$ 929,653	\$ 1,015,791	\$ 358,508	\$ 18,648	\$ 22,292
Other Financing Sources (Uses)					
Transfers Out	\$ (160,500)	\$ (225,575)	\$ 35,821	\$ -	\$ (176,602)
Sale of Land	-	-	-	-	-
Grant Proceeds	-	-	-	-	-
Lease Proceeds	-	10,445	-	-	-
Total Other Financing Sources (Uses)	\$ (160,500)	\$ (215,130)	\$ 35,821	\$ -	\$ (176,602)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 769,153	\$ 800,661	\$ 394,329	\$ 18,648	\$ (154,310)
Beginning Fund Balance	4,152,845	3,352,184	2,957,855	2,939,207	3,093,517
Ending Fund Balance	\$ 4,921,998	\$ 4,152,845	\$ 3,352,184	\$ 2,957,855	\$ 2,939,207

UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED**DISTRICT WIDE**

Date of Authorization	Purpose	Authorized	Issued to Date	Amount Being Issued	Unissued
5/4/2024	Water and Sewer	\$ 20,000,000	\$ 10,000,000	\$ -	\$ 10,000,000

DEFINED AREA NO. 1

Date of Authorization	Purpose	Authorized	Issued to Date	Amount Being Issued	Unissued
11/6/2018	Water, Sewer and Drainage	\$ 15,000,000	\$ 4,065,000	\$ 5,000,000	\$ 5,935,000

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INVESTMENTS

LEGAL INVESTMENTS

Available District funds are invested as authorized by Texas law and in accordance with investment policies approved by the Board of Directors. Both State law and the District's investment policies are subject to change. Under State law, the District is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025; or (ii) a depository institution with a main office or branch office in this State that the investing entity selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3); (9) certificates of deposit and share certificates (i) issued by a depository institution that has its main office or a branch office in the State of Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Insurance Fund or its successor, or are secured as to principal by obligations described in the clauses (1) through (8) or in any other manner and amount provided by law for District deposits, or (ii) where (a) the funds are invested by the District through (I) a broker that has its main office or a branch office in the State and is selected from a list adopted by the District as required by law or (II) a depository institution that has its main office or a branch office in the State that is selected by the District; (b) the broker or the depository institution selected by the District arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the District; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the District appoints the depository institution selected under (a) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the District with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less, (12) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (13) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (14) a no-load money market mutual fund registered with and regulated by the Securities and Exchange Commission that provides the District with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and complies with federal Securities and Exchange Commission Rule 2a-7, and (15) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and have a duration of one year or more and are invested exclusively in obligations described in this paragraph or have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAM or an equivalent by at least one nationally recognized rating service. The District is specifically prohibited from investing in (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years, and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

INVESTMENT POLICIES

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for District funds, maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, District 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." At least quarterly the investment officers of the District shall submit an investment report detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest during the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest District funds without express written authority from the Board of Directors.

Under State law, the District is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the Board of Directors; (4) require the qualified representative of firms offering to engage in an investment transaction with the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the District and the business organization that are not authorized by the District's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the District's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the District and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the District's investment policy; (6) provide specific investment training for the Treasurer, chief financial officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the District.

CURRENT INVESTMENTS

As of August 31, 2025 the District investable funds were invested in the following categories:

District	Texpool	Demand Deposits	Total
General Fund	\$ 5,523,578	\$ 278,554	\$ 5,802,132
Capital Improvement Fund	481,806	218,158	699,964
CIP 2019 Bond	335,929	292,424	628,353
CIP 2022 Bond	3,629,206	251,962	3,881,168
CIP 2025 Bond	8,110,938	178,331	8,289,268
Debt Service	1,563,812	129,499	1,693,312
	<u>\$ 19,645,268</u>	<u>\$ 1,348,928</u>	<u>\$ 20,994,196</u>

As of August 31, 2025 the Defined Area investable funds were invested in the following categories:

Defined Area 1

General Fund	\$ 311,657	\$ 311,657
Debt Service	373,532	373,532
Construction Fund	5,878	5,878
	<u>\$ 691,066</u>	<u>\$ 691,066</u>

DEFINED AREA NO. 1

GENERAL

In 2018, pursuant to Section 54.801 of the Texas Water Code, as amended, the District designated Defined Area No. 1 over an approximate 193.6-acre tract located within the western portion of the District. This 193.6-acre area comprises the Pecan Estates Subdivision. Murff Castle Estates LLC (the "Developer") is developing single family homes within the Pecan Estates Subdivision with an ultimate build-out of 542 single-family lots. See "DEVELOPMENT AND HOME CONSTRUCTION – DEFINED AREA No. 1. "

DEFINED AREA NO. 1 CERTIFIED VALUE

2025 Certified Valuation of the Defined Area as of January 1, 2025 \$ 86,306,920 ⁽¹⁾

June 30, 2025 Estimated Appraised Valuation of the Defined Area \$ 96,798,522 ⁽²⁾

- (1) January 1, 2025 Certified Appraised Value of the Defined Area, based on the September 5, 2025 tax roll provided by Harris Central Appraisal District (the "Appraisal District"). See "TAX PROCEDURES."
- (2) Estimate of Appraised Value provided by the Harris Central Appraisal District as of June 30, 2025. At the request of the District, the Appraisal District provided an estimate of taxable assessed value in the Defined Area on June 30, 2025, which was reported to the District July 9, 2025. The estimate of the taxable value in the Defined Area was prepared by adding the estimated value attributable to the change in land use of land in the Defined Area since January 1, 2025, and the estimated value of improvements constructed from January 1, 2025 through June 30, 2025 to the 2025 Certified Value. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year. The value of improvements constructed from January 1, 2025 through June 30, 2025 will be reflected in the 2026 certified assessed value. See "TAX PROCEDURES."

DEFINED AREA NO. 1 REIMBURSEMENT AGREEMENT

The Developer has constructed water, sewer and drainage facilities within the Defined Area. The District has agreed to reimburse the Developer for a portion of these costs, plus interest, from the proceeds of bond issuances that are secured by ad valorem taxes collected solely from the Defined Area Tax.

DEFINED AREA TAXES

At an election held within the District on November 6, 2018, voters of the District within the Defined Area authorized a total of \$15,000,000 in bonds for purposes of construction and acquisition of water, sewer and drainage facilities to serve the Defined Area. After issuance of the Bonds, \$5,935,000 will remain as authorized by unissued bonds to serve the Defined Area. See "THE BONDS – ISSUANCE OF ADDITIONAL DEBT. " Pursuant to the Texas Water Code, as amended, the District is allowed to levy a higher debt service tax on the Defined Area to pay for debt service on such bonds.

The District levies taxes that are imposed on the entirety of the District, including the Defined Area (the "District-wide Tax") and taxes that are imposed on the Defined Area only (the "Defined Area Tax"). District-wide Taxes levied by the District cannot be used to pay debt service on the Bonds. For tax year 2024, the District levied a District-wide Tax at the rate of \$0.3100 per \$100 of Assessed Valuation. In addition, for 2024, the District levied a Defined Area Tax at the rate of \$0.86 per \$100 Assessed Valuation, consisting of a maintenance tax of \$0.1924 and a debt service tax of \$0.5851.

For tax year 2025 the District anticipates levying a tax rate for the Defined Area that will consist of a debt tax rate of approximately \$0.76 and a maintenance and operations tax rate of approximately \$0.10 for a total tax rate of \$0.86 per \$100 Assessed Valuation. Property owners in the Defined Area must also pay the District-Wide Tax, expected to be set at \$0.28 per Assessed Valuation for tax year 2025.

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DEFINED AREA NO. 1 DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Outstanding Debt			The Bonds ⁽¹⁾			Total Debt Service Requirements
	Principal	Interest	Total	Principal	Interest	Total	
2025	\$ 95,000	\$ 218,300	\$ 313,300	\$ -	\$ -	\$ -	\$ 313,300
2026	95,000	213,550	308,550	160,000	179,863	339,863	648,413
2027	100,000	208,800	308,800	105,000	232,913	337,913	646,713
2028	105,000	203,800	308,800	115,000	226,613	341,613	650,413
2029	110,000	198,550	308,550	120,000	219,713	339,713	648,263
2030	115,000	193,050	308,050	125,000	212,513	337,513	645,563
2031	120,000	187,300	307,300	135,000	205,013	340,013	647,313
2032	125,000	181,150	306,150	145,000	196,913	341,913	648,063
2033	130,000	174,744	304,744	150,000	188,213	338,213	642,956
2034	135,000	167,756	302,756	160,000	179,213	339,213	641,969
2035	145,000	160,500	305,500	170,000	171,213	341,213	646,713
2036	150,000	152,706	302,706	175,000	162,713	337,713	640,419
2037	160,000	144,644	304,644	185,000	155,713	340,713	645,356
2038	165,000	135,844	300,844	190,000	148,313	338,313	639,156
2039	175,000	126,769	301,769	200,000	140,238	340,238	642,006
2040	185,000	117,144	302,144	205,000	131,738	336,738	638,881
2041	195,000	106,738	301,738	215,000	122,769	337,769	639,506
2042	205,000	95,769	300,769	225,000	113,363	338,363	639,131
2043	215,000	84,238	299,238	235,000	103,238	338,238	637,475
2044	225,000	71,875	296,875	245,000	92,663	337,663	634,538
2045	235,000	58,938	293,938	260,000	81,638	341,638	635,575
2046	250,000	45,425	295,425	270,000	69,613	339,613	635,038
2047	265,000	31,050	296,050	280,000	57,125	337,125	633,175
2048	275,000	15,813	290,813	295,000	44,175	339,175	629,988
2049	-	-	-	310,000	30,163	340,163	340,163
2050	-	-	-	325,000	15,438	340,438	340,438
	<u>\$ 3,975,000</u>	<u>\$ 3,294,450</u>	<u>\$ 7,269,450</u>	<u>\$ 5,000,000</u>	<u>\$ 3,481,070</u>	<u>\$ 8,481,070</u>	<u>\$15,750,520</u>

(1) Preliminary, subject to change.

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BONDED INDEBTEDNESS

2025 Certified Valuation of the Defined Area as of January 1, 2025 (Certified through September 5, 2025)	\$ 86,306,920 ⁽¹⁾
June 30, 2025 Estimated Appraised Valuation of the Defined Area	\$ 96,798,522 ⁽²⁾
Direct Debt of the Defined Area:	
Existing Unlimited Tax Bonds	\$ 3,975,000
The Bonds	<u>5,000,000</u>
Total Debt for Defined Area	\$ 8,975,000
Estimated Overlapping Debt of the Defined Area	\$ 4,389,954
Total Direct and Estimated Overlapping Debt of the Defined Area	\$ 13,364,954
Direct Debt Ratios of the Defined Area:	
As a percent of the Estimated Appraised Valuation as of June 30, 2025	9.27%
Direct and Estimated Overlapping Debt Ratios of the Defined Area:	
As a percent of the Estimated Appraised Valuation as of June 30, 2025	13.81%
Defined Area Debt Service Fund Balance as of August 31, 2025	\$ 373,532
Defined Area General Fund Balance as of August 31, 2025	\$ 311,657
District Debt Service Fund Balance as of August 31, 2025	\$ 1,693,312 ⁽³⁾
District General Fund Balance as of August 31, 2025	\$ 5,802,132 ⁽³⁾
Anticipated A302025 Defined Area Tax Rate per \$100 of Assessed Valuation	

Debt Service Tax	\$ 0.7600
Maintenance Tax	\$ 0.1000
Total	\$ 0.86000

Anticipated 2025 District-Wide Tax Rate per \$100 of Assessed Valuation

Debt Service Tax	\$ 0.2800
Maintenance Tax	-
Total	\$ 0.28000

2025 District-Wide Tax Rate	0.28000
2025 Defined Area Tax Rate	<u>0.86000</u>
Total	\$ 1.14000

Tax Rate Required to Pay Average Annual Debt Service (2026 - 2050) at 98% Collection Rate	
Based upon the June 30, 2025 Estimate of Appraised Valuation of the Defined Area	0.6386 ⁽⁴⁾
Tax Rate Required to Pay Maximum Annual Debt Service (2029) at 98% Collection Rate	
Based upon the June 30, 2025 Estimate of Appraised Valuation of the Defined Area	0.6857 ⁽⁴⁾

- (1) January 1, 2025 Certified Appraised Value of the Defined Area, based on the September 5, 2025 tax roll provided by Harris Central Appraisal District (the "Appraisal District"). See "TAX PROCEDURES."
- (2) Estimate of Appraised Value provided by the Harris Central Appraisal District as of June 1, 2025. At the request of the District, the Appraisal District provided an estimate of taxable assessed value in the Defined Area on June 1, 2025, which was reported to the District July 9, 2025. The estimate of the taxable value in the Defined Area was prepared by adding the estimated value attributable to the change in land use of land in the Defined Area since January 1, 2025, and the estimated value of improvements constructed from January 1, 2025 through May 31, 2025 to the 2025 Certified Value. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year. The value of improvements constructed from January 1, 2025 through May 31, 2025 will be reflected in the 2026 certified assessed value. See "TAX PROCEDURES."
- (3) The proceeds of the District Debt Service Fund and of the District General Fund cannot be used to pay debt service of the Bonds. Includes restricted funds for customer deposits
- (4) Includes the Bonds. Preliminary subject to change.

ESTIMATED OVERLAPPING DEBT STATEMENT – DEFINED AREA NO. 1

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

Taxing Body	Debt as of 30-Jun-25	Estimated Overlapping Percent ⁽¹⁾	Overlapping Amount ⁽²⁾
Harris County	\$ 2,424,019,039	0.00%	\$ -
Harris Co. Flood Control District	968,445,000	0.00%	-
Harris Co. Department of Education	28,960,000	0.00%	-
Harris Co. Hospital District	867,820,000	0.00%	-
Port of Houston Authority	406,509,397	0.00%	-
Crosby ISD	176,140,000	1.36%	2,395,504
Crosby MUD	17,650,000	11.30%	1,994,450
Defined Area	3,975,000	100.00%	3,975,000
TOTAL ESTIMATED DIRECT AND OVERLAPPING DEBT			\$ 8,364,954

- (1) Overlapping percentages are calculated based on the certified value of the Defined Area for 2025 and reported values for other entities as of tax year 2024.
- (2) Harris County Emergency Service Districts No. 5 and No. 80 do not have any debt outstanding and are not included above.

OVERLAPPING TAXES FOR 2024 - DEFINED AREA NO. 1

Taxing Jurisdiction	Tax Rate for 2024 Tax Year
Defined Area	\$ 0.8600
Crosby MUD	0.3100
Crosby ISD	1.2350
Harris County	0.3850
Harris Co. Flood Control District	0.0490
Harris Co. Department of Education	0.0050
Port of Houston Authority	0.0060
Harris County Hospital District	0.1640
Harris Co. Emergency Service District No. 5	0.0300
Harris Co. Emergency Service District No. 80	0.0205
Total Tax Rates	\$ 3.0645

DEBT RATIOS – DEFINED AREA NO. 1

Debt Ratios	% of 2025 Certified Assessed Valuation
Direct Debt (Defined Area)	5.69%
Direct and Estimated Overlapping Debt (Defined Area)	11.97%

TAX DATA

DEBT SERVICE TAX

All taxable property within the Defined Area is subject to the assessment, levy and collection by the District of an annual ad valorem tax without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds, the Defined Area Prior Bonds, and any future tax-supported parity bonds that may be issued by the District from time to time. The Board of Directors of the District has in its Bond Order covenanted to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds (see "THE BONDS" and "INVESTMENT CONSIDERATIONS"). The actual rate of such tax is determined annually as a function of the District's Defined Area tax base, its Defined Area debt service requirements, and available funds.

All taxable property within the District, including the Defined Area, is subject to the assessment, levy and collection by the District of an annual ad valorem tax without legal limitation as to rate or amount, sufficient to pay principal of and interest on the District-wide bonds issued by the District for the entire District, and any future tax-supported parity bonds that may be issued by the District from time to time.

MAINTENANCE 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 vote of the District's electors. At an election held on November 6, 2018, the District's electors within the Defined Area authorized an unlimited maintenance tax for the Defined Area on all property within the Defined Area subject to taxation.

TAXABLE ASSESSED VALUATIONS BY CATEGORY – DEFINED AREA NO. 1

	2025	2024	2023	2022	2021
Land	\$ 21,039,132	\$ 22,412,568	\$ 10,945,914	\$ 7,527,398	\$ 5,670,657
Improvements	64,284,659	48,934,113	36,031,388	23,792,427	7,674,558
Personal Property	213,900	388,428	165,985	37,780	49,244
Exemptions	(1,916,831)	(1,845,732)	(840,998)	(609,490)	(105,417)
	<u>\$ 83,620,860 ⁽¹⁾</u>	<u>\$ 69,889,377</u>	<u>\$ 46,302,289</u>	<u>\$ 30,748,115</u>	<u>\$ 13,289,042</u>

(1) Not including an estimated value of \$2,686,060 still uncertified.

HISTORICAL VALUES AND TAX COLLECTION HISTORY - DEFINED AREA NO. 1

Tax Year	Assessed Valuation	Tax Rate ⁽¹⁾	Adjusted Levy	Cumulative % Collections	
				Current & Prior Year	Year Ending 9/30
2020	\$ -	\$ 0.8600	\$ 7,493	100.00%	2021
2021	13,289,042	0.8600	114,286	99.21%	2022
2022	30,748,115	0.8600	294,273	98.78%	2023
2023	46,302,289	0.8600	394,742	97.47%	2024
2024	69,889,377	0.8600	601,049	98.93% ⁽²⁾	2025
2025	86,306,920	0.8600	742,240	N/A ⁽³⁾	2026

(1) Per \$100 of Assessed Valuation.

(2) Collections as of August 31, 2025.

(3) Collections start October 1, 2025.

TAX RATE DISTRIBUTION

	2025	2024	2023	2022	2021
District Wide Debt Service	\$ 0.28000	\$ 0.31000	\$ 0.37000	\$ 0.41090	\$ 0.45247
Defined Area Maintenance and Operations	0.10000	0.19240	0.17100	0.34500	0.86000
Defined Area Debt Service	0.76000	0.66760	0.68900	0.51500	-
TOTAL	<u>\$ 1.14000</u>	<u>\$ 1.17000</u>	<u>\$ 1.23000</u>	<u>\$ 1.27090</u>	<u>\$ 1.31247</u>

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, except \$10,000 of assessed valuation for homesteads of persons 65 years of age or older and for certain disabled persons.

PRINCIPAL TAXPAYERS – DEFINED AREA NO. 1

The following table represents the principal taxpayers within the Defined Area, the taxable assessed value of such property, and such property's assessed value as a percentage of the Defined Area's 2025 Certified Valuation of \$ 86,306,920 of the Defined Area.

Taxpayer	Taxable Assessed	% of Total
	Valuation	Taxable Assessed Valuation ⁽¹⁾
Murff Castle Estates LLC	12,760,573	14.79%
Castlerock Communities LP	1,146,111	1.33%
Magana Properties LLC	493,216	0.57%
Arevalo, Edgar David Sr	401,878	0.47%
Maldonado, Jose L & Sonia Madai	389,512	0.45%
Aguas, Jose Antonio Reyes	387,332	0.45%
Gonzalez, Cynthia P & Abbat S	386,737	0.45%
Evans, Fredrick A Jr & Myeshia Renee	383,927	0.44%
White, Demetric A & Norchelle D	383,402	0.44%
Muller, Sheila	382,183	0.44%
	<u>\$ 17,114,871</u>	<u>19.83%</u>

(1) Based on 2025 Certified Valuation of the Defined Area as of September 5, 2025.

TAX RATE CALCULATIONS – DEFINED AREA NO. 1

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Assessed Valuation which would be required to meet certain debt service requirements on the Defined Area Prior Bonds and the Bonds if no growth in the Defined Area's tax base occurs beyond the 2025 Assessed Valuation. The calculations assume collection of 98% of taxes levied, no use of other legally available funds on hand, and the sale of no additional Defined Area No. 1 bonds except the Bonds.

Tax Rate Required to Pay Average Annual Debt Service (2026 - 2050) at 98% Collection Rate

Based upon the June 30, 2025 Estimate of Appraised Valuation of the Defined Area 0.6386

Tax Rate Required to Pay Maximum Annual Debt Service (2028) at 98% Collection Rate

Based upon the June 30, 2025 Estimate of Appraised Valuation of the Defined Area 0.6857

For tax year 2025, the District is expected to set a Defined Area Tax rate that consists of a maintenance tax of \$0.100 and a debt service rate of \$0.7600 for a total of \$0.86 per \$100 of Assessed Valuation. As illustrated above, the anticipated debt service tax rate will be sufficient to pay the average annual debt service requirements and the maximum annual debt service requirements on the Defined Area Bonds and the Bonds assuming taxable values in the Defined Area of the Estimated Valuation at June 1, 2025, assuming collection of 90% of taxes levied, assuming no use of other legally available funds on hand, and the issuance of no Defined Area No. 1 bonds by the District except the Bonds and the Defined Area Prior Bonds. In addition, the District had, as of June 1, 2024, total annual tax collections for the Defined Area of 99.21% for 2022, 98.78% for 2023, and 97.47 % for 2024. However, the District can make no representation that the taxable property values in the Defined Area will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. The District is expected to levy a 2025 District-Wide Tax of \$0.2800 per \$100 of Assessed Valuation, which must be paid by taxpayers in the Defined Area in addition to the Defined Area tax. District-Wide Taxes levied by the District cannot be used to pay debt service on the Bonds. See "DEFINED AREA NO. 1," "TAX PROCEDURES," "INVESTMENT CONSIDERATIONS" and "APPENDIX A – DISTRICT'S AUDITED FINANCIALS."

TAX PROCEDURES

PROPERTY TAX CODE AND COUNTY-WIDE APPRAISAL DISTRICT

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

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Harris Central Appraisal District (the "Appraisal District") has the responsibility for appraising property for all taxing units within Harris County, including the District. Such appraisal values are subject to review and change by the Harris 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, certain tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; property used for affordable housing; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Effective January 1, 2022, the District must grant exemptions to veterans considered totally disabled by the Department of Veterans Affairs. Furthermore, the District must grant exemptions for certain surviving dependents of disabled veterans, if requested, of an amount depending on the number of dependents and the disability rating of the veteran. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if, under certain conditions, the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces, or a first responder, as defined under Texas Law, 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 spouse. See "TAX DATA".

GENERAL RESIDENTIAL HOMESTEAD EXEMPTION

Texas law authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the assessed value of residential homesteads, but not less than \$5,000, if any exemption is granted, from ad valorem taxation. The law provides, however, that where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. According to the District's Tax Assessor and Collector, the District has not granted a general residential homestead exemption for tax year 2022.

VALUATION OF PROPERTY FOR TAXATION

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

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

REAPPRAISAL OF PROPERTY AFTER DISASTER

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. 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.

TAX PAYMENT INSTALLMENTS AFTER DISASTER

Certain qualified taxpayers, including owners of residential homesteads, located within a 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.

DISTRICT AND TAXPAYER REMEDIES

A taxpayer may appeal an order 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 (such as the District) may challenge certain matters, including the level of appraisal of a certain category of property, the exclusion of property from the appraisal records, the grant in whole or in part of a partial exemption, or a determination that land qualifies for special use appraisal (agricultural or timber classification, for example). The District may not, however, protest a valuation of individual property.

The Property Tax Code establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

AGRICULTURAL, OPEN SPACE, TIMBERLAND AND INVENTORY DEFERMENT

The Property Tax Code and Texas Administrative Code permit land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property, the District can collect taxes based on the new use, including such taxes for a period of three (3) years for agricultural use, timberland or open space land prior to the loss of the designation. According to the District's Tax Assessor/Collector, as of January 1, 2022, 248.9663 acres of land within the District was designated for agricultural use, open space, inventory deferment, or timberland.

TAX ABATEMENT

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

LEVY AND COLLECTION OF TAXES

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. By August 15 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board of Directors 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 when billed 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. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected. 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.

ROLLBACK OF OPERATION AND MAINTENANCE TAX RATE

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

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

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

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

The District. A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. For the 2025 tax year, the Board of Directors determined that the District is a Developing District. The District cannot give any assurances as to what its classification will be for any future tax years 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 STATEMENT – DEFINED AREA NO. 1." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both, subject to the restrictions on residential homesteads described in the preceding section under "Levy and Collection of Taxes". In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the 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, which are obligations of the District and not obligations of the State of Texas, Harris County, the City of Houston, or any other political entity other than the District, will be secured by a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, levied on all taxable property within the Defined Area. The ultimate security for payment of the principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the Defined Area all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities.

SEVERE WEATHER

The District, the center of which is located approximately 30 miles from Galveston Bay and approximately 5 miles from the San Jacinto River, is susceptible to high winds, heavy rain and flooding caused by rain events, hurricanes, tropical storms and other tropical disturbances. The Houston area has suffered damage from rain events on at least five occasions since 2009. Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 25, 2017, brought historic levels of rainfall to the Houston area during the successive four days.

Hurricane Harvey did result in structural flooding or other significant damages to some improvements in the District; however, the overall taxable value in the District increased from \$265,562,285 as of January 1, 2017 to \$280,752,008 as of January 1, 2018. District staff estimates that fewer than 30 homes and fewer than 5 commercial properties within the District suffered structural flooding or significant damage. The District did not sustain any significant damage to its water and sewer facilities and there was no interruption of water and sewer service. Arkema Chemical Plant, where a chemical fire occurred as a result of Hurricane Harvey, is not within the District.

If a future weather event significantly damaged all or part of the improvements within the Defined Area, the assessed value of property within the Defined Area could be substantially reduced, which could result in a decrease in tax collections in the Defined Area. Further, there can be no assurance that a casualty loss to taxable property within the Defined Area will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligations to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the Defined Area. 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. There are special taxing procedures for areas declared to be a disaster area by the governor of the State of Texas which could affect the amount of taxes due and when they are collected. See "TAX PROCEDURES - REAPPRAISAL OF PROPERTY AFTER DISASTER" and "- TAX PAYMENT INSTALLMENTS AFTER DISASTER."

There are two general types of flooding: ponding or pluvial flooding and riverine or fluvial flooding, either of which might impact the District.

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

If substantial damage were to occur to taxable property within the Defined Area as a result of a weather event, the investment security of the Bonds could be adversely affected. In addition, substantial damage to taxable property within the District generally or damage to the District's facilities could adversely affect the Defined Area. The frequency of weather events in the Houston area could have a material impact on the long-term development of the area's economy.

ATLAS 14

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

IMPACT OF ECONOMIC CONDITIONS

Each year the then current market value of all real property and improvements in the Defined Area will determine the certified taxable value. The market value of the real property and improvements within the Defined Area is affected by the demand for such improvements. Demand is affected by many factors, such as interest rates, credit availability, construction costs, energy availability, mobility and the general economic conditions and demographic characteristics of the U.S. economy and the specific economic conditions and demographic characteristics of the Houston metropolitan area.

NATURE OF RESIDENTIAL HOUSING MARKET

The area within the Defined Area is expected to be developed for single family residential use. New residential housing construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. The housing industry in the Houston area is very competitive, and buyers can choose from a number of residential developments in the Houston area.

FUTURE TAXABLE VALUES IN THE DEFINED AREA MAY DECLINE

The Appraisal District determines the taxable value in the Defined Area annually based on the then current market value of all taxable real property and improvements in the Defined Area.

The Appraisal District may use cost data, cost comparisons and/or an analysis of the income being produced by a property to determine its taxable value. Residential properties that are not occupied or are only partially occupied may be appraised at a lower value than occupied facilities. Under certain circumstances, residential real property inventory held by a person in the trade or business will be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Reduced taxable values of the improvements in the Defined Area may affect the taxes derived from such property.

Property owners have the right to protest the appraised value of their property in the Defined Area annually and are not required to render their property for ad valorem taxation at any agreed upon level, unless required by a development agreement with the District. Owners in the Defined Area may sell their properties to entities which do not pay ad valorem taxes on their property or convert their property to a use which is exempt from ad valorem taxes. Property owners have the right to seek tax abatements. Property values may also be adversely affected by natural or other disasters resulting in the destruction of property in the Defined Area. The appraised value of the property and improvements will be determined and certified by the Appraisal District in accordance with the procedures described above and in "TAX PROCEDURES" and may be at a value lower than projected.

Taxable values, which are used to generate taxes, take into account tax exemptions granted by state law or an individual taxing unit. See "TAX PROCEDURES." The Texas Constitution limits the rate of increase in the taxable value of a residential homestead regardless of its market or assessed value. It also grants additional exemptions for various categories of persons, such as disabled veterans and first responders. Taxing units have the authority to grant additional exemptions, including a homestead exemption of up to 20% of the assessed value of a residential homestead and additional exemptions to residential homesteads of persons 65 or older or disabled.

DEPENDENCE ON DEVELOPER AND MAJOR TAXPAYERS

A developer normally undertakes many activities necessary for the development of an undeveloped tract of property. However, neither the Developer nor any landowner in the Defined Area has committed 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 Defined Area, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on developed tracts of land or developed lots would restrict and rate of growth of taxable values in the Defined Area. The District cannot and does not make any representation that over the life of the Bonds, the Defined Area will increase or maintain its taxable value.

CONCENTRATION OF RISK

Approximately 19.83% percent of the taxable value in the Defined Area is owned by the top ten taxpayers. Failure of any one or more of these taxpayers to pay its taxes could adversely affect the investment security for the Bonds. See "TAX PROCEDURES - VALUATION OF PROPERTY FOR TAXATION."

DEVELOPMENT RISK

Future increases in taxable value in the Defined Area, if any, are expected to result principally from the construction of new single-family homes. Construction of such improvements may be constrained by many factors, currently known and unknown, and include difficulty obtaining governmental approvals, the lack of infrastructure to support new construction, and difficulties in obtaining building materials. Currently, such basic building materials as cement are in short supply and prices of all building materials are increasing rapidly. The District cannot predict how much, if any, new taxable value will be created in the Defined Area after the date hereof.

EXPOSURE TO ENERGY AND PETROCHEMICAL INDUSTRIES

Many energy companies are located in the Houston metropolitan area and have manufacturing facilities and offices there. Energy and petrochemicals are major drivers of the City's economy. Any downturn in these industries could result in declines in the demand for residential and commercial property in the Houston metropolitan area and could reduce or negatively affect property values or economic activity within the region, including the Defined Area. In the longer term, the oil and gas industry in the Houston metropolitan area may be adversely affected by governmental actions taken to reduce the use of fossil fuel and concerns about climate change.

FUTURE DEBT

The Defined Area

Following the issuance of the Bonds, the District has the right to issue \$5,935,000 of authorized but unissued bonds for waterworks, wastewater and drainage facilities to serve the Defined Area (see "THE BONDS - ISSUANCE OF ADDITIONAL DEBT"), and such additional bonds as may hereafter be approved by both the Board and voters of the Defined Area. The issuance of such \$5,935,000 bonds for waterworks, wastewater and drainage facilities is also subject to TCEQ authorization.

To date, the Developer has advanced certain funds for construction of facilities for which it has not been reimbursed. After payments are made with Bond proceeds, the District will continue to owe the Developer approximately \$5,900,000 plus interest for funds advanced to construct water, sewer and drainage facilities in the Defined Area. The District intends to issue additional bonds in order to reimburse the Developer for the current amount outstanding and to develop the remainder of undeveloped but developable land in the Defined Area. The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. Any bonds issued by the District, however, must be approved by the Attorney General of Texas and the Board of the District and any bonds issued to acquire or construct water, sanitary sewer and drainage facilities must be approved by the TCEQ.

The District

The District has \$10,935,000 of remaining authorized but unissued unlimited tax bonds. The District's voters may authorize additional bonds in the future. The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. Any bonds issued by the District, however, must be approved by the Attorney General of Texas and the Board of the District and any bonds issued to acquire or construct water, sanitary sewer and drainage facilities must be approved by the TCEQ. The District does not anticipate the issuance of additional debt within the next 12 months.

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 judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by cumbersome, time-consuming and expensive collection procedures or market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "ESTIMATED OVERLAPPING DEBT STATEMENT – DEFINED AREA"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem homestead and agricultural use property within two years of foreclosure and other types of property within six months after foreclosure). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

REGISTERED OWNERS' REMEDIES

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

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

BANKRUPTCY LIMITATION TO REGISTERED OWNERS' RIGHTS

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

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

The District may not be placed in bankruptcy involuntarily.

CONTINUING COMPLIANCE WITH CERTAIN COVENANTS

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

ENVIRONMENTAL REGULATION

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

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

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

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the Texas Commission on Environmental Quality (the "TCEQ") may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act ("CAA") Amendments of 1990, the eight county Houston-Galveston-Brazoria area ("HGB Area") - Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty Counties - has been designated a nonattainment area under three separate federal ozone standards: the one-hour (124 parts per billion ("ppb")) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (the "1997 Ozone Standards"); the tighter, 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.

While the EPA has revoked the 1997 Ozone Standards, the EPA historically has not formally redesignated nonattainment areas for a revoked standard. As a result, the HGB Area remained subject to continuing severe nonattainment area "anti-backsliding" requirements, despite the fact that HGB Area air quality has been attaining the 1997 Ozone Standards since 2014. In late 2015, the EPA approved the TCEQ's "redesignation substitute" for the HGB Area under the revoked 1997 Ozone Standards, leaving the HGB Area subject only to the nonattainment area requirements under the 2008 Ozone Standard (and later, the 2015 Ozone Standard).

In February 2018, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion in *South Coast Air Quality Management District v. EPA*, 882 F.3d 1138 (D.C. Cir. 2018) vacating the EPA redesignation substitute rule that provided the basis for the EPA's decision to eliminate the anti-backsliding requirements that had applied in the HGB Area under the 1997 Ozone Standard. The court has not responded to the EPA's April 2018 request for rehearing of the case. To address the uncertainty created by the South Coast court's ruling, the TCEQ has developed a formal request that the HGB Area be redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners adopted the request and maintenance plan for the 1997 one-hour and eight-hour standards on December 12, 2018. On May 16, 2019, the EPA proposed a determination that the HGB Area has met the redesignation criteria and continues to attain the 1997 one-hour and eight-hour standards, the termination of the anti-backsliding obligations, and approval of the proposed maintenance plan.

The HGB Area is currently designated as a "moderate" nonattainment area under the 2008 Ozone Standard. 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 "marginal" nonattainment area under the 2015 Ozone Standard. 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.

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), with an effective date of March 5, 2018, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain non-stormwater discharges into surface water in the state. It has a 5-year permit term and is then subject to renewal. Moreover, the Clean Water Act ("CWA") and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district's ability to obtain and maintain compliance with TPDES permits.

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

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

In 2015, the EPA and USACE promulgated a rule known as the Clean Water Rule ("CWR") aimed at redefining "waters of the United States" over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expanded the scope of the federal government's CWA jurisdiction over intrastate water bodies and wetlands. The CWR was challenged in numerous jurisdictions, including the Southern District of Texas, causing significant uncertainty regarding the ultimate scope of "waters of the United States" and the extent of EPA and USACE jurisdiction.

On September 12, 2019, the EPA and USACE finalized a rule repealing the CWR, thus reinstating the regulatory text that existed prior to the adoption of the CWR. This repeal officially became final on December 23, 2019, but the repeal has itself become the subject of litigation in multiple jurisdictions.

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule ("NWPR"), which contains a new definition of "waters of the United States." The stated purpose of the NWPR is to restore and maintain the integrity of the nation's waters by maintaining federal authority over the waters Congress has determined should be regulated by the federal government, while preserving the states' primary authority over land and water resources. The new definition outlines four categories of waters that are considered "waters of the United States," and thus federally regulated under the CWA: (i) territorial seas and traditional navigable waters; (ii) perennial and intermittent tributaries to territorial seas and traditional navigable waters; (iii) certain lakes, ponds, and impoundments of jurisdictional waters; and (iv) wetlands adjacent to jurisdictional waters. The new rule also identifies certain specific categories that are not "waters of the United States," and therefore not federally regulated under the CWA: (a) groundwater; (b) ephemeral features that flow only in direct response to precipitation; (c) diffuse stormwater runoff and directional sheet flow over upland; (d) certain ditches; (e) prior converted cropland; (f) certain artificially irrigated areas; (g) certain artificial lakes and ponds; (h) certain water-filled depressions and certain pits; (i) certain stormwater control features; (j) certain groundwater recharge, water reuse, and wastewater recycling structures; and (k) waste treatment systems. The NWPR became effective June 22, 2020 and is currently the subject of ongoing litigation.

On June 9, 2021, the EPA and USACE announced plans to further revise the definition of "waters of the United States." On August 30, 2021, the United States District Court for the District of Arizona issued an order vacating the NWPR while the EPA and USACE make plans to replace it. On November 18, 2021, the EPA and USACE issued a Notice of Proposed Rulemaking to put back into place the pre-2015 definition of "waters of the United States," and on December 7, 2021, the proposed rule was published in the Federal Register, with the public comment period closing on February 7, 2022. Due to existing and possible future litigation and regulatory action, there remains uncertainty regarding the ultimate scope of "waters of the United States" and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

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.

2025 LEGISLATIVE SESSION

The regular session of the 89th Texas Legislature convened on January 14, 2025 and concluded on June 2, 2025 (the "89th Regular Session"). The Texas Legislature (the "Legislature") meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda.

There have been two special sessions since the 89th Regular Session.

The 89th Texas Legislature enacted laws affecting ad valorem taxation, setting tax rates and enacting budgets which apply to water district such as the District. At the present time, the District does not anticipate that these changes will have any significant effect on its financial condition or operations; however, the District can give no assurances concerning future changes in law.

LEGAL MATTERS

LEGAL OPINIONS

The District will furnish to the Initial Purchaser a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, levied without limitation as to rate or

amount, upon all taxable property within the District. The District will also furnish the approving legal opinion of Baker Williams Matthiesen LLP Houston, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the registered owners of the Bonds may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without limitation as to rate or amount, upon all taxable property within the District. The District will also deliver the legal opinion of Special Tax Counsel to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion, assuming compliance by the District with certain covenants relating to the use and investment of the proceeds of the Bonds. See "TAX MATTERS - TAX EXEMPTION" below.

The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of bonds actually issued, sold and delivered, and therefore such fees are contingent upon the sale and delivery of the Bonds.

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

LEGAL REVIEW

In their capacity as Bond Counsel, Baker Williams Matthiesen LLP, Houston, Texas have reviewed the information appearing in this Official Statement under the captioned sections "THE BONDS – OTHER THAN BOOK ENTRY ONLY SYSTEM," "THE DISTRICT - GENERAL," "DEFINED AREA NO. 1 - GENERAL", "THE DISTRICT – MANAGEMENT OF THE DISTRICT – *Bond Counsel*," "TAX PROCEDURES," "LEGAL MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" other than "COMPLIANCE WITH PRIOR UNDERTAKINGS," solely to determine whether such information fairly summarizes the law and documents referred to therein. Such firm has not independently verified factual information contained in this Official Statement, nor has such firm conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

TAX MATTERS

TAX EXEMPTION

In the opinion of Orrick, Herrington & Sutcliffe, LLP, Special Tax Counsel ("Special Tax Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Special Tax Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Special Tax Counsel observes that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Special Tax Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. A complete copy of the proposed form of opinion of Special Tax Counsel is set forth in Appendix B hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner.

Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The [District] has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Special Tax Counsel assumes the accuracy of these representations and compliance with these covenants. Special Tax Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Special Tax Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Special Tax Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Special Tax Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Special Tax Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Special Tax Counsel expresses no opinion.

The opinion of Special Tax Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Special Tax Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Special Tax Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Special Tax Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Special Tax Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, Beneficial Owners would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

Payments on the Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Internal Revenue Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate Beneficial Owner of Bonds may be subject to backup withholding with respect to "reportable payments," which include interest paid on the Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a Beneficial Owner's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

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") through its Electronic Municipal Market Access ("EMMA") system. 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").

ANNUAL REPORTS

The District will provide certain financial information and operating data to the EMMA annually. The financial information and operating data which will be provided with respect to the District includes all quantitative financial information and operating data

of the general type included in this Official Statement under the headings "SELECTED FINANCIAL INFORMATION," "THE DISTRICT-WIDE SYSTEM," "UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED," "INVESTMENTS"; "DEFINED AREA NO. 1," "TAX DATA," "DEFINED AREA NO. 1 - DEBT SERVICE REQUIREMENTS," and "APPENDIX A - DISTRICT AUDITED FINANCIAL STATEMENTS."

Any information concerning the District so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation and audited if the audit report is completed within the period during which it must be provided. If the audit report of the District is not complete within such period, then the District shall provide unaudited financial statements for the fiscal year within six months of the end of the fiscal year and audited financial statements when the audit report becomes available.

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 also will provide timely notices of any of the following events with respect to their series of Bonds (not in excess of 10 business days after the occurrence of the event): (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 or 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 holders 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) the 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 action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) the appointment of a successor or additional trustee or the change in the name of the trustee, if material; (15) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, 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, any of which reflect financial difficulties.

For these purposes, any event described in item (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District. A "financial obligation" as described in (15) and (16) above means a (i) debt obligation; (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term "financial obligation" does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

AVAILABILITY OF INFORMATION

The District has agreed to provide the information only to the MSRB, accompanied by identifying information and in an electronic format, as prescribed by the MSRB. The MSRB has prescribed that such information must be filed pursuant to its Electronic Municipal Market Access ("EMMA") System. The MSRB makes the information available to the public without charge and investors will be able to access 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 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 has been 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 the continuing disclosure agreement or from any statement made pursuant to such agreement, although holders of Bonds may seek a writ of mandamus to compel the District to comply with its agreement. Nothing in this paragraph is intended or shall act to disclaim, waive or limit the District's duties under federal or state securities laws.

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District if, but only if (1) the agreement, as so amended, would have permitted underwriters to purchase or sell Bonds in the initial primary offering in

compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds affected thereby consent or (b) any qualified person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds affected thereby. If the District amends its agreement, it has agreed to include with the financial information and operating data next provided, in accordance with its agreement described above under "Annual Reports," an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and operating data so provided. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the District also may amend the provisions of its agreement in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds, giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule.

COMPLIANCE WITH PRIOR UNDERTAKINGS

During the last five years, the District has complied in all material respects with its previous continuing disclosure agreement.

PREPARATION OF OFFICIAL STATEMENT

SOURCES AND COMPILATION OF INFORMATION

The financial data and other information contained in this Official Statement has been obtained primarily from the District's records, the Engineer, the Tax Assessor/Collector, the Appraisal District and information from other sources believed to be reliable. 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 sources other than the District, and its inclusion herein is not to be construed as a representation on the part of the District to such effect. 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

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

"THE DISTRICT" - District Records and IDS Engineering Group ("Engineer"); "TAX PROCEDURES" - Ms. Dawn Muth of San Jacinto Tax Service and Baker Williams Matthiesen LLP; "THE SYSTEM" - Engineer; "THE BONDS" and "LEGAL MATTERS" - Baker Williams Matthiesen LLP; "FINANCIAL STATEMENT" and "TAX DATA"--Harris County Appraisal District, Ms. Dawn Muth of San Jacinto Tax Service, the Municipal Advisory Council, and District records.

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

CONSULTANTS

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

Engineer: The information contained in this Official Statement relating to engineering and to the description of the System and, in particular that information included in the sections entitled "THE DISTRICT" and "THE DISTRICT-WIDE SYSTEM" (as it relates to District facilities) has been provided by IDS Engineering Group 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 of the District has been provided by the Harris County Appraisal District and has been included herein in reliance upon the authority of such entity as experts in assessing the values 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 Certified Taxable Assessed Valuations, principal taxpayers, and certain other historical data concerning tax rates and tax collections has been provided by Ms. Dawn Muth and is included herein in reliance upon Ms. Muth as an expert in collecting taxes.

Auditor: The District's audited financial statements for the year ended December 31, 2024 were prepared by McCall, Gibson, Swedlund, Barfoot PLLC, Certified Public Accountants. See "APPENDIX A" for a copy of the District's December 31, 2024, audited financial statements.

MUNICIPAL BOND RATING

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

UPDATING OF OFFICIAL STATEMENT

For the period beginning on the date of the award of the sale of the Bonds to the Initial Purchaser and ending on the ninety-first (91st) day after the "end of the underwriting period" (as defined in SEC Rule 15c(2)-12(f)(2)), if any event shall occur of which the District has knowledge and as a result of which it is necessary to amend or supplement this Official Statement in order to make the statements herein, in light of the circumstances when this Official Statement is delivered to a prospective purchaser, not misleading, the District will promptly notify the Initial Purchaser of the occurrence of such event and will cooperate in the preparation of a revised Official Statement, or amendments or supplements hereto, so that the statements in this Official Statement, as revised, amended or supplemented, will not, in light of the circumstances when this Official Statement is delivered to a prospective purchaser, be misleading.

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 the light of the circumstances under which they are made, not misleading. With respect to information included in this Official Statement other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District.

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 Crosby Municipal Utility District, of Harris County, Texas, as of the date shown on the cover page.

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

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

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

NO MATERIAL ADVERSE CHANGE

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

NO-LITIGATION CERTIFICATE

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

SALE AND DISTRIBUTION OF THE BONDS

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

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

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

/s/ _____
President, Board of Directors
Crosby Municipal Utility District

ATTEST:

/s/ _____
Secretary, Board of Directors
Crosby Municipal Utility District

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APPENDIX A

District Audited Financial Statements for the fiscal year ended December 31, 2024

The Audited Financial Statements of Crosby Municipal Utility District for the fiscal year ended December 31, 2024.

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CROSBY MUNICIPAL UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2024

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
Crosby Municipal Utility District
Harris County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Crosby Municipal Utility District (the "District") as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2024, 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, Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of District Contributions – Pension, and Schedule of Changes in Total Other Postemployment Benefits Liability and Related Ratios 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
Crosby 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 15, 2025

CROSBY MUNICIPAL UTILITY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2024

Management's discussion and analysis of the financial performance of Crosby Municipal Utility District (the "District") provides an overview of the District's financial activities for the fiscal year ended December 31, 2024. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The Statement of Net Position includes all 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 customer service revenues, property tax revenues, operating costs, professional fees, and administrative 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.

**CROSBY MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2024**

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. Schedules related to the pension plan and the other postemployment benefits plan are also included as RSI.

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 \$19,080,432 as of December 31, 2024. A portion of the District's net position reflects its net investment in capital assets which includes land, buildings and equipment as well as the water and wastewater facilities less any debt used to acquire those assets that is still outstanding.

**CROSBY MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2024**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following is a comparative analysis of government-wide changes in Net Position:

	Summary of Changes in the Statement of Net Position		
	2024	2023	Change Positive (Negative)
Current and Other Assets	\$ 15,669,730	\$ 14,227,668	\$ 1,442,062
Capital Assets (Net of Accumulated Depreciation)	19,179,476	19,117,957	61,519
Total Assets	\$ 34,849,206	\$ 33,345,625	\$ 1,503,581
Deferred Outflows of Resources	\$ 208,659	\$ 320,168	\$ (111,509)
Due to Developer	\$ 449,461	\$ 449,461	\$
Bonds Payable	11,584,519	13,185,697	1,601,178
Other Liabilities	1,674,037	1,035,039	(638,998)
Total Liabilities	\$ 13,708,017	\$ 14,670,197	\$ 962,180
Deferred Inflows of Resources	\$ 2,269,416	\$ 2,272,529	\$ 3,113
Net Position:			
Net Investment in Capital Assets	\$ 12,287,698	\$ 10,883,641	\$ 1,404,057
Restricted	2,103,303	1,910,155	193,148
Unrestricted	4,689,431	3,929,271	760,160
Total Net Position	\$ 19,080,432	\$ 16,723,067	\$ 2,357,365

The following table provides a summary of the District's operations for the years ended December 31, 2024, and December 31, 2023.

	Summary of Changes in the Statement of Activities		
	2024	2023	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 2,222,906	\$ 2,067,602	\$ 155,304
Charges for Services	3,568,746	3,243,542	325,204
Other Revenues	666,425	488,759	177,666
Total Revenues	\$ 6,458,077	\$ 5,799,903	\$ 658,174
Expenses for Services	4,100,712	4,019,069	(81,643)
Change in Net Position	\$ 2,357,365	\$ 1,780,834	\$ 576,531
Net Position, Beginning of Year	16,723,067	14,942,233	1,780,834
Net Position, End of Year	\$ 19,080,432	\$ 16,723,067	\$ 2,357,365

**CROSBY MUNICIPAL UTILITY DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2024**

FINANCIAL ANALYSIS OF THE DISTRICT’S GOVERNMENTAL FUNDS

The District’s combined fund balances as of December 31, 2024, were \$12,050,522, an increase of \$662,488 from the prior year.

The General Fund fund balance increased by \$769,153, primarily due to service revenues exceeding operating and administrative costs, as well as a transfer to the Capital Projects Fund.

The Debt Service Fund fund balance increased by \$127,236, primarily due to the structure of the District’s outstanding debt.

The Capital Projects Fund fund balance decreased by \$233,901. The decrease in the Capital Projects Fund fund balance was primarily due to current year capital outlay costs which exceeded a transfer in from the General Fund and investment revenues.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted a budget for the General Fund which was amended during the current fiscal year to adjust for anticipated increases to property tax revenues and personnel costs. Actual revenues were \$745,612 more than budgeted revenues, actual expenditures were \$17,459 more than budgeted expenditures, and actual transfers out were less than budgeted by \$39,500 which resulted in a positive budget variance of \$767,653. See the budget to actual comparison for more information.

LONG-TERM DEBT ACTIVITY

As of December 31, 2024, the District had total bond debt payable of \$11,625,000. The changes in the debt position of the District during the current fiscal year are summarized as follows:

Bond Debt Payable, January 1, 2024	\$ 13,180,000
Less: Bond Principal Paid	<u>(1,555,000)</u>
Bond Debt Payable, December 31, 2024	<u>\$ 11,625,000</u>

The Series 2015 Refunding, Series 2017, Series 2019 and Series 2022 Bonds carry underlying ratings of “A” and insured ratings of “AA” by virtue of bond insurance issued by Build America Mutual Assurance Company. The Defined Area No. 1 Series 2022 Bonds do not carry an underlying or insured rating. Credit enhanced ratings provided through bond insurance policies are subject to change based on changes to the ratings of the insurers.

**CROSBY MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2024**

CAPITAL ASSETS

Capital assets as of December 31, 2024, total \$19,179,476 (net of accumulated depreciation) and include land, buildings, equipment, furniture, fixtures, and vehicles as well as the detention pond and the water and wastewater systems.

Capital Assets At Year-End			
	2024	2023	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 260,900	\$ 260,900	\$
Construction in Progress	876,837	152,781	724,056
Capital Assets Subject to Depreciation:			
Water System	13,919,299	13,919,299	
Wastewater System	14,379,018	14,233,316	145,702
Detention Pond	443,044	443,044	
Buildings, Furniture, Fixtures	575,912	575,912	
Vehicles, Machinery, Equipment	949,982	894,210	55,772
Less Accumulated Depreciation	<u>(12,225,516)</u>	<u>(11,361,505)</u>	<u>(864,011)</u>
Total Net Capital Assets	<u>\$ 19,179,476</u>	<u>\$ 19,117,957</u>	<u>\$ 61,519</u>

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 Crosby Municipal Utility District, P.O. Box 249, Crosby, TX 77532

CROSBY MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2024

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 956,374	\$ 1,747,890
Investments	4,323,611	1,519,457
Receivables:		
Property Taxes	22,180	1,101,578
Penalty and Interest on Delinquent Taxes		
Service Accounts	269,928	
Other	925	
Due from Other Funds	105,378	
Net Pension Asset		
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	<u>\$ 5,678,396</u>	<u>\$ 4,368,925</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension Plan Charges	\$	\$
Deferred Charges on Refunding Bonds		
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 5,678,396</u>	<u>\$ 4,368,925</u>

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 1,695,649	\$ 4,399,913	\$	\$ 4,399,913
3,779,324	9,622,392		9,622,392
	1,123,758		1,123,758
		112,914	112,914
	269,928		269,928
	925		925
	105,378	(105,378)	
		139,900	139,900
		260,900	260,900
		876,837	876,837
		18,041,739	18,041,739
<u>\$ 5,474,973</u>	<u>\$ 15,522,294</u>	<u>\$ 19,326,912</u>	<u>\$ 34,849,206</u>
\$	\$	\$ 196,340	\$ 196,340
		12,319	12,319
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 208,659</u>	<u>\$ 208,659</u>
<u>\$ 5,474,973</u>	<u>\$ 15,522,294</u>	<u>\$ 19,535,571</u>	<u>\$ 35,057,865</u>

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

CROSBY MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2024

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 302,917	\$
Accrued Interest Payable		
Due to Developer		
Compensated Absences Payable		
Due to Other Funds		105,378
Security Deposits	311,705	
Net Other Postemployment Benefits Liability		
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	<u>\$ 614,622</u>	<u>\$ 105,378</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 141,776	\$ 2,254,461
Pension Plan Charges		
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 141,776</u>	<u>\$ 2,254,461</u>
FUND BALANCES		
Restricted for Authorized Construction	\$	\$
Restricted for Defined Area No. 1 Activity	182,562	253,474
Restricted for Defined Area No. 2 Activity	11,313	
Restricted for District Debt Service		1,755,612
Committed for HRA Costs	89,647	
Unassigned	4,638,476	
TOTAL FUND BALANCES	<u>\$ 4,921,998</u>	<u>\$ 2,009,086</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 5,678,396</u>	<u>\$ 4,368,925</u>
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 355,535	\$ 658,452	\$	\$ 658,452
		162,337	162,337
		449,461	449,461
		67,992	67,992
	105,378	(105,378)	
	311,705		311,705
		473,551	473,551
		975,000	975,000
		10,609,519	10,609,519
<u>\$ 355,535</u>	<u>\$ 1,075,535</u>	<u>\$ 12,632,482</u>	<u>\$ 13,708,017</u>
\$	\$ 2,396,237	\$ (143,709)	\$ 2,252,528
		16,888	16,888
<u>\$ - 0 -</u>	<u>\$ 2,396,237</u>	<u>\$ (126,821)</u>	<u>\$ 2,269,416</u>
\$ 5,113,572	\$ 5,113,572	\$ (5,113,572)	\$
5,866	441,902	(441,902)	
	11,313	(11,313)	
	1,755,612	(1,755,612)	
	89,647	(89,647)	
	4,638,476	(4,638,476)	
<u>\$ 5,119,438</u>	<u>\$ 12,050,522</u>	<u>\$ (12,050,522)</u>	<u>\$ - 0 -</u>
<u>\$ 5,474,973</u>	<u>\$ 15,522,294</u>		
		\$ 12,287,698	\$ 12,287,698
		2,103,303	2,103,303
		4,689,431	4,689,431
		<u>\$ 19,080,432</u>	<u>\$ 19,080,432</u>

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

CROSBY MUNICIPAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2024

Total Fund Balances - Governmental Funds	\$	12,050,522
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		19,179,476
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Assets, liabilities, deferred inflows of resources and deferred outflows of resources related to pension and other postemployment benefits are recorded in the government-wide financial statements.		(154,199)
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The difference between the net carrying amount of refunded bonds and the reacquisition price is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.		12,319
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Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2023 and prior tax levies became part of recognized revenue in the governmental activities of the District.		256,623
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Due to Developer	\$ (449,461)	
Accrued Interest Payable	(162,337)	
Compensated Absences Payable	(67,992)	
Bonds Payable	<u>(11,584,519)</u>	<u>(12,264,309)</u>
Total Net Position - Governmental Activities	\$	<u>19,080,432</u>

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

CROSBY MUNICIPAL UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2024

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 83,533	\$ 2,100,948
Water and Wastewater Service	2,767,744	
Penalty and Interest	70,565	36,584
Connection and Inspection Fees	677,453	
Grant Proceeds		
Investment and Miscellaneous Revenues	227,317	85,105
TOTAL REVENUES	<u>\$ 3,826,612</u>	<u>\$ 2,222,637</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Personnel	\$ 1,073,345	\$
Professional Fees	377,961	69,081
Purchased Water Service	212,280	
Utilities	169,453	
Repairs and Maintenance	264,768	
Depreciation		
Other	597,678	7,294
Capital Outlay	201,474	
Debt Service:		
Bond Principal		1,555,000
Bond Interest		464,026
TOTAL EXPENDITURES/EXPENSES	<u>\$ 2,896,959</u>	<u>\$ 2,095,401</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	<u>\$ 929,653</u>	<u>\$ 127,236</u>
OTHER FINANCING SOURCES (USES)		
Transfers In (Out)	<u>\$ (160,500)</u>	<u>\$ -0-</u>
NET CHANGE IN FUND BALANCES	\$ 769,153	\$ 127,236
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JANUARY 1, 2024	<u>4,152,845</u>	<u>1,881,850</u>
FUND BALANCES/NET POSITION - DECEMBER 31, 2024	<u><u>\$ 4,921,998</u></u>	<u><u>\$ 2,009,086</u></u>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 2,184,481	\$ 38,425	\$ 2,222,906
	2,767,744		2,767,744
	107,149	16,400	123,549
	677,453		677,453
137,512	137,512		137,512
216,491	528,913		528,913
<u>\$ 354,003</u>	<u>\$ 6,403,252</u>	<u>\$ 54,825</u>	<u>\$ 6,458,077</u>
\$	\$ 1,073,345	\$ 8,439	\$ 1,081,784
2,160	449,202	21,662	470,864
	212,280		212,280
	169,453		169,453
412	265,180		265,180
		864,011	864,011
114	605,086		605,086
745,718	947,192	(947,192)	
	1,555,000	(1,555,000)	
	464,026	(31,972)	432,054
<u>\$ 748,404</u>	<u>\$ 5,740,764</u>	<u>\$ (1,640,052)</u>	<u>\$ 4,100,712</u>
\$ (394,401)	\$ 662,488	\$ 1,694,877	\$ 2,357,365
\$ 160,500	\$ -0-	\$ -0-	\$ - 0 -
\$ (233,901)	\$ 662,488	\$ (662,488)	\$
		2,357,365	2,357,365
5,353,339	11,388,034	5,335,033	16,723,067
<u>\$ 5,119,438</u>	<u>\$ 12,050,522</u>	<u>\$ 7,029,910</u>	<u>\$ 19,080,432</u>

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

CROSBY 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, 2024

Net Change in Fund Balances - Governmental Funds	\$ 662,488
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.	38,425
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	16,400
The changes in assets, liabilities, deferred inflows of resources, and deferred outflows of resources pertaining to pension and other postemployment benefits are reflected in the Statement of Activities.	(8,439)
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.	(864,011)
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 not affected.	925,530
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	1,555,000
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.	31,972
Change in Net Position - Governmental Activities	<u>\$ 2,357,365</u>

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

CROSBY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1. CREATION OF DISTRICT

The District was created by an Act of the 59th Legislature, Regular Session, 1965 (compiled as 8280-315, Vernon's Texas Civil Statutes) and codified as Chapter 9012 of the Texas Special District Local Laws Code, in order to provide water and sanitary sewer service to the unincorporated community of Crosby. The District currently operates under the provisions of Chapters 49 and 54 of the Texas Water Code and other general statutes of the State of Texas applicable to municipal utility districts. The District is empowered, among other things, to finance, purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; and the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may also provide solid waste disposal and collection services. The District is also empowered to establish, operate and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the Commission and the voters of the District. Additionally, the District may, subject to certain limitations, develop and finance parks and recreational facilities.

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 Texas Commission on Environmental Quality (the "Commission"). The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether 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"). The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted.

CROSBY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

Net Position 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 improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it 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 and is 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 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.

CROSBY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

The District has three governmental funds and considers each to be a major fund. The General Fund accounts for resources not required to be accounted for in another fund, customer service revenues, property tax revenues, operating costs, professional fees and administrative 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, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

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

Property taxes considered available by the District and included in revenue include 2023 taxes collected during the period October 1, 2023, to December 31, 2024. In addition, taxes collected from January 1, 2024, to December 31, 2024 for the 2022 and prior tax levies are included in revenue. The 2024 tax levy has been fully deferred to pay for expenditures of the 2025 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.

As of December 31, 2024, the Debt Service Fund recorded a payable to the General Fund in the amount of \$105,378 for maintenance tax collections. During the current fiscal year, the General Fund transferred funds totaling \$160,500 to the Capital Projects Fund for capital projects fees billed and collected from customers during the current fiscal year.

CROSBY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, 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 fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset. Individual capital items, including infrastructure assets are capitalized, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation over periods ranging from 5 to 40 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 amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original budget and amended budget amounts compared to the actual amounts of revenues and expenditures for the current year.

Pension, Other Postemployment, and Employee Benefits

The Internal Revenue Service has determined that directors are considered to be “employees” for federal payroll tax purposes only. See Notes 8 and 9 for more information on the District's pension plan and other postemployment benefits plan which are for the benefit of the District's employees (Directors are excluded from participation). The District also maintains an HRA account for the benefit of its employees.

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.

CROSBY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

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. The District does not have any nonspendable fund balances.

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

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District committed a portion of its General Fund fund balance for the benefit of its employees. The HRA account has a year end balance of \$89,647 which was a decrease of \$370 over the previous year. The District contributed \$30,000 to the account and paid employee related costs totaling \$30,370.

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.

CROSBY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 3. LONG-TERM DEBT

	Refunding Series 2015	Series 2017	Series 2019
Amount Outstanding – December 31, 2024	\$ 390,000	\$ 2,340,000	\$ 2,380,000
Interest Rates	4.00%	2.00% - 3.25%	2.00% - 2.85%
Maturity Date	August 15, 2025	August 15, 2025/2037	August 15, 2025/2039
Interest Payment Dates	February 15/ August 15	February 15/ August 15	February 15/ August 15
Callable Dates	August 15, 2024*	August 15, 2026*	August 15, 2027*

	Series 2022	Defined Area No. 1 Series 2022
Amount Outstanding – December 31, 2024	\$ 2,540,000	\$ 3,975,000
Interest Rates	1.125% - 2.25%	5.00% - 5.75%
Maturity Date	August 15, 2025/2041	August 15, 2025/2048
Interest Payment Dates	February 15/ August 15	February 15/ August 15
Callable Dates	August 15, 2029*	August 15, 2029*

* Or any date thereafter at a price of par plus unpaid accrued interest in whole or in part, at the option of the District. Series 2017 term bonds maturing on August 15, 2027, 2029, 2031, 2033, 2035 and 2037, are subject to mandatory redemption beginning August 15, 2026, 2028, 2030, 2032, 2034 and 2036, respectively. Series 2019 term bonds maturing on August 15, 2031, 2033, 2035, 2037 and 2039, are subject to mandatory redemption beginning August 15, 2030, 2032, 2034, 2036 and 2038, respectively. Series 2022 term bonds maturing on August 15, 2023, 2025, 2027, 2031, 2033, 2035, 2037, 2039, and 2041 are subject to mandatory redemption beginning on August 15, 2022, 2024, 2026, 2029, 2032, 2034, 2036, 2038, and 2040, respectively. Defined Area No. 1 Series 2022 term bonds maturing on August 15, 2032, 2036, 2039, 2042, and 2048 are subject to mandatory redemption beginning on August 15, 2031, 2033, 2037, 2040, and 2043, respectively.

CROSBY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 3. LONG-TERM DEBT (Continued)

The District has authorized but unissued bonds which may be issued to fund utility infrastructure in the amount of \$20,000,000. The District also has authorized but unissued Defined Area No. 1 bonds in the amount of \$10,935,000 and Defined Area No. 2 bonds of \$42,000,000 which may be issued to fund utility infrastructure within the defined areas.

Transactions concerning bonds payable are summarized in the following table:

	January 1, 2024	Additions	Retirements	December 31, 2024
Bonds Payable	\$ 13,180,000	\$	\$ 1,555,000	\$ 11,625,000
Unamortized Discounts	(78,232)		(9,851)	(68,381)
Unamortized Premiums	83,929		56,029	27,900
Bonds Payable, Net	<u>\$ 13,185,697</u>	<u>\$ -0-</u>	<u>\$ 1,601,178</u>	<u>\$ 11,584,519</u>
		Amount Due Within One Year		\$ 975,000
		Amount Due After One Year		<u>10,609,519</u>
		Bonds Payable, Net		<u>\$ 11,584,519</u>

Debt service requirements on the bonds outstanding are summarized in the following table:

Fiscal Year	Principal	Interest	Total
2025	\$ 975,000	\$ 409,098	\$ 1,384,098
2026	585,000	380,260	965,260
2027	590,000	364,848	954,848
2028	595,000	349,185	944,185
2029	600,000	332,335	932,335
2030-2034	3,075,000	1,393,325	4,468,325
2035-2039	2,865,000	900,657	3,765,657
2040-2044	1,315,000	485,550	1,800,550
2045-2048	1,025,000	151,225	1,176,225
	<u>\$ 11,625,000</u>	<u>\$ 4,766,483</u>	<u>\$ 16,391,483</u>

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 costs of assessing and collecting taxes. During the year ended December 31, 2024, the District levied ad valorem debt service tax rate of \$0.31 per \$100 of assessed valuation, which resulted in a levy of \$1,644,240 on the adjusted taxable valuation of \$530,400,028 for the 2024 tax year.

CROSBY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

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 ORDER AND LEGAL REQUIREMENTS

The bond order states that the District is required by the Securities and Exchange Commission to provide annual continuing disclosure of certain general financial information and operating data 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.

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on each 5th year anniversary of each issue.

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 \$4,399,913 and the bank balance was \$4,388,079. The District was not exposed to custodial credit risk at year-end.

CROSBY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at December 31, 2024, as listed below:

	<u>Cash</u>
GENERAL FUND	\$ 956,374
DEBT SERVICE FUND	1,747,890
CAPITAL PROJECTS FUND	<u>1,695,649</u>
TOTAL DEPOSITS	<u>\$ 4,399,913</u>

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.

CROSBY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of December 31, 2024, the District had the following investments and maturities:

Funds and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$ 4,323,611	\$ 4,323,611
<u>DEBT SERVICE FUND</u>		
TexPool	1,519,457	1,519,457
<u>CAPITAL PROJECTS FUND</u>		
TexPool	<u>3,779,324</u>	<u>3,779,324</u>
TOTAL INVESTMENTS	<u>\$ 9,622,392</u>	<u>\$ 9,622,392</u>

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 were rated AAAm by Standard & 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 investment in TexPool to have a maturity of less than one year since the share position can usually be redeemed at the discretion of the District, unless there has been a significant change in value.

Restrictions

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

All cash and investments of the Capital Projects Fund are restricted for purchases of capital assets.

Certain cash and investments are also restricted for Defined Area No. 1 and Defined Area No. 2 operations, debt service, and capital costs.

CROSBY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 6. CAPITAL ASSETS

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

	January 1, 2024	Increases	Decreases	December 31, 2024
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 260,900	\$	\$	\$ 260,900
Construction in Progress	<u>152,781</u>	<u>925,530</u>	<u>201,474</u>	<u>876,837</u>
Total Capital Assets Not Being Depreciated	<u>\$ 413,681</u>	<u>\$ 925,530</u>	<u>\$ 201,474</u>	<u>\$ 1,137,737</u>
Capital Assets Subject to Depreciation				
Water System	\$ 13,919,299	\$	\$	\$ 13,919,299
Wastewater System	14,233,316	145,702		14,379,018
Detention Pond	443,044			443,044
Buildings, Furniture, Fixtures	575,912			575,912
Vehicles, Machinery, Equipment	<u>894,210</u>	<u>55,772</u>		<u>949,982</u>
Total Capital Assets Subject to Depreciation	<u>\$ 30,065,781</u>	<u>\$ 201,474</u>	<u>\$ -0-</u>	<u>\$ 30,267,255</u>
Accumulated Depreciation				
Water System	\$ 4,601,842	\$ 397,720	\$	\$ 4,999,562
Wastewater System	5,890,495	377,568		6,268,063
Detention Pond	19,690	9,845		29,535
Buildings, Furniture, Fixtures	182,512	13,201		195,713
Vehicles, Machinery, Equipment	<u>666,966</u>	<u>65,677</u>		<u>732,643</u>
Total Accumulated Depreciation	<u>\$ 11,361,505</u>	<u>\$ 864,011</u>	<u>\$ -0-</u>	<u>\$ 12,225,516</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 18,704,276</u>	<u>\$ (662,537)</u>	<u>\$ -0-</u>	<u>\$ 18,041,739</u>
Total Capital Assets, Net of Accumulated Depreciation	<u><u>\$ 19,117,957</u></u>	<u><u>\$ 262,993</u></u>	<u><u>\$ 201,474</u></u>	<u><u>\$ 19,179,476</u></u>

NOTE 7. MAINTENANCE TAX

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for planning, maintaining, repairing and operating of the District's improvement, if such maintenance tax is authorized by a vote of the District's electors. Such tax would be in addition to taxes, which the District is authorized to levy for paying principal of and interest on the outstanding bonds, and any tax bonds, which may be issued in the future. To date, voters in the District have not approved the levy of a maintenance tax.

CROSBY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 8. PENSION PLAN

Plan Description

The District provides retirement for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (“TCDRS”). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system. TCDRS issues an annual comprehensive financial report which is available on the TCDRS website.

Benefits Provided

The plan provisions are adopted by the governing body of the District, within the options available in the Texas state statutes governing the TCDRS (TCDRS Act). Members can retire at ages 60 and above with 10 or more years of service, with 30 years of service, regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 10 years of service but must leave their accumulated deposits in the plan to receive any employer-financed benefit. Members who withdraw their personal deposits in a lump sum are not entitled to any amounts contributed by the District.

Benefit amounts are determined by the sum of the employee’s deposits to the plan, with interest, and employer-financed monetary credit. The level of these monetary credits is adopted by the governing body of the District within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer’s commitment to contribute.

At retirement, death, or disability, the benefit is calculated by converting the sum of the employee’s accumulated deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

As of the most recent plan valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	<u>4</u>
Inactive employees entitled but not yet receiving benefits	<u>13</u>
Active employees	<u>10</u>

CROSBY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 8. PENSION PLAN (Continued)

Contributions

The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 8.26% for the 2023 calendar year and 8.10% for the 2024 calendar year. The deposit rate payable by the employee members for calendar years 2023 and 2024 was 7.0% as adopted by the governing body of the District. The employee deposit rate and the employer contribution rate may be changed by the governing body of the District within the options available in the TCDRS Act. For the year ending December 31, 2024, the District contributed \$61,265 and its employees contributed \$52,988.

Actuarial Assumptions

The total pension asset in the December 31, 2023, actuarial valuation was determined using the following actuarial assumptions:

Actuarial valuation date	12/31/23
Actuarial cost method	Entry Age (level percent of pay)
Amortization method	Straight-line amortization over expected working life
Asset Valuation Method	5-years, non-asymptotic
Actuarial Assumptions:	
Investment return, net	7.50%
Projected salary increases	4.70%
Inflation	2.50%

All actuarial assumptions that determined the total pension liability as of December 31, 2023 were based on the results of an actuarial experience study for the period January 1, 2017 – December 31, 2020, except where required to be different by GASB 68.

Mortality rates were based on the following: 135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

CROSBY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 8. PENSION PLAN (Continued)

Depletion of Plan Assets/ GASB Discount Rate

The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following: (1) The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments; and (2) The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments.

The funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act are such that a depletion is not projected to occur.

Since the fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. For GASS 68 this long-term assumed rate of return is net of investment expenses, but gross of administrative expenses.

Therefore, we have used a discount rate of 7.60%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.50%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

CROSBY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 8. PENSION PLAN (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2024 information for a 10-year time horizon.

Note that the valuation assumption for long-term expected return is reviewed annually is re-assessed in detail at a minimum of every four years and is set based on a long-term horizon. The most recent analysis was performed in 2021.

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
US Equities	11.50%	4.75%
Private Equity	25.00%	7.75%
Global Equities	2.50%	4.75%
International Equities-Development	5.00%	4.75%
International Equities-Emerging	6.00%	4.75%
Investment-Grade Bonds	3.00%	2.35%
Strategic Credit	9.00%	3.65%
Direct Lending	16.00%	7.25%
Distressed Debt	4.00%	6.90%
REIT Equities	2.00%	4.10%
Master Limited Partnerships (MLPs)	2.00%	5.20%
Private Real Estate Partnerships	6.00%	5.70%
Hedge Funds	6.00%	3.25%
Cash Equivalents	2.00%	0.60%

CROSBY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 8. PENSION PLAN (Continued)

Changes in Net Pension Liability/(Asset):

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a)-(b)
Balances of December 31, 2022	\$ 3,407,544	\$ 3,440,699	\$ (33,155)
Changes for the year:			
Service Costs	81,838		81,838
Interest on the Total Pension Liability	259,954		259,954
Effect of Economic/Demographic			
Gains or Losses	29,171		29,171
Refund of Contributions	(21,263)	(21,263)	
Benefit Payments	(119,196)	(119,196)	
Administrative Expenses		(1,973)	1,973
Member Contributions		46,992	(46,992)
Net investment income		377,761	(377,761)
Employer Contributions		55,450	(55,450)
Other	7	(515)	522
Balances of December 31, 2023	\$ 3,638,055	\$ 3,777,955	\$ (139,900)

Sensitivity Analysis - The following presents the net pension liability of the District, calculated using the discount rate of 7.60%, as well as what the District net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.60%) or 1 percentage point higher (8.60%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
	6.60%	7.60%	8.60%
Total pension liability	\$ 4,165,294	\$ 3,638,055	\$ 3,196,083
Fiduciary net position	<u>3,777,955</u>	<u>3,777,955</u>	<u>3,777,955</u>
Net pension liability(asset)	\$ <u>387,339</u>	\$ <u>(139,900)</u>	\$ <u>(581,872)</u>

CROSBY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 8. PENSION PLAN (Continued)

As of December 31, 2024, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 16,888	\$ 52,630
Changes in assumptions		66,056
Net difference between projected and actual earnings		16,389
Contributions paid to TCDRS subsequent to the measurement date		61,265
Total	<u>\$ 16,888</u>	<u>\$ 196,340</u>

The District made plan contributions subsequent to the measurement date and prior to the District's fiscal year-end of \$61,265, which are recorded as deferred outflows of resources. Other amounts reported as deferred outflows of resources will be recognized as follows:

Year ended December 31:	
2024	\$ 23,921
2025	42,927
2026	74,894
2027	(23,555)
2028	0
Thereafter	0

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The District provides other postemployment benefits (OPEB) for all of its retirees meeting the following conditions: (1) retire from employment with the District and are 65 years of age or older and receiving Medicare; and (2) at the time of retirement, have been employed by the District on a full-time basis for no less than 20 consecutive years and are currently employed full time with the District. The District will pay or reimburse the retired Qualified Employee for the cost of Medicare Parts B, D (Express Scripts), and F (Supplemental Policy). In addition, the District will pay the cost of basic vision and dental coverage for the retired Qualified Employee.

Funding Policy

Currently, the District's other postemployment benefits are unfunded. That is, the District has not determined if a separate Trust Fund or equivalent arrangement will be established into which the District would make contributions to advance-fund the obligation. As of December 31, 2024, there was one retiree receiving other postemployment benefits.

CROSBY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Discount Rate

For plans that do not have formal assets, the discount rate should equal a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date. For the purpose of this AMM calculation, the municipal bond rate is 4.08% (based on the daily rate closest to but not later than the measurement date of the Bond Buyer's "20-Bond GO Index").

Plan Assets

There are no plan assets accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75.

Summary of Membership Information

The following table provides a summary of the plan participants as of the measurement date:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	1
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	-0-
Active Plan Members	<u>9</u>
Total Plan Members	<u><u>10</u></u>

Sensitivity of Total OPEB Liability

Regarding the sensitivity of the total OPEB liability to changes in the discount rate, the following presents the plan's total OPEB liability, calculated using a discount rate of 4.08%, as well as what the plan's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

1% Decrease 3.08%	Current Discount Rate Assumption 4.08%	1% Increase 5.08%
<u>\$547,281</u>	<u>\$473,551</u>	<u>\$411,129</u>

Regarding the sensitivity of the total OPEB liability to changes in the healthcare cost trend rates, the table on the following page presents the plan's total OPEB liability, calculated using the assumed trend rates as well as what the plan's total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher.

CROSBY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity of Total OPEB Liability (Continued)

<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate Assumption</u>	<u>1% Increase</u>
\$404,476	\$473,551	\$559,550

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each AMM calculation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As authorized by GASB Statement No. 75, the Alternative Measurement Method allows the employer to use simplifications of certain assumptions in measuring the costs and liabilities.

The following simplifying assumptions were made:

Retirement age for active employees – Retirement age for active employees was assumed to be age 65, or after 20 years of service, if later.

Active Member Marital Status – Assumption of marital status for active employees has been incorporated in the acceptance probability for spousal coverage. Using this approach, the percentage of future retired plan members taking spousal coverage was assumed at 0%. For active employees, spouses' genders were assumed to be opposite to the members' genders and females were assumed 3 years younger than their spouses. Covered spouse data were collected for current retired plan members as of the valuation date and were assumed to remain unchanged until the assumed death of the spouses.

Mortality – Life expectancies were based on the PUB-2010 Amount Weighted General Healthy mortality tables, generationally projected from the year 2010 using Projection Scale MP-2021.

Health insurance premiums – Health insurance premiums for retirees in effect as of January 1, 2025 were used as the basis for calculation of the present value of total benefits to be paid.

CROSBY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Methods and Assumptions (Continued)

Turnover – Non-group-specific age-based turnover rates derived from the withdrawal assumptions used in the December 31, 2023 actuarial valuation of the Texas County & District Retirement System were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Roll-Forward Disclosure – Since the measurement date and the valuation date are the same, no update procedures were used to roll forward the total OPEB liability from the December 31, 2024 valuation date to the December 31, 2024 measurement date.

Assumption change – The discount rate was changed from 3.77% as of the beginning of the measurement period to 4.08% as of December 31, 2024 (based on the long-term municipal bond rate). This change increased the total OPEB liability.

GASB Statement No. 75 requires state and local government employers to recognize the net OPEB liability and the OPEB expense on their financial statements, along with the related deferred outflows and inflows of resources. The District did not have any deferred inflows and outflows of resources as of the measurement date and report date. The net OPEB liability is the difference between the total OPEB liability and the plan's fiduciary net position. In traditional actuarial terms, this is analogous to the accrued liability less the market value of assets. Since the plan is currently unfunded, the net OPEB liability is equal to the total OPEB liability.

The OPEB expense recognized each fiscal year is equal to the change in the total OPEB liability from the beginning of the year to the end of the year, not including the impact of employer contributions, adjusted for deferred recognition of the liability.

A valuation or a calculation using the Alternative Measurement Method (AMM) to determine the total OPEB liability is required to be performed at least every two years. For the employer's financial reporting purposes, the total OPEB liability and OPEB expense should be measured as of the employer's "measurement date" which may not be earlier than the employer's prior fiscal year end-date. If the valuation or AMM calculation used to determine the total pension liability is not calculated as of the measurement date, the total OPEB liability is required to be rolled forward from the valuation date to the measurement date.

The total OPEB liability recorded in the financial statements is based on an AMM calculation performed as of a valuation date of December 31, 2024 and a measurement date of December 31, 2024.

CROSBY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes in Total OPEB Liability:

Balances of December 31, 2023	\$ 424,392
Changes for the year:	
Service cost	12,513
Interest on total OPEB liability	16,306
Difference between expected and actual experience of the Total OPEB liability	(12,158)
Changes in assumption and other inputs	41,254
Benefit payments	<u>(8,756)</u>
Balances of December 31, 2024	<u>\$ 473,551</u>

NOTE 10. COMPENSATED ABSENCES

Compensated absences payable recorded in the accompanying financial statements relates to accumulated earned and vested sick time. Accumulated compensated absences related to sick time amounting to approximately \$67,992 as of December 31, 2024, are recorded in the financial statement, since such compensation is fully vested. This is a decrease of \$3,858 over the prior year balance of \$71,850.

NOTE 11. WATER SUPPLY CONTRACT

The District has entered into a long-term Water Supply Contract ("Contract") with the San Jacinto River Authority (the "Authority"). The Contract states the Authority will provide up to 1,000,000 gallons of untreated surface water per day ("demand quantity") to the District. The District may request quantities up to, but not in excess of 110% of the demand quantity. The rate as of December 31, 2024, was \$0.58 per 1,000 gallons. During the current fiscal year, the District paid \$212,280 for water purchased in accordance with the Contract.

NOTE 12. RISK MANAGEMENT

The District is exposed to risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters. The District participates in the Texas Municipal League Intergovernmental Risk Pool (TML) to provide property and liability insurance coverage. The District, along with other participating entities, contributes annual amounts determined by TML's management. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

CROSBY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 13. DEFINED AREA NO. 1

The District annexed an approximately 193-acre tract (the "Murff Tract"), which has been designated by the District as a defined area known as Defined Area No. 1. The designation was approved in an election held on November 6, 2018, by the voters in the Murff Tract. The District has adopted a tax plan which allows it to assess higher taxes in the defined area than the rest of the District to pay the debt service on bonds issued to provide water and sewer improvements to the defined area. Voters in the Murff Tract authorized the issuance of bonds up to \$15,000,000, the levy of a tax on the Murff tract to pay such bonds and the levy of a maintenance tax on the Murff tract.

The District is authorized to levy a maintenance tax in an unlimited amount per \$100 of assessed valuation for property within the Defined Area No. 1, in addition to the District's debt service tax rate applicable to the remainder of the District. During the fiscal year ended December 31, 2024, the District levied an ad valorem maintenance tax rate on property within Defined Area No. 1 of \$0.1924 per \$100 of assessed valuation which resulted in a levy of \$134,467 on the adjusted taxable valuation of \$69,869,378 for the 2024 tax year.

The District also levied an ad valorem debt service tax rate on property within Defined Area No. 1 of \$0.6676 per \$100 of assessed valuation, which resulted in a levy of \$466,581 on the adjusted taxable valuation of \$69,869,378 for the Defined Area No. 1 for the 2024 tax year.

NOTE 14. DEFINED AREA No. 2

The District established the 207.17 Starlight Homes L.L.C. Tract, which has been designated by the District as a defined area known as Defined Area No. 2. The designation was approved in an election held on November 8, 2022, by the voters in the 207.17 Starlight Homes L.L.C. Tract. The District has adopted a tax plan which allows it to assess higher taxes in the defined area than the rest of the District to pay the debt service on bonds issued to provide water and sewer improvements to the defined area. Voters in the 207.17 Starlight Homes L.L.C. Tract authorized the issuance of bonds up to \$42,000,000, the levy of a tax on the 207.17 Starlight Homes L.L.C. tract to pay such bonds and the levy of a maintenance tax on the 207.17 Starlight Homes L.L.C. tract.

The District is authorized to levy a maintenance tax in an unlimited amount per \$100 of assessed valuation for property within the Defined Area No. 2, in addition to the District's debt service tax rate applicable to the remainder of the District. During the fiscal year ended December 31, 2024, the District levied an ad valorem maintenance tax rate on property within Defined Area No. 2 of \$0.86 per \$100 of assessed valuation which resulted in a levy of \$7,240 on the adjusted taxable valuation of \$841,827 for the 2024 tax year.

CROSBY MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 15. SUBSEQUENT EVENT – BOND SALE

On or about April 30, 2025, subsequent to the report date, the District anticipates closing on the sale of its \$10,000,000 Unlimited Tax Bonds, Series 2025. Proceeds of the bonds will be used to reimburse developers for a portion of the design and construction of utilities serving Crosby Park Village as well as the Pecan Estates subdivision sanitary sewer lift station and force main. Bond proceeds will also be used to pay for improvements to the surface water treatment plant, phase 1 and the wastewater treatment plant, phase 1. Bond proceeds will also pay for developer interest and bond issuance costs.

CROSBY MUNICIPAL UTILITY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2024

CROSBY MUNICIPAL UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	\$ 77,000	\$ 84,600	\$ 83,533	\$ (1,067)
Water and Wastewater Service	2,440,000	2,440,000	2,767,744	327,744
Penalty and Interest	55,000	55,000	70,565	15,565
Connection and Inspection Fees	317,000	317,000	677,453	360,453
Investment and Miscellaneous Revenues	<u>184,400</u>	<u>184,400</u>	<u>227,317</u>	<u>42,917</u>
TOTAL REVENUES	<u>\$ 3,073,400</u>	<u>\$ 3,081,000</u>	<u>\$ 3,826,612</u>	<u>\$ 745,612</u>
EXPENDITURES				
Service Operations:				
Personnel	\$ 990,400	\$ 1,010,900	\$ 1,073,345	\$ (62,445)
Professional Fees	404,500	408,500	377,961	30,539
Purchased Water Service	212,000	212,000	212,280	(280)
Utilities	196,000	196,000	169,453	26,547
Repairs, Maintenance, Capital Outlay	294,000	294,000	466,242	(172,242)
Other	<u>758,100</u>	<u>758,100</u>	<u>597,678</u>	<u>160,422</u>
TOTAL EXPENDITURES	<u>\$ 2,855,000</u>	<u>\$ 2,879,500</u>	<u>\$ 2,896,959</u>	<u>\$ (17,459)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 218,400</u>	<u>\$ 201,500</u>	<u>\$ 929,653</u>	<u>\$ 728,153</u>
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	<u>\$ (200,000)</u>	<u>\$ (200,000)</u>	<u>\$ (160,500)</u>	<u>\$ 39,500</u>
NET CHANGE IN FUND BALANCE	<u>\$ 18,400</u>	<u>\$ 1,500</u>	<u>\$ 769,153</u>	<u>\$ 767,653</u>
FUND BALANCE - JANUARY 1, 2024	<u>4,152,845</u>	<u>4,152,845</u>	<u>4,152,845</u>	
FUND BALANCE - DECEMBER 31, 2024	<u><u>\$ 4,171,245</u></u>	<u><u>\$ 4,154,345</u></u>	<u><u>\$ 4,921,998</u></u>	<u><u>\$ 767,653</u></u>

CROSBY MUNICIPAL UTILITY DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
DECEMBER 31, 2024

	Actuarial Valuation as of 12/31/2023	Actuarial Valuation as of 12/31/2022	Actuarial Valuation as of 12/31/2021	Actuarial Valuation as of 12/31/2020
Total Pension Liability				
Service Cost	\$ 81,838	\$ 95,734	\$ 96,733	\$ 73,133
Interest on total pension liability	259,954	248,315	229,105	208,209
Effect of plan changes				
Effect of economic/demographic gains or losses	29,171	(50,664)	20,791	44,898
Effect of changes of assumptions			10,001	186,167
Benefit payments, refunds of employee contributions and other	(140,452)	(112,745)	(93,337)	(90,525)
Net change in total pension liability	\$ 230,511	\$ 180,640	\$ 263,293	\$ 421,882
Total pension liability, beginning	3,407,544	3,226,904	2,963,611	2,541,729
Total pension liability, ending (a)	\$ 3,638,055	\$ 3,407,544	\$ 3,226,904	\$ 2,963,611
Plan Fiduciary Net Position				
Contributions - employer	\$ 55,450	\$ 54,001	\$ 51,430	\$ 51,052
Contributions - employee	46,992	45,055	51,430	51,052
Net investment income	377,761	(213,927)	660,140	280,026
Benefit payments, including refunds of employee contributions	(140,459)	(112,745)	(93,337)	(90,525)
Administrative Expense	(1,973)	(2,016)	(1,985)	(2,195)
Other	(515)	1,139	1,096	611
Net Change in plan fiduciary net position	\$ 337,256	\$ (228,493)	\$ 668,774	\$ 290,021
Plan Fiduciary net position, beginning	3,440,699	3,669,192	3,000,418	2,710,397
Plan Fiduciary net position, ending (b)	\$ 3,777,955	\$ 3,440,699	\$ 3,669,192	\$ 3,000,418
Net Pension Liability/(Asset), Ending = (a) - (b)	<u>\$ (139,900)</u>	<u>\$ (33,155)</u>	<u>\$ (442,288)</u>	<u>\$ (36,807)</u>
Plan fiduciary net position as a percentage of the total pension liability	103.85%	100.97%	113.71%	101.24%
Covered employee payroll	\$ 671,311	\$ 643,639	\$ 734,711	\$ 729,319
Net pension liability as a percentage of covered employee payroll	-20.84%	-5.15%	-60.20%	-5.05%

Actuarial Valuation as of 12/31/2019	Actuarial Valuation as of 12/31/2018	Actuarial Valuation as of 12/31/2017	Actuarial Valuation as of 12/31/2016	Actuarial Valuation as of 12/31/2015	Actuarial Valuation as of 12/31/2014
\$ 81,206	\$ 72,958	\$ 72,658	\$ 79,491	\$ 72,313	\$ 74,586
186,685	169,104	151,827	132,860	116,470	101,939
				(20,684)	17,329
59,395	1,098	5,005	(3,711)	21,587	9,321
		11,784		13,987	
<u>(17,859)</u>	<u>(50,231)</u>	<u>(7,152)</u>	<u>(9,141)</u>	<u>(7,152)</u>	<u>(14,496)</u>
\$ 309,427	\$ 192,929	\$ 234,122	\$ 199,499	\$ 196,521	\$ 188,679
<u>2,232,302</u>	<u>2,039,373</u>	<u>1,805,251</u>	<u>1,605,752</u>	<u>1,409,231</u>	<u>1,220,552</u>
<u>\$ 2,541,729</u>	<u>\$ 2,232,302</u>	<u>\$ 2,039,373</u>	<u>\$ 1,805,251</u>	<u>\$ 1,605,752</u>	<u>\$ 1,409,231</u>
\$ 47,081	\$ 48,326	\$ 44,142	\$ 44,492	\$ 42,289	\$ 43,811
47,081	48,326	44,142	44,492	42,289	43,811
371,358	(41,531)	278,357	125,283	(41,526)	98,584
(17,859)	(50,231)	(7,152)	(9,141)	(7,152)	(14,496)
(2,065)	(1,817)	(1,501)	(1,362)	(1,206)	(1,211)
<u>2,990</u>	<u>1,610</u>	<u>1,073</u>	<u>5,601</u>	<u>358</u>	<u>242</u>
\$ 448,586	\$ 4,683	\$ 359,061	\$ 209,365	\$ 35,052	\$ 170,741
<u>2,261,811</u>	<u>2,257,128</u>	<u>1,898,067</u>	<u>1,688,702</u>	<u>1,653,650</u>	<u>1,482,909</u>
<u>\$ 2,710,397</u>	<u>\$ 2,261,811</u>	<u>\$ 2,257,128</u>	<u>\$ 1,898,067</u>	<u>\$ 1,688,702</u>	<u>\$ 1,653,650</u>
<u>\$ (168,668)</u>	<u>\$ (29,509)</u>	<u>\$ (217,755)</u>	<u>\$ (92,816)</u>	<u>\$ (82,950)</u>	<u>\$ (244,419)</u>
106.64%	101.32%	110.68%	105.14%	105.17%	117.34%
\$ 672,588	\$ 690,375	\$ 630,607	\$ 635,605	\$ 604,133	\$ 625,878
-25.08%	-4.27%	-34.53%	-14.60%	-13.73%	-39.05%

**CROSBY MUNICIPAL UTILITY DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS – PENSION
DECEMBER 31, 2024**

Fiscal Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
2015	\$ 24,528	\$ 42,289	\$ (17,761)	\$ 604,103	7.00%
2016	\$ 20,022	\$ 44,492	\$ (24,470)	\$ 635,605	7.00%
2017	\$ 23,017	\$ 44,142	\$ (21,125)	\$ 630,607	7.00%
2018	\$ 26,579	\$ 48,326	\$ (21,747)	\$ 690,375	7.00%
2019	\$ 25,222	\$ 47,081	\$ (21,859)	\$ 672,588	7.00%
2020	\$ 30,486	\$ 51,052	\$ (20,566)	\$ 729,319	7.00%
2021	\$ 35,487	\$ 51,430	\$ (15,943)	\$ 734,711	7.00%
2022	\$ 54,001	\$ 54,001	\$ -0-	\$ 643,639	8.39%
2023	\$ 55,450	\$ 55,450	\$ -0-	\$ 671,311	8.26%
2024	\$ 61,265	\$ 61,265	\$ -0-	\$ 756,976	8.09%

Valuation Date	Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which the contributions are reported.
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Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	17.8 years (based on contribution rate calculated in 12/31/2023 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation.
Investment Rate of Return	7.50%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015, 2017, 2019, and 2022: New inflation, mortality, investment return and other assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015: Employer contributions reflect the current service matching rate was increased to 175% for future benefits. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2016, 2018, 2019, 2020, 2021, 2022 and 2023: No changes in plan provisions were reflected in the schedule.

**Only changes that affect the benefit amount and that are effective 2015 and later are shown in the Notes to Schedule.*

CROSBY MUNICIPAL UTILITY DISTRICT
SCHEDULE OF CHANGES IN TOTAL OTHER POSTEMPLOYMENT BENEFITS
LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Year Ended December 31, 2024	Year Ended December 31, 2023	Year Ended December 31, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020
Total OPEB Liability					
Service cost	\$ 12,513	\$ 10,979	\$ 26,853	\$ 24,520	\$ 18,505
Interest on total OPEB liability	16,306	16,011	7,314	7,244	8,271
Difference between expected and actual experience of the Total OPEB Liability	(12,158)		(26,800)		
Changes in assumptions and other inputs	41,254	17,163	14,440	8,145	34,486
Benefit payments	<u>(8,756)</u>	<u>(8,241)</u>	<u>(7,924)</u>	<u>(5,982)</u>	<u>(5,695)</u>
Net change in total OPEB liability	\$ 49,159	\$ 35,912	\$ 13,883	\$ 33,927	\$ 55,567
Total OPEB liability, beginning	<u>424,392</u>	<u>388,480</u>	<u>374,597</u>	<u>340,670</u>	<u>285,103</u>
Total OPEB liability, ending	<u>\$ 473,551</u>	<u>\$ 424,392</u>	<u>\$ 388,480</u>	<u>\$374,597</u>	<u>\$340,670</u>
Covered employee payroll	\$ 756,976	\$ 669,636	\$ 682,977	\$653,528	\$644,807
Total OPEB liability as a % of covered-employee payroll	62.56%	63.38%	56.88%	57.32%	52.83%

Methods and Assumptions Used to Determine Total OPEB Liability:

Actuarial Cost Method	Entry Age Normal
Discount Rate	4.08%
Salary Increases	4.00%
Retirement Age	Employees were assumed to retire at age 65, or after 20 years of service, if later.
Mortality	PUB-2010 Amount-Weighted General Healthy mortality tables generationally projected from the year 2010 using Projection Scale MP-2021.
Healthcare Cost Trend Rates	4.00% for each year.
Notes	Changes in assumptions and other inputs include the change in the discount rate from 3.77% as of the beginning of the measurement period to 4.08% as of December 31, 2024. There were no benefit changes during the year.

CROSBY MUNICIPAL UTILITY DISTRICT
SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
DECEMBER 31, 2024

**CROSBY MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2024**

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

<u> X </u>	Retail Water	<u> </u>	Wholesale Water	<u> </u>	Drainage
<u> X </u>	Retail Wastewater	<u> </u>	Wholesale Wastewater	<u> </u>	Irrigation
<u> </u>	Parks/Recreation	<u> </u>	Fire Protection	<u> </u>	Security
<u> </u>	Solid Waste/Garbage	<u> </u>	Flood Control	<u> </u>	Roads
<u> </u>	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
<u> </u>	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 effective August 1, 2023.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 17.50	2,000	N	\$ 4.50	2,001 and over
WASTEWATER:	\$ 24.05	2,000	N	\$ 5.25	2,001 and over

District employs winter averaging for wastewater usage?

 X
Yes No

Total monthly charges per 10,000 gallons usage: Water: \$53.50 Wastewater: \$66.05

Note: Customers also pay the SJRA fees equal to 100% of the SJRA raw water fee per \$1,000 gallons, Capital Projects Fee of \$10.00 per connection, and the TCEQ regulatory fees of 0.5% of water and wastewater charges.

See accompanying independent auditor's report.

**CROSBY MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2024**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	<u>1,462</u>	<u>1,417</u>	x 1.0	<u>1,417</u>
1"	<u>31</u>	<u>31</u>	x 2.5	<u>78</u>
1½"	<u>13</u>	<u>13</u>	x 5.0	<u>65</u>
2"	<u>90</u>	<u>90</u>	x 8.0	<u>720</u>
3"	<u>8</u>	<u>8</u>	x 15.0	<u>120</u>
4"	<u>9</u>	<u>9</u>	x 25.0	<u>225</u>
6"	<u>17</u>	<u>17</u>	x 50.0	<u>850</u>
8"	<u>1</u>	<u>1</u>	x 80.0	<u>80</u>
10"			x 115.0	
Total Water Connections	<u>1,631</u>	<u>1,586</u>		<u>3,555</u>
Total Wastewater Connections	<u>1,628</u>	<u>1,537</u>	x 1.0	<u>1,537</u>

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

Gallons billed to customers:	174,638,000	Water Accountability Ratio: 77% (Gallons billed/Gallons pumped)
Gallons pumped:	225,744,000	<u>From:</u> San Jacinto River Authority

See accompanying independent auditor's report.

**CROSBY MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2024**

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

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

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes ☒ No ☐

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely ☐ Partly ☐ Not at all ☒

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

Entirely ☒ Partly ☐ Not at all ☐

ETJ in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes ☐ No ☒

See accompanying independent auditor's report.

**CROSBY MUNICIPAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2024**

PERSONNEL EXPENDITURES (Including Benefits)	\$ 1,073,345
PROFESSIONAL FEES:	
Auditing and Accounting Assistance	\$ 49,670
Engineering	161,822
Legal	<u>166,469</u>
TOTAL PROFESSIONAL FEES	<u>\$ 377,961</u>
PURCHASED WATER SERVICE	<u>\$ 212,280</u>
UTILITIES	<u>\$ 169,453</u>
REPAIRS AND MAINTENANCE	<u>\$ 264,768</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 31,859
Insurance	90,211
Administration, Meetings and Travel Costs	36,490
Other	<u>36,080</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 194,640</u>
CAPITAL OUTLAY	<u>\$ 201,474</u>
OTHER EXPENDITURES:	
Chemicals	\$ 147,813
Fuel, Materials and Supplies	134,560
Permit Fees	16,858
Regulatory Assessment	7,798
Sludge Hauling	<u>96,009</u>
TOTAL OTHER EXPENDITURES	<u>\$ 403,038</u>
TOTAL EXPENDITURES	<u>\$ 2,896,959</u>

Number of persons employed by the District 9 Full-Time -0- Part-Time

See accompanying independent auditor's report.

CROSBY MUNICIPAL UTILITY DISTRICT
INVESTMENTS
DECEMBER 31, 2024

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
TexPool	XXXX0002	Varies	Daily	\$ 4,323,611	\$ -0-
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0007	Varies	Daily	\$ 1,519,457	\$ -0-
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 75,160	\$
TexPool	XXXX0017	Varies	Daily	570,486	
TexPool	XXXX0018	Varies	Daily	3,133,678	
TOTAL CAPITAL PROJECTS FUND				\$ 3,779,324	\$ -0-
TOTAL - ALL FUNDS				\$ 9,622,392	\$ -0-

See accompanying independent auditor's report.

CROSBY MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2024

	Defined Area No. 2		Defined Area No. 1	
	Maintenance Taxes		Maintenance Taxes	
TAXES RECEIVABLE -				
JANUARY 1, 2024	\$	7,599	\$	7,628
Adjustments to Beginning Balance	<u>(306)</u>	\$ 7,293	<u>(749)</u>	\$ 6,879
Original 2024 Tax Levy	\$	7,240	\$	134,467
Adjustment to 2024 Tax Levy	<u></u>	<u>7,240</u>	<u></u>	<u>134,467</u>
TOTAL TO BE ACCOUNTED FOR		\$ 14,533		\$ 141,346
TAX COLLECTIONS:				
Prior Years	\$	7,293	\$	6,810
Current Year	<u>6,790</u>	<u>14,083</u>	<u>112,806</u>	<u>119,616</u>
TAXES RECEIVABLE -				
DECEMBER 31, 2024		<u>\$ 450</u>		<u>\$ 21,730</u>
TAXES RECEIVABLE BY				
YEAR:				
2024		\$ 450		\$ 21,661
2023				69
2022				
2021				
2020				
2019				
2001 - 2018		<u></u>		<u></u>
TOTAL		<u>\$ 450</u>		<u>\$ 21,730</u>

See accompanying independent auditor's report.

Defined Area No. 1 Debt Service Taxes		Crosby MUD Debt Service Taxes	
\$ 29,153		\$ 1,077,328	
<u>(3,037)</u>	\$ 26,116	<u>(24,493)</u>	\$ 1,052,835
\$ 466,581		\$ 1,256,156	
<u> </u>	<u>466,581</u>	<u>388,084</u>	<u>1,644,240</u>
	\$ 492,697		\$ 2,697,075
\$ 25,839		\$ 909,472	
<u>391,421</u>	<u>417,260</u>	<u>761,462</u>	<u>1,670,934</u>
	<u>\$ 75,437</u>		<u>\$ 1,026,141</u>
	\$ 75,160	\$ 882,778	
	277	56,474	
		21,537	
		12,141	
		6,002	
		4,509	
		<u>42,700</u>	
	<u>\$ 75,437</u>	<u>\$ 1,026,141</u>	

See accompanying independent auditor's report.

**CROSBY MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2024**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
PROPERTY VALUATIONS - DISTRICT:				
Land	\$ 207,353,521	\$ 184,823,101	\$ 159,801,090	\$ 111,385,097
Improvements	339,378,807	318,693,535	265,795,102	222,101,695
Personal Property	57,843,444	61,730,600	58,414,431	57,713,361
Exemptions	<u>(74,175,744)</u>	<u>(69,853,628)</u>	<u>(65,095,809)</u>	<u>(53,382,546)</u>
TOTAL DISTRICT	<u>\$ 530,400,028</u>	<u>\$ 495,393,608</u>	<u>\$ 418,914,814</u>	<u>\$ 337,817,607</u>
 TAX RATES PER \$100 VALUATION:				
Debt Service	<u>\$ 0.31</u>	<u>\$ 0.37</u>	<u>\$ 0.422</u>	<u>\$ 0.45247</u>
 ADJUSTED TAX LEVY*	<u>\$ 1,644,240</u>	<u>\$ 1,832,957</u>	<u>\$ 1,767,820</u>	<u>\$ 1,528,523</u>
 PROPERTY VALUATIONS - DEFINED AREA NO. 1:	<u>\$ 69,869,378</u>	<u>\$ 46,302,289</u>	<u>\$ 31,849,931</u>	<u>\$ 13,370,459</u>
 TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.6676	\$ 0.689	\$ 0.515	\$ 0.00
Maintenance	<u>0.1924</u>	<u>0.171</u>	<u>0.345</u>	<u>0.86</u>
TOTAL TAX RATES PER \$100 VALUATION:	<u>\$ 0.8600</u>	<u>\$ 0.860</u>	<u>\$ 0.860</u>	<u>\$ 0.86</u>
 ADJUSTED TAX LEVY*	<u>\$ 601,048</u>	<u>\$ 398,200</u>	<u>\$ 273,909</u>	<u>\$ 114,986</u>
 PROPERTY VALUATIONS - DEFINED AREA NO. 2:	<u>\$ 841,827</u>	<u>\$ 883,578</u>	<u>N/A</u>	<u>N/A</u>
 TAX RATES PER \$100 VALUATION:				
Maintenance	<u>\$ 0.86</u>	<u>\$ 0.86</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>
 ADJUSTED TAX LEVY*	<u>\$ 7,240</u>	<u>\$ 7,599</u>	<u>N/A</u>	<u>N/A</u>
 PERCENTAGE OF TOTAL TAXES COLLECTED TO TAXES LEVIED	<u>56.49 %</u>	<u>97.47 %</u>	<u>98.78 %</u>	<u>99.21 %</u>

* 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.

CROSBY MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2024

REFUNDING SERIES - 2015			
Due During Fiscal Years Ending December 31	Principal Due August 15	Interest Due February 15/ August 15	Total
2025	\$ 390,000	\$ 15,600	\$ 405,600
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
	<u>\$ 390,000</u>	<u>\$ 15,600</u>	<u>\$ 405,600</u>

See accompanying independent auditor's report.

CROSBY MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2024

S E R I E S - 2 0 1 7			
Due During Fiscal Years Ending December 31	Principal Due August 15	Interest Due February 15/ August 15	Total
2025	\$ 180,000	\$ 69,750	\$ 249,750
2026	180,000	66,150	246,150
2027	180,000	60,750	240,750
2028	180,000	55,350	235,350
2029	180,000	49,950	229,950
2030	180,000	44,550	224,550
2031	180,000	39,150	219,150
2032	180,000	33,750	213,750
2033	180,000	28,350	208,350
2034	180,000	22,950	202,950
2035	180,000	17,325	197,325
2036	180,000	11,700	191,700
2037	180,000	5,850	185,850
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
	<u>\$ 2,340,000</u>	<u>\$ 505,575</u>	<u>\$ 2,845,575</u>

See accompanying independent auditor's report.

CROSBY MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2024

S E R I E S - 2 0 1 9			
Due During Fiscal Years Ending December 31	Principal Due August 15	Interest Due February 15/ August 15	Total
2025	\$ 160,000	\$ 56,360	\$ 216,360
2026	160,000	53,160	213,160
2027	160,000	49,960	209,960
2028	160,000	46,760	206,760
2029	160,000	43,560	203,560
2030	160,000	40,160	200,160
2031	160,000	36,560	196,560
2032	160,000	32,960	192,960
2033	160,000	29,160	189,160
2034	160,000	25,360	185,360
2035	160,000	21,360	181,360
2036	155,000	17,360	172,360
2037	155,000	13,098	168,098
2038	155,000	8,835	163,835
2039	155,000	4,417	159,417
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
	<u>\$ 2,380,000</u>	<u>\$ 479,070</u>	<u>\$ 2,859,070</u>

See accompanying independent auditor's report.

CROSBY MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2024

S E R I E S - 2 0 2 2			
Due During Fiscal Years Ending December 31	Principal Due August 15	Interest Due February 15/ August 15	Total
2025	\$ 150,000	\$ 49,088	\$ 199,088
2026	150,000	47,400	197,400
2027	150,000	45,338	195,338
2028	150,000	43,275	193,275
2029	150,000	40,275	190,275
2030	150,000	37,275	187,275
2031	150,000	34,275	184,275
2032	150,000	31,275	181,275
2033	150,000	28,275	178,275
2034	150,000	25,275	175,275
2035	150,000	22,275	172,275
2036	150,000	19,275	169,275
2037	150,000	16,088	166,088
2038	150,000	12,900	162,900
2039	150,000	9,712	159,712
2040	145,000	6,525	151,525
2041	145,000	3,262	148,262
2042			
2043			
2044			
2045			
2046			
2047			
2048			
	<u>\$ 2,540,000</u>	<u>\$ 471,788</u>	<u>\$ 3,011,788</u>

See accompanying independent auditor's report.

CROSBY MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2024

DEFINED AREA NO. 1 SERIES - 2022				
Due During Fiscal Years Ending December 31	Principal Due August 15	Interest Due February 15/ August 15	Total	
2025	\$ 95,000	\$ 218,300	\$	313,300
2026	95,000	213,550		308,550
2027	100,000	208,800		308,800
2028	105,000	203,800		308,800
2029	110,000	198,550		308,550
2030	115,000	193,050		308,050
2031	120,000	187,300		307,300
2032	125,000	181,150		306,150
2033	130,000	174,744		304,744
2034	135,000	167,756		302,756
2035	145,000	160,500		305,500
2036	150,000	152,706		302,706
2037	160,000	144,644		304,644
2038	165,000	135,844		300,844
2039	175,000	126,768		301,768
2040	185,000	117,144		302,144
2041	195,000	106,738		301,738
2042	205,000	95,768		300,768
2043	215,000	84,238		299,238
2044	225,000	71,875		296,875
2045	235,000	58,938		293,938
2046	250,000	45,425		295,425
2047	265,000	31,050		296,050
2048	275,000	15,812		290,812
	<u>\$ 3,975,000</u>	<u>\$ 3,294,450</u>	<u>\$</u>	<u>7,269,450</u>

See accompanying independent auditor's report.

CROSBY MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2024

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending December 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2025	\$ 975,000	\$ 409,098	\$ 1,384,098
2026	585,000	380,260	965,260
2027	590,000	364,848	954,848
2028	595,000	349,185	944,185
2029	600,000	332,335	932,335
2030	605,000	315,035	920,035
2031	610,000	297,285	907,285
2032	615,000	279,135	894,135
2033	620,000	260,529	880,529
2034	625,000	241,341	866,341
2035	635,000	221,460	856,460
2036	635,000	201,041	836,041
2037	645,000	179,680	824,680
2038	470,000	157,579	627,579
2039	480,000	140,897	620,897
2040	330,000	123,669	453,669
2041	340,000	110,000	450,000
2042	205,000	95,768	300,768
2043	215,000	84,238	299,238
2044	225,000	71,875	296,875
2045	235,000	58,938	293,938
2046	250,000	45,425	295,425
2047	265,000	31,050	296,050
2048	275,000	15,812	290,812
	<u>\$ 11,625,000</u>	<u>\$ 4,766,483</u>	<u>\$ 16,391,483</u>

See accompanying independent auditor's report.

**CROSBY MUNICIPAL UTILITY DISTRICT
ANALYSIS OF CHANGES IN LONG-TERM DEBT
FOR THE YEAR ENDED DECEMBER 31, 2024**

Description	Original Bonds Issued	Bonds Outstanding January 1, 2024
Crosby Municipal Utility District Unlimited Tax Refunding Bonds - Series 2015	\$ 3,315,000	\$ 1,360,000
Crosby Municipal Utility District Unlimited Tax Bonds - Series 2017	3,700,000	2,525,000
Crosby Municipal Utility District Unlimited Tax Bonds - Series 2019	3,250,000	2,540,000
Crosby Municipal Utility District Unlimited Tax Bonds - Series 2022	3,050,000	2,690,000
Crosby Municipal Utility District Defined Area No. 1 Unlimited Tax Bonds - Series 2022	<u>4,065,000</u>	<u>4,065,000</u>
TOTAL	<u>\$ 17,380,000</u>	<u>\$ 13,180,000</u>

Bond Authority:	Tax Bonds	Defined Area No. 1 Tax Bonds	Defined Area No. 2 Tax Bonds
Amount Authorized by Voters	\$ 30,000,000	\$ 15,000,000	\$ 42,000,000
Amount Issued	<u>10,000,000</u>	<u>4,065,000</u>	<u></u>
Remaining to be Issued	<u>\$ 20,000,000</u>	<u>\$ 10,935,000</u>	<u>\$ 42,000,000</u>

Debt Service Fund cash and investment balances as of December 31, 2024: \$ 3,267,347

Average annual debt service payment (principal and interest) for remaining term
of all debt: \$ 682,978

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

See accompanying independent auditor's report.

Current Year Transactions					
Bonds Sold	Retirements		Bonds Outstanding December 31, 2024	Paying Agent	
	Principal	Interest			
\$	\$ 970,000	\$ 57,441	\$ 390,000	US Bank Minneapolis, MN	
	185,000	73,450	2,340,000	Wells Fargo Bank Austin, TX	
	160,000	59,560	2,380,000	Wells Fargo Bank Austin, TX	
	150,000	50,775	2,540,000	UMB Bank, N.A. Houston, TX	
	90,000	222,800	3,975,000	UMB Bank, N.A. Houston, TX	
<u>\$ - 0 -</u>	<u>\$ 1,555,000</u>	<u>\$ 464,026</u>	<u>\$ 11,625,000</u>		
Revenue Bonds					
\$ 2,885,000					
<u>2,885,000</u>					
<u>\$ - 0 -</u>					

See accompanying independent auditor's report.

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

	Amounts		
	2024	2023	2022
REVENUES			
Water and Wastewater Service	\$ 2,767,744	\$ 2,646,744	\$ 2,114,853
Penalty and Interest	70,565	65,115	53,535
Tap Connection and Inspection Fees	677,453	490,162	295,064
Property Taxes - Defined Area	83,533	117,421	114,286
Investment and Miscellaneous Revenues	227,317	198,611	48,162
TOTAL REVENUES	\$ 3,826,612	\$ 3,518,053	\$ 2,625,900
EXPENDITURES			
Personnel	\$ 1,073,345	\$ 959,481	\$ 919,242
Professional Fees	377,961	397,670	315,790
Purchased Water Service	212,280	198,925	186,150
Utilities	169,453	166,974	127,190
Repairs and Maintenance	264,768	201,524	179,534
Other	597,678	577,688	487,860
Capital Outlay	201,474		51,626
TOTAL EXPENDITURES	\$ 2,896,959	\$ 2,502,262	\$ 2,267,392
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 929,653	\$ 1,015,791	\$ 358,508
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	\$ (160,500)	\$ (225,575)	\$ 35,821
Developer Advances - Defined Area No. 2		10,445	
TOTAL OTHER FINANCING SOURCES (USES)	\$ (160,500)	\$ (215,130)	\$ 35,821
NET CHANGE IN FUND BALANCE	\$ 769,153	\$ 800,661	\$ 394,329
BEGINNING FUND BALANCE	4,152,845	3,352,184	2,957,855
ENDING FUND BALANCE	\$ 4,921,998	\$ 4,152,845	\$ 3,352,184

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2021	2020	2024	2023	2022	2021	2020
\$ 1,912,164	\$ 1,869,850	72.4 %	75.3 %	78.7 %	84.8 %	83.9 %
44,445	29,119	1.8	1.9	2.0	2.0	1.3
225,850	264,097	17.7	13.9	11.2	10.0	11.9
7,493	4,081	2.2	3.3	4.4	0.3	0.2
66,236	60,978	5.9	5.6	3.7	2.9	2.7
<u>\$ 2,256,188</u>	<u>\$ 2,228,125</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 1,037,536	\$ 1,003,901	28.0 %	27.3 %	35.0 %	46.0 %	45.1 %
300,783	243,873	9.9	11.3	12.0	13.3	10.9
180,675	175,680	5.5	5.7	7.1	8.0	7.9
135,195	99,830	4.4	4.7	4.8	6.0	4.5
167,474	245,308	6.9	5.7	6.8	7.4	11.0
413,050	420,854	15.6	16.4	18.6	18.3	18.9
2,827	16,387	5.3		2.0	0.1	0.7
<u>\$ 2,237,540</u>	<u>\$ 2,205,833</u>	<u>75.6 %</u>	<u>71.1 %</u>	<u>86.3 %</u>	<u>99.1 %</u>	<u>99.0 %</u>
<u>\$ 18,648</u>	<u>\$ 22,292</u>	<u>24.4 %</u>	<u>28.9 %</u>	<u>13.7 %</u>	<u>0.9 %</u>	<u>1.0 %</u>
\$	\$ (176,602)					
<u>\$ - 0 -</u>	<u>\$ (176,602)</u>					
\$ 18,648	\$ (154,310)					
<u>2,939,207</u>	<u>3,093,517</u>					
<u>\$ 2,957,855</u>	<u>\$ 2,939,207</u>					

See accompanying independent auditor's report.

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

	Amounts		
	2024	2023	2022
REVENUES			
Property Taxes	\$ 2,100,948	\$ 1,944,787	\$ 1,545,240
Penalty and Interest	36,584	40,977	28,300
Investment and Miscellaneous Revenues	85,105	86,819	13,898
TOTAL REVENUES	<u>\$ 2,222,637</u>	<u>\$ 2,072,583</u>	<u>\$ 1,587,438</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 72,675	\$ 95,065	\$ 47,828
Debt Service Principal	1,555,000	1,375,000	990,000
Debt Service Interest and Fees	467,726	424,975	285,293
TOTAL EXPENDITURES	<u>\$ 2,095,401</u>	<u>\$ 1,895,040</u>	<u>\$ 1,323,121</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 127,236</u>	<u>\$ 177,543</u>	<u>\$ 264,317</u>
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	\$	\$ (7,008)	\$ 100
Proceeds from Issuance of Long-Term Debt			235,174
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ - 0 -</u>	<u>\$ (7,008)</u>	<u>\$ 235,274</u>
NET CHANGE IN FUND BALANCE	\$ 127,236	\$ 170,535	\$ 499,591
BEGINNING FUND BALANCE	<u>1,881,850</u>	<u>1,711,315</u>	<u>1,211,724</u>
ENDING FUND BALANCE	<u>\$ 2,009,086</u>	<u>\$ 1,881,850</u>	<u>\$ 1,711,315</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>1,586</u>	<u>1,481</u>	<u>1,420</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>1,537</u>	<u>1,457</u>	<u>1,396</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2021	2020	2024	2023	2022	2021	2020
\$ 1,356,543	\$ 1,467,926	94.6 %	93.8 %	97.3 %	95.2 %	94.0 %
33,240	50,294	1.6	2.0	1.8	2.3	3.2
<u>34,926</u>	<u>43,337</u>	<u>3.8</u>	<u>4.2</u>	<u>0.9</u>	<u>2.5</u>	<u>2.8</u>
\$ <u>1,424,709</u>	\$ <u>1,561,557</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 60,684	\$ 48,314	3.3 %	4.6 %	3.0 %	4.3 %	3.1 %
1,170,000	1,095,000	70.0	66.3	62.4	82.1	70.1
<u>297,742</u>	<u>298,290</u>	<u>21.0</u>	<u>20.5</u>	<u>18.0</u>	<u>20.9</u>	<u>19.1</u>
\$ <u>1,528,426</u>	\$ <u>1,441,604</u>	<u>94.3 %</u>	<u>91.4 %</u>	<u>83.4 %</u>	<u>107.3 %</u>	<u>92.3 %</u>
\$ (103,717)	\$ 119,953	<u>5.7 %</u>	<u>8.6 %</u>	<u>16.6 %</u>	<u>(7.3) %</u>	<u>7.7 %</u>
\$	\$					
<u>- 0 -</u>	<u>- 0 -</u>					
\$ (103,717)	\$ 119,953					
<u>1,315,441</u>	<u>1,195,488</u>					
\$ <u>1,211,724</u>	\$ <u>1,315,441</u>					
<u>1,304</u>	<u>1,258</u>					
<u>1,249</u>	<u>1,244</u>					

See accompanying independent auditor's report.

**CROSBY MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2024**

District Mailing Address - Crosby Municipal Utility District
P.O. Box 249
Crosby, Texas 77532

District Telephone Number - (281) 328-4242

Board Members	Term of Office (Elected or Appointed)	Fees of office for the year ended <u>December 31, 2024</u>	Expense reimbursements for the year ended <u>December 31, 2024</u>	<u>Title</u>
Steve Schreiber	05/2021 05/2025 (Elected)	\$ 7,200	\$ 2,179	President
Eddie Foster	05/2023 05/2027 (Elected)	\$ 7,200	\$ 1,993	Vice President
Donna Davenport	05/2023 05/2027 (Elected)	\$ 6,409	\$ -0-	Treasurer/ Investment Officer
Wesley Zarsky	05/2021 05/2025 (Elected)	\$ 4,641	\$ -0-	Secretary
Diane Feland	05/2023 05/2027 (Elected)	\$ 6,409	\$ -0-	Assistant Secretary

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.

Submission date of most recent District Registration Form: October 26, 2023

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

See accompanying independent auditor's report.

**CROSBY MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2024**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended December 31, 2024</u>	<u>Title</u>
Baker, Williams, Matthieson LLP	2017	\$ 166,469	General Counsel
McCall Gibson Swedlund Barfoot Ellis PLLC	12/15/20	\$ 44,000	Auditor
San Jacinto Tax Service	04/17/01	\$ 16,960	Tax Assessor
IDS Engineering Group	05/04/04	\$ 224,035	Engineer
Perdue Brandon Fielder Collins & Mott LLP	2018	\$ 13,967	Delinquent Tax Attorney
Hilltop Securities, Inc.		\$ 7,000	Financial Advisor

See accompanying independent auditor's report.

Municipal Advisory Services
Provided By

