PRELIMINARY OFFICIAL STATEMENT

DATED MARCH 25, 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 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.

NEW ISSUE-Book-Entry-Only

Rating: Uninsured/Insured
S&P: "A"/" "
See "BOND INSURANCE AND MUNICIPAL BOND RATING" herein.

$10,000,000
CROSBY MUNICIPAL UTILITY DISTRICT
(A political subdivision of the State of Texas located within Harris County)
UNLIMITED TAX BONDS, SERIES 2025

Dated: April 15, 2025
Delivery Date: April 30, 2025 **Due: August 15, as shown below**

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 Delivery Date and will be payable on February 15 and August 15 of each year commencing August 15, 2025 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 below.

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

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)
2025	$ 465,000				2035	480,000 (3)			
2026	600,000				2036	500,000 (3)			
2027	330,000				2037	520,000 (3)			
2028	350,000				2038	540,000 (3)			
2029	365,000				2039	560,000 (3)			
2030	385,000				2040	585,000 (3)			
2031	400,000				2041	610,000 (3)			
2032	420,000				2042	635,000 (3)			
2033	445,000				2043	660,000 (3)			
2034	460,000				2044	690,000 (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.
(3) Bonds maturing on or after August 15, 2035, 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, 2034, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. See "THE BONDS—REDEMPTION PROVISIONS."

The Bonds, when issued, will constitute valid and legally binding obligations of Crosby Municipal Utility District (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 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 April 30, 2025.

BIDS DUE: TUESDAY, APRIL 1, AT 10:45 A.M., C.D.T.

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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 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."

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 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............................ $10,000,000 Crosby Municipal Utility District Unlimited Tax Bonds, Series 2025, dated March 15, 2025. The Bonds mature serially on August 15 in each of the years 2025 through 2044, inclusive, in the respective principal amounts and bearing interest at the rates shown on the cover hereof. Bonds maturing on or after August 15, 2035, are subject to redemption, in whole or, from time to time, in part, on August 15, 2034, 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".

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 "BOOK-ENTRY-ONLY SYSTEM."

AUTHORITY FOR ISSUANCE............................ At an election held within the District on May 4, 2024, voters authorized a total of $20,000,000 unlimited tax bonds for purposes of construction and acquisition of water and sanitary sewer facilities and improvements. The Bonds are the first installment out of such authorization issued by the District. After sale of the Bonds, the District will have $10,000,000 remaining unlimited tax bonds authorized but unissued for purposes of construction and acquisition of facilities and improvements.

SOURCE OF PAYMENT........... The Bonds, together with the Outstanding Bonds (hereinafter defined), 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 District. See "THE BONDS—SOURCE AND SECURITY FOR PAYMENT."

USE OF PROCEEDS................ Proceeds from sale of the Bonds will be used to finance the construction of improvements to the water distribution, and wastewater collection facilities and other improvements to the water and wastewater system of the District. Bond proceeds will also be used to pay certain costs related to the issuance of the Bonds. See "THE SYSTEM—USE AND DISTRIBUTION OF BOND PROCEEDS."

PAYMENT RECORD.............. The District has previously issued seven series of unlimited tax bonds, and two series of unlimited tax refunding bonds, of which a total of $7,650,000 principal amount remained outstanding as of December 31, 2024 (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 December 31, 2024 (the "Revenue Bonds"). The District has never defaulted in payment of principal and interest on the Outstanding Bonds or on the Revenue Bonds.

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 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.

LEGAL OPINION.................... Baker Williams Matthiesen LLP, Houston, Texas

SPECIAL TAX COUNSEL OPINION............................ Orrick, Herrington & Sutcliffe, LLP, as Special Tax Counsel to the District

FINANCIAL ADVISOR .... Hilltop Securities Inc., Houston, Texas.

ENGINEER .... IDS Engineering Group, Houston, Texas.

MUNICIPAL BOND RATING .... The Bonds and presently outstanding tax supported debt of the District are rated "A" by S&P Global Ratings ("S&P"), a division of S&P Global Inc. (see "Other Information - Ratings") without regard to credit enhancement. An explanation of the rating may be obtained from S&P. The District can make no assurance that the S&P rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P if in the judgment of S&P circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. The rating fees of S&P will be paid by the District; however, the fees associated with any other rating will be the responsibility of the Underwriter.

MUNICIPAL BOND INSURANCE .... Application has also been made to a municipal bond insurance company for qualification of the Bonds for municipal bond insurance. If qualified, such insurance will be available at the option of the Initial Purchaser at the Initial Purchaser's expense.

INVESTMENT CONSIDERATIONS .... The purchase and ownership of the Bonds are subject to special investment considerations and all prospective purchasers are urged to examine carefully the entire Official Statement with respect to the investment security of the Bonds, including particularly the section captioned "INVESTMENT CONSIDERATIONS."

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. It contains approximately 2,155 acres of land, of which approximately 1,856 acres are currently developed. See "THE DISTRICT."

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 1,298 metered single family connections and approximately 267 in-District metered connections serving a wide variety of commercial, institutional and industrial uses. See "THE DISTRICT."

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.

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

SELECTED FINANCIAL INFORMATION

2024 Net Taxable Assessed Valuation	$	530,600,556 (1)
Direct Debt		
Outstanding Utility System Bonds (as of April 1, 2024)	$	7,650,000
The Bonds		10,000,000
Gross Direct Debt Outstanding	$	17,650,000
Ratios of Gross Direct Debt to:		
2024 Net Taxable Assessed Valuation		3.33%
2024 District Tax Rate (per $100 Assessed Valuation)		
Debt Service	$	0.3100
Maintenance and Operations		-
Total	$	0.3100
Projected Maximum Annual Debt Service Requirement (2026)	$	1,677,173
Tax Rate Required to pay Projected Maximum Annual Debt Service (2025) at a 97% Collection Rate Based upon 2024 Taxable Assessed Valuation	$	0.3259
Estimated 2025 Population		5,130 (2)
Area of District in Acres		2,155 Acres

(1) As certified by the Harris County Appraisal District (the "Appraisal District") on September 6, 2024. See "TAX PROCEDURES."
(2) Based on 3.5 persons per connection as estimated by the District.

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PRELIMINARY OFFICIAL STATEMENT

$10,000,000
CROSBY MUNICIPAL UTILITY DISTRICT
(A political subdivision of the State of Texas located within Harris County)
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 $10,000,000 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 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 March 15, 2025 and interest will accrue from the Delivery Date. Interest is payable on each February 15 and August 15, commencing August 15, 2025 (each an "Interest Payment Date") until the earlier of maturity or redemption. 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. 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 "BOOK-ENTRY-ONLY SYSTEM."

AUTHORITY FOR ISSUANCE

At an election held within the District on May 4, 2024, voters authorized a total of $20,000,000 unlimited tax bonds for purposes of construction and acquisition of water and sanitary sewer facilities and improvements. The Bonds are the first installment out of such authorization issued by the District. After sale of the Bonds, the District will have $10,000,000 remaining unlimited tax bonds authorized but unissued for purposes of construction and acquisition of facilities and improvements. See "THE BONDS—ISSUANCE OF ADDITIONAL DEBT."

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

REDEMPTION PROVISIONS

The District reserves the right, at its option, to redeem the Bonds maturing on or after August 15, 2035, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of $5,000, on August 15, 2034, 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 "BOOK-ENTRY-ONLY SYSTEM."

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 "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 "BOOK-ENTRY-ONLY SYSTEM." So long as any Bonds remain outstanding, the District will maintain at least one Paying Agent/Registrar in the State of Texas for the purpose of maintaining the Register on behalf of the District.

REPLACEMENT OF PAYING AGENT/REGISTRAR

Provision is made in the Bond Order for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar shall be required to accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be a 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

The District may issue additional bonds, with the approval of the Commission, necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. See "THE DISTRICT—GENERAL." At an election held on May 4, 2024, the District's voters authorized the issuance of $20,000,000 principal amount in unlimited tax bonds. The Bonds are the first series of bonds issued from such authorization. After the issuance of the Bonds, the District will have $10,000,000 in principal amount of unlimited tax bonds authorized but unissued.

The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue fire-fighting bonds payable from taxes, the following actions would be required: (a) amendments to existing city ordinances specifying the purposes for which the District may issue bonds; (b) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (c) approval of the master plan and issuance of bonds by the Commission; and (d) approval of bonds by the Attorney General of Texas. The Board has not considered calling such an election at this time.

The District may develop and finance with property taxes certain parks and recreational facilities after an election has been successfully held to approve a maintenance tax to support parks and recreational facilities and/or issuance of bonds payable from taxes. The District may issue bonds payable from an ad valorem tax to pay for the development and maintenance of parks and recreational facilities if (i) the District duly adopts a park plan; (ii) the bonds are authorized at an election; (iii) the bonds payable from any source do not exceed 3% of the value of the taxable property in the District at the time of issuance of the bonds, or an amount greater than the estimated cost of the park plan, whichever amount is smaller; (iv) the District obtains any necessary governmental consents allowing the issuance of such bonds; and (v) the bonds are approved by the Attorney General of Texas. The Board has not considered calling such an election at this time. The District may issue bonds for such purposes payable solely from net operating revenues without an election.

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

DEFINED AREA 1

The District has designated approximately 193 acres within its boundaries as Defined Area 1. The designation was approved by the voters in Defined Area 1 at an election held on November 6, 2018. At such election the voters also approved the issuance of $15,000,000 in bonds for facilities to serve Defined Area 1 (the "Defined Area 1 Bonds"), the levy of a debt service tax on taxable property in Defined Area 1 to pay principal and interest on the Defined Area 1 Bonds, and an unlimited maintenance tax for Defined Area 1. The Board of Directors of the District currently levies a debt service tax of $0.6676 per $100 assessed valuation to pay principal and interest on the Defined Area 1 Bonds and a maintenance tax of $0.1924 per $100 of assessed valuation to pay maintenance and operating expenses in Defined Area 1. These taxes are payable solely from property in Defined Area 1. In addition, Defined Area 1 taxpayers pay the taxes applicable to all property within the District.

The District has issued its Defined Area 1 Unlimited Tax Bonds, Series 2022 in the principal amount of $4,065,000, and plans to issue an additional $5,000,000 in Defined Area 1 Unlimited Tax Bonds in 2025. The 2024 taxable value in Defined Area 1 was $69,889,378. To date 258 homes have been constructed including 32 still under construction. The average home value is approximately $308,203 as of the 2024 tax year.

DEFINED AREA 2

The District has designated approximately 270.17 acres within its boundaries as Defined Area 2. The designation was approved by the voters in Defined Area 2 at an election held on November 8, 2022. At such election the voters also approved the issuance of $42,000,000 in bonds for facilities to serve Defined Area 2 (the "Defined Area 2 Bonds"), the levy of a debt service tax on taxable property in Defined Area 2 to pay principal and interest on the Defined Area 2 Bonds, and an unlimited maintenance tax for Defined Area 2. The Board of Directors of the District currently levies a maintenance tax of $0.86 per $100 of assessed valuation to pay maintenance and operating expenses in Defined Area 2. These taxes are payable solely from property in Defined Area 2. In addition, Defined Area 2 taxpayers pay the taxes applicable to all property within the District.

In tax year 2024, the District levied an ad valorem maintenance tax rate on property within Defined Area 2 of $0.86 per $100 of assessed valuation which resulted in a levy of $7,239.71 on the adjusted taxable valuation of $841,827 for the 2024 tax year. To date the project has 3 model homes, 162 lots with 51 homes under construction and 10 homes that have been sold. There are 132 lots that are under development.

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.

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 Resolution 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.

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 2,155 acres and encompasses 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 1,298 single family connections (meters) within the District serving improvements ranging in value from approximately $60,000 to $350,000 and there are active home building programs within the District. There are 4 apartment complexes with a total of 285 units. There are 175 spaces in mobile home parks and 125 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 meters.

CONVERSION TO CHAPTER 54 DISTRICT

On October 17, 2017, the Board of the District filed a Resolution with the Commission requesting conversion from a district operating under Chapters 49 and 51 of the Texas Water Code into a district operating under Chapters 49 and 54 of the Texas Water Code. On June 20, 2018, the Commission granted the District's request for conversion and the District now operates under Chapters 49 and 54 of the Texas Water Code.

STATUS OF 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 1,298 single-family residential connections including duplexes and triplexes. 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 $350,000. The average home price is approximately $125,281. There are 5 out-of-District residential connections.

Castlerock Communities has formed a joint venture with Murff Family Estates named Murff Castle Estates, LLC, to develop approximately 545 single family lots in a subdivision named Pecan Estates within Defined Area 1. Home building by Castlerock Communities is underway. There are approximately 258 completed homes, including 32 homes under construction. The build out of Pecan Estates is anticipated to take an additional year.

In Defined Area 2, Ashton Woods has 3 model homes, 162 lots with 51 homes under construction and 10 homes that have been sold. There are 132 lots that are under development.

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. K. Hovnanian has built homes that are priced from $250,000.

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 175 spaces in mobile home parks and 125 spaces in recreational vehicle parks.

Commercial, Industrial and Institutional Development: There are approximately 267 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 1 hotel located out of the District containing 50 hotel rooms. There are 15 out-of-District commercial connections.

Major Employers: 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, 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 taxpayers in the District.

MANAGEMENT

BOARD OF DIRECTORS

The District is governed by the Board of Directors, which has control over and management supervision of all affairs of the District. The directors and officers of the District are listed below:

Name	Position	Term Expires
Steve Schreiber	President	May-25
Eddie Foster	Vice-President	May-27
Wesley Zarsky	Secretary	May-25
Donna Davenport	Treasurer	May-27
Diane Feland	Assistant Secretary	May-27

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.

DISTRICT MANAGERS

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

The District employs Chris Wallace as Utility Manager, who is responsible for the operations maintenance and regulatory compliance reporting of the District's water and wastewater facilities. Chris Wallace has been employed by the District for 20 non-consecutive years and is a Double A Licensed Operator in the state of Texas.

The District also employs an additional 7 individuals 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 to serve as the tax assessor/collector. Ms. Muth or her predecessor, June Muth, has been the District's tax assessor/collector for 23 years.

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 20 years.

AUDITOR

The District's audited financial statements for the year ended December 31, 2023 were prepared by McCall, Gibson, Swedlund, Barfoot PLLC, Certified Public Accountants. See APPENDIX A for a copy of the District's December 31, 2023 audited financial statements.

BOND COUNSEL

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

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.

THE 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 Texas Commission on Environmental Quality ("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 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.

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. The remaining 401 acres are located in the northeastern portion of the District.

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USE AND DISTRIBUTION OF BOND PROCEEDS

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, $9,065,776 is estimated to be required for construction costs and $934,224 is estimated to be required for non-construction costs.

Construction Costs	District's Share [1]
A. Developer Contribution Items	
1. Crosby Park Village	$ 106,862
2. Pecan Estates Subdivision Sanitary Sewer Lift Station and Force Main	755,195
3. Engineering, Surveying and Material Testing (Items No. 1 and 2)	131,309
4. Erosion Control Services (Items No. 1 and 2)	2,410
Total Developer Contribution Items	$ 995,776
B. District Items	
1. Surface Water Treatment Plant Improvements - Phase 1	$ 3,600,000
2. WWTP Improvements - Phase 1	2,400,000
3. Contingencies (10% of Items No. 1 and 2)	600,000
4. Engineering, Surveying and Material Testing (Items No. 1 and 2)	1,395,000
5. Erosion Control Services (Items No. 1 and 2)	75,000
	$ 8,070,000
TOTAL CONSTRUCTION COSTS	$ 9,065,776
Non-Construction Costs	
A. Legal Fees	$ 250,000 [2]
B. Fiscal Agent Fees	200,000 [3]
C. Developer Interest	139,266 [4]
D. Bond Discount (2%)	200,000
E. Bond Issuance Expenses	55,458
F. Bond Application Report Costs	55,000
G. Attorney General Fee (1.10% or $9,500 max.)	9,500
H. TCEQ Bond Issuance Fee (0.25%)	25,000
TOTAL NON-CONSTRUCTION COSTS	$ 934,224
TOTAL BOND ISSUE REQUIREMENT	$ 10,000,000

(1) The District has requested a waiver of 30% developer contribution requirement of 30 TAC Section 293.47
(2) According to contract provided, legal fees are based on 2.5% of the bonds issued with a minimum fee of $37,000.
(3) According to contract provided, fiscal agent fees are based on 2% of the bonds issued.
(4) Estimated at 4.75% with proposed funding date of December 31, 2024, or a maximum of two years in accordance with 30 TAC Section 293.50(a).

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 the instance that actual costs exceed previously approved estimated amounts, additional Commission approval and the issuance of additional bonds may be required. The District cannot and does not guarantee the sufficiency of such funds for such purposes.

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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	$0	$10,000,000	$10,000,000

DEFINED AREA 1

Date of Authorization	Purpose	Authorized	Issued to Date	Amount Being Issued	Unissued
11/6/2018	Water and Sewer	$15,000,000	$4,065,000	$0	$10,935,000

DEFINED AREA 2

Date of Authorization	Purpose	Authorized	Issued to Date	Amount Being Issued	Unissued
11/8/2022	Water and Sewer	$42,000,000	$0	$0	$42,000,000

FINANCIAL STATEMENT

2024 Certified Taxable Assessed Valuation……	$	530,600,556	(1)
District Tax Debt			
Gross Outstanding Tax Bonds……	$	7,650,000	
The Bonds……		10,000,000	
Gross Tax Debt Outstanding……	$	17,650,000	
Ratio of Gross Tax Debt to 2024 Certified Taxable Assessed Valuation ……		3.33%	
Estimated 2025 Population		5,130	(2)
Area of District		2,155 Acres	

(1) As certified by the Harris County Appraisal District (the "Appraisal District") on September 6, 2024. See "TAX PROCEDURES."
(2) Based on 3.5 persons per connection.

CASH AND INVESTMENT BALANCES (AS OF FEBRUARY 28, 2025)

Construction Fund	Cash and Investments……	$ 5,436,503	
Tax Bond Debt Service Fund	Cash and Investments……	$ 3,759,752	(1)
Operating Fund	Cash and Investments……	$ 5,560,649	

(1) Neither Texas law nor the Bond Order requires the District to maintain any minimum balance in the Debt Service Fund. Also, see "SUMMARY OF ASSESSED VALUATION".

OUTSTANDING TAX BONDS (AS OF FEBRUARY 1, 2025)

	Original Amount	Principal Amount 2/1/2025
2015	3,315,000	390,000
2017	3,700,000	2,340,000
2019	3,250,000	2,380,000
2022	3,050,000	2,540,000
	$ 13,315,000	$ 7,650,000

ESTIMATED OVERLAPPING DEBT STATEMENT

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council 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	Amount as of 4/1/2025	Overlapping Gross Debt	Amount Overlapping Gross Debt
Crosby ISD	$ 181,075,000	14.23%	$ 25,766,973
Crosby MUD (Defined Area 1)	3,975,000	100.00%	3,975,000
Crosby MUD (Defined Area 2)	-	0.00%	-
Harris County	2,424,019,039	0.06%	1,454,411
Harris Co. Department of Education	28,960,000	0.06%	17,376
Harris Co. Flood Control District	968,445,000	0.06%	581,067
Harris Co. Hospital District	59,315,000	0.06%	35,589
Port of Houston Authority	406,509,397	0.06%	243,906
The District	17,650,000	100.00%	17,650,000
TOTAL ESTIMATED DIRECT AND OVERLAPPING DEBT			$ 49,724,322

OVERLAPPING TAXES FOR 2024

Entity	Tax Rate for 2024 Tax Year
Crosby MUD	$ 0.3100
Crosby ISD	1.2350
Crosby MUD (Defined Area 1 and 2)	0.8600 (1)
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
Total Tax Rates	$ 3.0140

(1) Only residents living in the applicable Defined Area pay tax.

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TAX DATA

TAX COLLECTIONS

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

Tax Year	Net Certified Taxable Assessed Valuation (1)	Tax Rate	Total Tax Levy (2)	Total Collections As of December 31, 2024(3) Amount	Percent
2020	$ 292,623,080	$ 0.4600	$ 1,355,052	$ 1,349,050	99.56%
2021	337,817,607	0.4525	1,532,379	1,520,239	99.21%
2022	418,914,814	0.4220	1,753,719	1,732,182	98.77%
2023	495,393,608	0.3700	1,805,112	1,748,637	96.87%
2024	530,600,556 (4)	0.3100	1,647,841	126,237	92.34% (5)

(1) Net valuation represents final gross appraised value as certified by the Appraisal District less any exemptions granted. See "TAX ROLL INFORMATION" below for gross appraised value and exemptions granted by the District.
(2) Represents actual tax levy, including any adjustments by the Appraisal District, as of the date hereof.
(3) The 2024 tax year cycle began on October 1, 2024 and ends on September 30, 2025.
(4) As certified by the Harris County Appraisal District (the "Appraisal District") on September 6, 2024. See "TAX PROCEDURES".
(5) Collections as of February 28, 2025.

Taxes are due October 1 (or when billed, if later) and become delinquent after January 31 of the following year. Split payments are not allowed.

TAX RATE DISTRIBUTION

Crosby MUD

Tax Year	2024	2023	2022	2021	2020
Debt Service Fund	$ 0.3100	$ 0.3700	$ 0.4220	$ 0.4525	$ 0.4600
Maintenance & Operations(1)	-	-	-	-	-
Total	$ 0.3100	$ 0.3700	$ 0.4220	$ 0.4525	$ 0.4600

Defined Area 1

	2024	2023	2022	2021
Debt Service Fund	$ 0.6676	$ 0.6890	$ 0.5150	$ -
Maintenance & Operation(2)	0.1924	0.1710	0.3450	0.8600
Total	$ 0.8600	$ 0.8600	$ 0.8600	$ 0.8600

Defined Area 2

	2024	2023
Debt Service Fund	$ -	$ -
Maintenance & Operation(3)	0.8600	0.8600
Total	$ 0.8600	$ 0.8600

(1) The District does not have the authority to levy a maintenance tax. See "TAX RATE LIMITATIONS".
(2) Defined Area 1 has the ability to levy a maintenance tax without limit.
(3) Defined Area 2 has the ability to levy a maintenance tax without limit.

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 a vote of the District's electors. The Board of Directors of the District is not currently contemplating calling a maintenance tax election. A maintenance tax, if levied, would be in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds.

TAX RATE LIMITATIONS

Debt Service: Unlimited (no legal limit as to rate or amount).
Maintenance: None Authorized.(1)

(1) Crosby MUD does not currently have authorization to levy a maintenance tax. Crosby MUD Defined Area 1 has authorized an unlimited maintenance tax. Crosby MUD Defined Area 2 has authorized an unlimited maintenance tax.

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 $20,000 of assessed valuation for homesteads of persons 65 years of age or older and for certain disabled persons.

PRINCIPAL TAXPAYERS

The following list of principal taxpayers was provided by the District's Tax Assessor/Collector based upon the 2024 tax rolls, which reflects ownership at January 1, 2024

Name of Taxpayer	Nature of Property	2024/2025 Assessed Valuation	% of Total Taxable Assessed Valuation
Wal Mart	Retail	$ 16,476,615	3.11%
Murff Castle Estates LLC	Developer	11,212,326	2.11%
Altivia Oxide Chemicals LLC	Chemical	7,477,320	1.41%
Centerpoint Engery Inc	Utility	7,405,974	1.40%
Friendly Ford of Crosby LLC	Dealership	7,345,628	1.38%
Silvestri Investments	Shopping Center	7,018,433	1.32%
WE 56 Crosby Plaza LLC	Shopping Center	6,458,886	1.22%
Nabors Drilling USA Inc	Drilling Equipment	6,024,825	1.14%
Matheson Tri-Gas	Chemical Industry	5,021,837	0.95%
Crosby Choice Group Inc	Property Management	5,012,642	0.94%
		$ 79,454,486	14.97%

SUMMARY OF ASSESSED VALUATION

The following breakdown of the 2024, 2023, 2022, 2021 and 2020 assessed valuations has been provided by the District's Tax Assessor/Collector based on information contained in the 2024, 2023, 2022, 2021 and 2020 tax rolls of the District. Differences in values from other information herein is due to differences in dates of information provided.

	2024	2023	2022	2021	2020
Land	$ 207,463,673	$ 184,823,101	$ 159,801,090	$ 111,385,097	$ 99,791,412
Improvements	339,530,525	318,693,535	265,795,102	222,101,695	203,592,758
Personal Property	57,794,254	61,730,600	58,414,431	57,713,361	43,505,497
Value Subject to Certification					-
Exemptions	(74,187,896)	(69,853,628)	(65,095,809)	(53,382,546)	(54,266,587)
Total Assessed Valuations	$ 530,600,556	$ 495,393,608	$ 418,914,814	$ 337,817,607	$ 292,623,080

TAX ADEQUACY FOR DEBT SERVICE

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2024 Certified Taxable Assessed Valuation and no use of debt service funds on hand and utilizes a tax rate necessary to pay the District's maximum annual debt service requirement on the Bonds and the Outstanding Bonds. See "INVESTMENT CONSIDERATIONS—FACTORS AFFECTING TAXABLE VALUES AND TAX PAYMENTS."

Tax Rate Required to pay Projected Maximum Annual Debt Service (2025) at a 97% Collection Rate		
Based upon 2024 Taxable Assessed Valuation	$	0.3259

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 County 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, 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; property used for affordable housing; designated historical sites; 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 between $5,000 and $12,000 depending on 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 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 in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the 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 market 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 2024.

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.

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

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

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 City 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 permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal 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 or selling it to an unqualified owner, the District can collect taxes based on the new use, including such taxes for a period of three (3) years for agricultural use, and five (5) years for timberland or open space land prior to the loss of the designation. According to the District's Tax Assessor/Collector, as of January 1, 2024, 248.9663 acres of land within the District were 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 ten years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. According to the District's Tax Assessor/Collector, to date, none of the area within the District has been designated as a reinvestment zone.

LEVY AND COLLECTION OF TAXES

The District is responsible for the 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 October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) for collection costs. 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 District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement in writing and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in equal monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) under a disability for purposes of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas law, 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

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

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

The District. A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. For the 2024 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." 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.

Except with respect to (i) owners of residential homestead property who are sixty-five years of age or older, under a disability for purposes of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or qualify as a disabled veteran under Texas law and (ii) owners of residential homesteads who have entered into installment agreements for payment of delinquent taxes and who are not in default thereunder. 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 two years for residential homestead and agricultural property and within six months for all other 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."

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WATER AND SEWER OPERATIONS

GENERAL

The Bonds and the Outstanding Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Although net revenues from operations of the District's water and sanitary sewer system, if any, are not pledged to the payment of the Bonds, such revenues are available for any legal purpose, including the payment of debt service on the Bonds, upon Board action. Data regarding the District's waterworks and sanitary sewer system (the "System") operations is included herein for information purposes only, and it is not anticipated that any significant revenues will be available for the payment of debt service on the Bonds or the Outstanding Bonds.

WATERWORKS AND SEWER SYSTEM OPERATING STATEMENT

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and, in all instances, exclude depreciation. Such summary is based upon information obtained from the District's audited financial statements. Reference is made to such statements and records for further and more complete information. See Appendix A hereto for the District's Audited Financial Statements for the fiscal year ended December 31, 2023.

	Fiscal Year Ended December 31,					
	Unaudited 2024	2023	2022	2021	2020	2019
General Fund Revenues						
Service Revenues	$ 2,810,315	$ 2,646,744	$ 2,066,203	$ 1,912,164	$ 1,869,850	$ 1,971,383
Tap Connection Fees	628,603	490,162	295,064	225,850	264,097	148,825
Penalty and Interest	273,080	65,115	53,535	44,445	29,119	80,682
Contributee by Developer	-	-	-	-	-	-
Property Taxes - Defined Area	-	117,421	114,286	7,493	4,081	
Miscellaneous	33,861	198,611	96,812	66,236	60,978	106,564
Total General Fund Revenues	$ 3,745,859	$ 3,518,053	$ 2,625,900	$ 2,256,188	$ 2,228,125	$ 2,307,454
General Fund Expenditures						
Purchased Water	$ 193,795	$ 198,925	$ 186,150	$ 180,675	$ 175,680	$ 161,975
Payroll	1,119,014	959,481	919,242	1,037,536	1,003,901	1,012,937
Professional Fees	355,497	397,670	315,790	300,783	243,873	266,449
Purchased and Contracted Services	279,535	201,524	179,534	167,474	245,308	261,085
Consumable Supplies and Materials	358,775	577,688	487,860	413,050	420,854	284,108
Recurring Operating Expenses	321,802	166,974	127,190	135,195	99,830	131,585
Capital Outlay	58,937	-	51,626	2,827	16,387	153,497
Total General Fund Expenditures	$ 2,687,355	$ 2,502,262	$ 2,267,392	$ 2,237,540	$ 2,205,833	$ 2,271,636
Excess of Revenues Over (Under) Expenditures	$ 1,058,504	$ 1,015,791	$ 358,508	$ 18,648	$ 22,292	$ 35,818
Other Financing Sources (Uses)						
Transfers Out	$ (160,500)	$ (225,575)	$ 35,821	$ -	$ (176,602)	$ (107)
Sale of Land	-	-	-	-	-	-
Grant Proceeds	-	-	-	-	-	-
Lease Proceeds		10,445	-	-	-	-
Total Other Financing Sources (Uses)	$ (160,500)	$ (215,130)	$ 35,821	$ -	$ (176,602)	$ (107)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	$ 898,004	$ 800,661	$ 394,329	$ 18,648	$ (154,310)	$ 35,711
Beginning Fund Balance		3,352,184	2,957,855	2,939,207	3,030,976	2,995,265
Ending Fund Balance		$ 4,152,845	$ 3,352,184	$ 2,957,855	$ 2,876,666	$ 3,030,976

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DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the Outstanding Bonds and the estimated debt service requirements for the Bonds at an estimated interest rate.

	Outstanding Debt			Debt Service on the Bonds[1]			Total Debt Service
Year	Principle	Interest	Total	Principal	Interest	Total	Requirements
2025	$ 880,000	$ 190,798	$ 1,070,798	$ 320,000	$ 316,667	$ 636,667	$ 1,707,464
2026	490,000	166,710	656,710	600,000	459,800	1,059,800	1,716,510
2027	490,000	156,048	646,048	330,000	431,300	761,300	1,407,348
2028	490,000	145,385	635,385	345,000	415,625	760,625	1,396,010
2029	490,000	133,785	623,785	365,000	399,238	764,238	1,388,023
2030	490,000	121,985	611,985	380,000	381,900	761,900	1,373,885
2031	490,000	109,985	599,985	400,000	363,850	763,850	1,363,835
2032	490,000	97,985	587,985	415,000	344,850	759,850	1,347,835
2033	490,000	85,785	575,785	435,000	325,138	760,138	1,335,923
2034	490,000	73,585	563,585	455,000	304,475	759,475	1,323,060
2035	490,000	60,960	550,960	480,000	282,863	762,863	1,313,823
2036	485,000	48,335	533,335	500,000	260,063	760,063	1,293,398
2037	485,000	35,035	520,035	525,000	236,313	761,313	1,281,348
2038	305,000	21,735	326,735	550,000	211,375	761,375	1,088,110
2039	305,000	14,130	319,130	575,000	185,250	760,250	1,079,380
2040	145,000	6,525	151,525	605,000	157,938	762,938	914,463
2041	145,000	3,263	148,263	635,000	129,200	764,200	912,463
2042	-	-	-	665,000	99,038	764,038	764,038
2043	-	-	-	695,000	67,450	762,450	762,450
2044	-	-	-	725,000	34,438	759,438	759,438
	$ 7,650,000	$ 1,472,033	$ 9,122,033	$ 10,000,000	$ 5,406,767	$ 15,406,767	$ 24,528,799

(1) Preliminary, subject to change. Interest on the Bonds has been calculated at market rates for the purpose of illustration.

PENSION AND OTHER POST EMPLOYMENT BENIFITS LIABILITY

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 atages 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.

At December 31, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled but not yet receiving benefits	12
Active employees	9

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 8.39% for the 2022 calendar year and 8.26% for the2023 calendar year. The deposit rate payable by the employee members for calendar years 2022 and2023 is 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 theoptions available in the TCDRS Act. For the District's accounting year ended December 31, 2023, the District contributed $55,450 and its employees contributed $46,992.

Actuarial Assumptions

The total pension liability in the December 31, 2022, actuarial valuation was determined usingthe following actuarial assumptions:

Actuarial valuation date	12/31/2022
Actuarial cost method	Entry Age Normal
Amortization method	Straight-line amortization over expected working life
Asset Valuation Method	5-years, non-asymptotic
Actuarial Assumptions:	
Investment return	7.50%
Projected salary increases	4.70%
Inflation	2.50%
Cost-of-living adjustments	0.00%

All actuarial assumptions that determined the total pension liability as of December 31, 2022 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.

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 investedusing a strategy to achieve the long-term rate of return, calculated using the long- term expected rate of return on pension plan investments.

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. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternative methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Our alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

1) TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.

2) Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.

3) The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.

4) An increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the :fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected 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 returnon investments. This long-term assumed rate of return should be net of investment expenses, butgross of administrative expenses for GASB 68 purposes.

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.

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 2023 information for a 10-year time horizon.

Note that the valuation assumption for long-term expected return is reviewed annually is reassessed 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.

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Asset Class	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
US Equities	11.50%	4.95%
Private Equity	25.00%	7.95%
Global Equities	2.50%	4.95%
Int'l Equities – Developed Markets	5.00%	4.95%
Int'l Equities – Emerging Markets	6.00%	4.95%
Investment-Grade Bonds	3.00%	2.40%
Strategic Credit	9.00%	3.39%
Direct Lending	16.00%	6.95%
Distressed Debt	4.00%	7.60%
REIT Equities	2.00%	4.15%
Master Limited Partnerships (MLPs)	2.00%	5.30%
Private Real Estate Partnerships	6.00%	5.70%
Hedge Funds	6.00%	2.90%
Cash Equivalents	2.00%	0.20%

Changes in Net Pension Liability:

Changes in Net Pension Liability / (Asset)	**Total Pension Liability (a)**	**Increase (Decrease) Fiduciary Net Position (b)**	**Net Pension Liability/(Asset) (a) – (b)**
Balances as of December 31, 2021	$ 3,226,904	$ 3,669,192	$ (442,288)
Changes for the year:			
Service Cost	95,734	-	95,734
Interest on Total Pension Liability	248,315	-	248,315
Effect of Economic/Demographic Gains or Losses	(50,664)	-	(50,664)
Refund of Contributions	(6,936)	(6,936)	-
Benefit Payments	(105,809)	(105,809)	-
Administrative Expenses	-	(2,016)	2,016
Member Contributions	-	45,055	(45,055)
Net Investment Income	-	(213,927)	213,927
Employer Contributions	-	54,001	(54,001)
Other	-	1,139	(1,139)
Balances as of December 31, 2019	$ 3,407,544	$ 3,440,699	(33,155)

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	$ 3,908,074	$ 3,407,551	$ 2,989,218
Fiduciary net position	3,440,706	3,440,706	3,440,706
Net pension liability / (asset)	$ 467,368	$ (33,155)	$ (451,488)

As of December 31, 2023, the deferred inflows and outflows of resources are as follows:

Deferred Inflows / Outflows of Resources	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**
Differences between expected and actual experience	$33,776	$54,906
Changes of assumptions	-	99,084
Net differences between projected and actual earnings	-	73,670
Contributions made subsequent to measurement date	-	55,450
	$33,776	$283,110

The District made plan contributions subsequent to the measurement date and prior to the District fiscal year-end of $55,450, which are recorded as deferred outflows of resources. Other amounts reported as deferred outflows of resources will be recognized in pension expense as follows:

Year ended December 31:	
2023	$ 921
2024	37,753
2025	56,760
2026	98,450
2027	-
Thereafter	-

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 whichthe District would make contributions to advance-fund the obligation. As of December 31, 2024, there was one retiree receiving other postemployment benefits.

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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 District. The ultimate security for payment of the principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities.

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.

In 2024, the Houston area suffered two storms leaving no material damage to Crosby MUD facilities. On May 17, 2024, a windstorm known as a derecho came through the Houston area and on July 8th, 2024 Hurricane Beryl made landfall near the Houston area.

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

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

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 District will determine the certified taxable value. The market value of the real property and improvements within the District 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 and the Crosby area.

NATURE OF RESIDENTIAL HOUSING MARKET

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 DISTRICT MAY DECLINE

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

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 District may affect the taxes derived from such property.

Property owners have the right to protest the appraised value of their property in the District 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 District 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 District. See " - SEVERE WEATHER" above. 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 such as the District may 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.

DEVELOPMENT RISK

Future increases in taxable value in the District, 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. The District cannot predict how much, if any, new taxable value will be created in the District after the date hereof.

EXPOSURE TO OIL AND GAS INDUSTRY

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 region’s economy. Any downturn in the oil and gas industry or reduction in workforces 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 District. 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.

CONCENTRATION OF RISK; TAXABLE VALUES MAY DECLINE

Approximately 14.97% percent of the taxable value in the District 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."

FACTORS AFFECTING TAXABLE VALUES AND TAX PAYMENTS

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2024 Taxable Assessed Valuation of the District is $530,600,556. After issuance of the Bonds, the maximum annual debt service requirement will be $1,716,510 (2026). Assuming no increase or decrease from the 2024 Taxable Assessed Valuation and no use of funds other than tax collections, a tax rate of $0.3100 per $100 assessed valuation at a 97% collection rate would be necessary to pay the maximum annual debt service requirement of $7,716,510. Although calculations have been made regarding the tax rates necessary to pay the maximum annual debt service on the Bonds based upon the 2024 Taxable Assessed Valuation, the District can make no representations regarding the future level of assessed valuation within the District. See "TAX PROCEDURES" and "TAX DATA—TAX ADEQUACY FOR DEBT SERVICE."

FUTURE DEBT

Following issuance of the Bonds, the District will have $10,000,000 in authorized but unissued unlimited tax bonds for the purpose of construction and acquisition of water and sanitary sewer facilities and improvements in the District. The District's voters may authorize additional bonds in the future. The issuance of such future obligations may adversely affect the investment security of the Bonds. The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. 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 Commission. The District does not anticipate issuing additional within the next 12 months, other than $5,000,000 in bonds for Defined Area 1. Only property within Defined Area 1 is taxed to pay Defined Area 1 Bonds.

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"), 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.

DEPENDENCE ON PERSONAL PROPERTY AD VALOREM TAX COLLECTIONS

Personal property constitutes approximately 11% of the District's 2024 taxable value. Personal property taxation and collection create special risks. See "TAX DATA — SUMMARY OF ASSESSED VALUATION."

Unlike real property, there is no certainty that personal property will remain in the District from year to year. Business inventories are portable and could be removed from the District at any time. Personal property removed from the District as of January 1 of any year is not subject to taxation by the District for that year.

While personal property is subject to a lien for unpaid District taxes for any year, the District lien is lost if the property is sold in the ordinary course of business. However, a lien in the amount of the personal property taxes owed by a taxpayer attaches not only to personal property owned by the taxpayer as of January 1 with a tax situs in the District, but to any personal property then or thereafter owned by the taxpayer. Nevertheless, the District may not be able to foreclose on personal property located outside the State of Texas and locating and foreclosing on property held outside the District may be costly, inefficient and difficult.

The statute of limitations for collection of personal property taxes is four years from the date of delinquency, which is shorter than the 20-year statute of limitations for real property. Personal property may not be seized and a suit may not be filed to collect delinquent personal property taxes if the tax has been delinquent for more than four years. A tax and any penalty and interest on the tax that is delinquent longer than the limitation periods is presumed paid unless a suit to collect such personal property is pending. As with real property taxes, ad valorem taxes levied on personal property are the personal obligation of the taxpayer.

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 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 approved publication of a proposed HGB Area redesignation request under the 1997 Ozone Standards on September 5, 2018.

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, with an attainment deadline of August 3, 2021. 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 July 30, 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. 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.

RISK FACTORS RELATED TO THE PURCHASE OF MUNICIPAL BOND INSURANCE

The District has applied for a bond insurance policy (the "Policy") to guarantee the scheduled payment of principal and interest on the Bonds. If the Policy is issued, investors should be aware of the following investment considerations:

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

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

The District has not made an independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment. See "MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE" for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

MARKETABILITY

The District has no 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.

MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE

Standard & Poor’s Ratings Service, A Division of the McGraw-Hill Companies, Inc. ("S&P") has assigned a credit rating of "A" without regarding to credit enhancement. An explanation of the rating may be obtained from S&P. The rating fees of S&P will be paid by the District; however, the fees associated with any other rating will be the responsibility of the Underwriter.

Applications have also been made for the qualification of the Bonds for municipal bond insurance. If qualified, such insurance will be available at the option and expense of the Purchaser. The rating fees of S&P will be paid by the District; any other rating fees associated with the insurance will be the responsibility of the Purchaser. See "INVESTMENT CONSIDERATIONS—RISK FACTORS RELATED TO THE PURCHASE OF MUNICIPAL BOND INSURANCE."

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

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," "THE DISTRICT - GENERAL," "MANAGEMENT - 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 firms have not independently verified factual information contained in this Official Statement, nor have such firms 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.

Section 3406 of the 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.

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 and Secretary or Assistant Secretary of the Board will, on behalf of the District, execute and delivery 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 of 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.

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 Official Notice of Sale 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 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, 2023 were prepared by McCall, Gibson, Swedlund, Barfoot PLLC, Certified Public Accountants. See "APPENDIX A" for a copy of the District's December 31, 2023, audited financial statements.

MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE

Standard & Poor's Ratings Service, A Division of the McGraw-Hill Companies, Inc. ("S&P") has assigned a credit rating of "A" without regarding to credit enhancement. An explanation of the rating may be obtained from S&P. The rating fees of S&P will be paid by the District; however, the fees associated with any other rating will be the responsibility of the Underwriter. Application has also been made to a municipal bond insurance company for qualification of the Bonds for municipal bond insurance. If qualified, such insurance will be available at the option of the Initial Purchaser at the Initial Purchaser's expense. The District can make no assurance that the S&P rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P if in the judgment of S&P circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of 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.

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 has agreed to provide certain financial information and operating data to the MSRB 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 SYSTEM," "UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED," "FINANCIAL STATEMENT," "CASH AND INVESTMENT BALANCES"; "OUTSTANDING TAX BONDS", "TAX DATA," "WATER AND SEWER OPERATIONS - WATERWORKS AND SEWER SYSTEM OPERATING STATEMENT," and "DEBT SERVICE REQUIREMENTS," and "APPENDIX A - DISTRICT AUDITED FINANCIAL STATEMENTS."

The District will update and provide this information within six months after the end of each fiscal year ending in or after 2024.

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

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

SPECIFIED EVENT NOTICES

The District also has agreed to provide timely notices of any of the following events with respect to the 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

The District became obligated to file annual reports and notice of certain specified events in an offering that took place in 2006. During the last five years, the District has complied in all material respects with its previous continuing disclosure agreements.

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.

/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, 2023

The Audited Financial Statements of Crosby Municipal Utility District for the fiscal year ended December 31, 2023.

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

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Suite 235
Houston, Texas 77065-5610
_(713) 462-0341_
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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, 2023, 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, 2023, 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.

Board of Directors
Crosby Municipal Utility District

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 PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

May 21, 2024

CROSBY MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023

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, 2023. 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.

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 $16,723,067 as of December 31, 2023. 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.

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		
	2023	2022	Change Positive (Negative)
Current and Other Assets	$ 14,227,668	$ 13,164,826	$ 1,062,842
Capital Assets (Net of Accumulated Depreciation)	19,117,957	19,887,410	(769,453)
Total Assets	$ 33,345,625	$ 33,052,236	$ 293,389
Deferred Outflows of Resources	$ 320,168	$ 309,065	$ 11,103
Due to Developer	$ 449,461	$ 439,016	$ (10,445)
Bonds Payable	13,185,697	14,560,836	1,375,139
Other Liabilities	1,035,039	967,211	(67,828)
Total Liabilities	$ 14,670,197	$ 15,967,063	$ 1,296,866
Deferred Inflows of Resources	$ 2,272,529	$ 2,452,005	$ 179,476
Net Position:			
Net Investment in Capital Assets	$ 10,883,641	$ 9,958,069	$ 925,572
Restricted	1,910,155	1,790,038	120,117
Unrestricted	3,929,271	3,194,126	735,145
Total Net Position	$ 16,723,067	$ 14,942,233	$ 1,780,834

The following table provides a summary of the District's operations for the years ended December 31, 2023, and December 31, 2022.

	Summary of Changes in the Statement of Activities		
	2023	2022	Change Positive (Negative)
Revenues:			
Property Taxes	$ 2,067,602	$ 1,664,322	$ 403,280
Charges for Services	3,243,542	2,452,625	790,917
Other Revenues	488,759	865,668	(376,909)
Total Revenues	$ 5,799,903	$ 4,982,615	$ 817,288
Expenses for Services	4,019,069	6,459,896	2,440,827
Change in Net Position	$ 1,780,834	$ (1,477,281)	$ 3,258,115
Net Position, Beginning of Year	14,942,233	16,419,514	(1,477,281)
Net Position, End of Year	$ 16,723,067	$ 14,942,233	$ 1,780,834

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of December 31, 2023, were $11,388,034, an increase of $1,300,347 from the prior year.

The General Fund fund balance increased by $800,661, 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 $170,535, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance increased by $329,151. The increase in the Capital Projects Fund fund balance was primarily due to a transfer in from the General Fund and investment revenues which exceeded current year capital outlay costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget and amended budget for the current fiscal year. Actual revenues were $925,913 more than budgeted revenues, actual expenditures were $126,562 more than budgeted expenditures, and actual transfers out exceeded budget by $106,130 which resulted in a positive budget variance of $693,221. See the budget to actual comparison for more information.

LONG-TERM DEBT ACTIVITY

As of December 31, 2023, the District had total bond debt payable of $13,180,000. The changes in the debt position of the District during the fiscal year ended December 31, 2023, are summarized as follows:

Bond Debt Payable, January 1, 2023	$	14,555,000
Less: Bond Principal Paid		(1,375,000)
Bond Debt Payable, December 31, 2023	$	13,180,000

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.

CAPITAL ASSETS

Capital assets as of December 31, 2023, total $19,117,957 (net of accumulated depreciation) and include land, buildings, equipment, furniture, fixtures, and vehicles as well as the water and wastewater systems.

Capital Assets At Year-End

		2023		2022		Change Positive (Negative)
Capital Assets Not Being Depreciated:						
Land and Land Improvements	$	260,900	$	260,900	$	
Construction in Progress		152,781		110,228		42,553
Capital Assets Subject to Depreciation:						
Water System		13,919,299		13,919,299		
Wastewater System		14,233,316		14,186,835		46,481
Detention		443,044		443,044		
Buildings, Furniture, Fixtures		575,912		575,912		
Vehicles, Machinery, Equipment		894,210		894,210		
Less Accumulated Depreciation		(11,361,505)		(10,503,018)		(858,487)
Total Net Capital Assets	$	19,117,957	$	19,887,410	$	(769,453)

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, 2023

	General Fund	Debt Service Fund
ASSETS		
Cash	$ 787,466	$ 1,448,529
Investments	3,472,974	1,443,017
Cash with Tax Assessor/Collector		211,178
Receivables:		
Property Taxes	15,227	1,106,481
Penalty and Interest on Delinquent Taxes		
Service Accounts	255,688	
Other	475	
Due from Other Funds	74,342	
Net Pension Asset		
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	$ 4,606,172	$ 4,209,205
DEFERRED OUTFLOWS OF RESOURCES		
Pension Plan Charges	$	$
Deferred Charges on Refunding Bonds		
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$ - 0 -	$ - 0 -
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 4,606,172	$ 4,209,205

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
$ 1,241,656	$ 3,477,651	$	$ 3,477,651
4,115,308	9,031,299		9,031,299
	211,178		211,178
	1,121,708		1,121,708
		96,514	96,514
	255,688		255,688
	475		475
	74,342	(74,342)	
		33,155	33,155
		260,900	260,900
		152,781	152,781
		18,704,276	18,704,276
$ 5,356,964	$ 14,172,341	$ 19,173,284	$ 33,345,625
$	$	$ 283,110	$ 283,110
		37,058	37,058
$ - 0 -	$ - 0 -	$ 320,168	$ 320,168
$ 5,356,964	$ 14,172,341	$ 19,493,452	$ 33,665,793

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, 2023

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	$ 85,918	$
Accrued Interest Payable		
Due to Developer		
Compensated Absences Payable		
Due to Other Funds		70,717
Security Deposits	280,010	
Net Other Postemployment Benefits Liability		
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	$ 365,928	$ 70,717
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	$ 87,399	$ 2,256,638
Pension Plan Charges		
TOTAL DEFERRED INFLOWS OF RESOURCES	$ 87,399	$ 2,256,638
FUND BALANCES		
Restricted for Authorized Construction	$	$
Restricted for Defined Area Operations	202,294	
Restricted for Defined Area Debt Service		249,867
Restricted for District Debt Service		1,631,983
Committed for HRA Costs	90,017	
Unassigned	3,860,534	
TOTAL FUND BALANCES	$ 4,152,845	$ 1,881,850
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 4,606,172	$ 4,209,205
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
$	$ 85,918	$	$ 85,918
		172,869	172,869
		449,461	449,461
		71,850	71,850
3,625	74,342	(74,342)	
	280,010		280,010
		424,392	424,392
		960,000	960,000
		12,225,697	12,225,697
$ 3,625	$ 440,270	$ 14,229,927	$ 14,670,197
$	$ 2,344,037	$ (105,284)	$ 2,238,753
		33,776	33,776
$ - 0 -	$ 2,344,037	$ (71,508)	$ 2,272,529
$ 5,353,339	$ 5,353,339	$ (5,353,339)	$
	202,294	(202,294)	
	249,867	(249,867)	
	1,631,983	(1,631,983)	
	90,017	(90,017)	
	3,860,534	(3,860,534)	
$ 5,353,339	$ 11,388,034	$ (11,388,034)	$ - 0 -
$ 5,356,964	$ 14,172,341		
		$ 10,883,641	$ 10,883,641
		1,910,155	1,910,155
		3,929,271	3,929,271
		$ 16,723,067	$ 16,723,067

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, 2023

Total Fund Balances - Governmental Funds		$ 11,388,034
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.		19,117,957
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.		(141,903)
The difference between the net carrying amount of refunded bonds and the reacquistion 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.		37,058
Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2022 and prior tax levies became part of recognized revenue in the governmental activities of the District.		201,798
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	(172,869)	
Compensated Absences Payable	(71,850)	
Bonds Payable	(13,185,697)	(13,879,877)
Total Net Position - Governmental Activities		$ 16,723,067

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

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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, 2023

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	$ 117,421	$ 1,944,787
Water and Wastewater Service	2,646,744	
Penalty and Interest	65,115	40,977
Tap Connection and Inspection Fees	490,162	
Investment and Miscellaneous Revenues	198,611	86,819
TOTAL REVENUES	$ 3,518,053	$ 2,072,583
EXPENDITURES/EXPENSES		
Service Operations:		
Personnel	$ 959,481	$
Professional Fees	397,670	50,736
Purchased Water Service	198,925	
Utilities	166,974	
Repairs and Maintenance	201,524	
Depreciation		
Other	577,688	47,629
Capital Outlay		
Debt Service:		
Bond Principal		1,375,000
Bond Interest		421,675
TOTAL EXPENDITURES/EXPENSES	$ 2,502,262	$ 1,895,040
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	$ 1,015,791	$ 177,543
OTHER FINANCING SOURCES (USES)		
Transfers In (Out)	$ (225,575)	$ (7,008)
Developer Contributions - Defined Area No. 2	10,445	
TOTAL OTHER FINANCING SOURCES (USES)	$ (215,130)	$ (7,008)
NET CHANGE IN FUND BALANCES	$ 800,661	$ 170,535
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JANUARY 1, 2023	3,352,184	1,711,315
FUND BALANCES/NET POSITION - DECEMBER 31, 2023	$ 4,152,845	$ 1,881,850

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
$	$ 2,062,208	$ 5,394	$ 2,067,602
	2,646,744		2,646,744
	106,092	544	106,636
	490,162		490,162
203,329	488,759		488,759
$ 203,329	$ 5,793,965	$ 5,938	$ 5,799,903
$	$ 959,481	$ 55,695	$ 1,015,176
14,638	463,044		463,044
	198,925		198,925
	166,974		166,974
3,089	204,613		204,613
		858,487	858,487
	625,317		625,317
89,034	89,034	(89,034)	
	1,375,000	(1,375,000)	
	421,675	64,858	486,533
$ 106,761	$ 4,504,063	$ (484,994)	$ 4,019,069
$ 96,568	$ 1,289,902	$ 490,932	$ 1,780,834
$ 232,583	$	$	$
	10,445	(10,445)	
$ 232,583	$ 10,445	$ (10,445)	$ - 0 -
$ 329,151	$ 1,300,347	$ (1,300,347)	$
		1,780,834	1,780,834
5,024,188	10,087,687	4,854,546	14,942,233
$ 5,353,339	$ 11,388,034	$ 5,335,033	$ 16,723,067

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, 2023

Net Change in Fund Balances - Governmental Funds	$ 1,300,347
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.	5,394
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.	544
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.	(55,695)
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.	(858,487)
Governmental funds report capital expenditures 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.	89,034
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.	1,375,000
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.	(64,858)
Governmental funds report developer advances as other financing sources. However, in the Statement of Net Position developer advances are recorded as a liability.	(10,445)
Change in Net Position - Governmental Activities	$ 1,780,834

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

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 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.

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, if any, are eliminated by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

Fund Financial Statements

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

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

General Fund - To account for resources not required to be accounted for in another fund, customer service revenues, property tax revenues, operating costs, professional fees and administrative expenditures.

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

Capital Projects Fund - To account for financial resources, 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 2022 taxes collected during the period October 1, 2022, to December 31, 2023. In addition, taxes collected from January 1, 2023, to December 31, 2023 for the 2021 and prior tax levies are included in revenue. The 2023 tax levy has been fully deferred to pay for expenditures of the 2024 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, 2023, the Debt Service Fund recorded a payable to the General Fund in the amount of $70,717 for maintenance tax collections and the Capital Projects Fund recorded a payable to the General Fund in the amount of $3,625 for amounts related to sale of bonds. During the current fiscal year, the General Fund recorded a transfer in the amount of $225,575 to the Capital Projects Fund, and the Debt Service Fund recorded a transfer of $7,008 to the Capital Projects Fund.

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 unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was 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.

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 $90,017 which was an increase of $8,528 over the previous year. The District contributed $36,000 to the account and paid employee related costs totaling $27,472.

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

Unassigned: all other spendable amounts in the General Fund.

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

NOTE 3. LONG-TERM DEBT

	Refunding Series 2015	Series 2017	Series 2019
Amount Outstanding – December 31, 2023	$ 1,360,000	$ 2,525,000	$ 2,540,000
Interest Rates	4.00%	2.00% - 3.25%	2.00% - 2.85%
Maturity Date	August 15, 2024/2027	August 15, 2024/2037	August 15, 2024/2039
Interest Payment Dates	February 15/ August 15	February15/ 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, 2023	$ 2,690,000	$ 4,065,000
Interest Rates	1.125% - 2.25%	5.00% - 5.75%
Maturity Date	August 15, 2024/2041	August 15, 2024/2048
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.

The Series 2011 bonds were paid off in full during the current fiscal year.

NOTE 3. LONG-TERM DEBT (Continued)

At an election held November 7, 2023, the voters of the District authorized the issuance of bonds up to $20,000,000 for the purposes of the purchase, acquisition and construction of water sanitary sewer, and drainage facilities. 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, 2023	Additions	Retirements	December 31, 2023
Bonds Payable	$ 14,555,000	$	$ 1,375,000	$ 13,180,000
Unamortized Discounts	(99,075)		(20,843)	(78,232)
Unamortized Premiums	104,911		20,982	83,929
Bonds Payable, Net	$ 14,560,836	$ -0-	$ 1,375,139	$ 13,185,697
		Amount Due Within One Year		$ 960,000
		Amount Due After One Year		12,225,697
		Bonds Payable, Net		$ 13,185,697

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

Fiscal Year	Principal	Interest	Total
2024	$ 960,000	$ 460,985	$ 1,420,985
2025	975,000	432,898	1,407,898
2026	995,000	404,060	1,399,060
2027	775,000	372,248	1,147,248
2028	595,000	349,185	944,185
2029-2033	3,050,000	1,484,319	4,534,319
2034-2038	3,010,000	1,001,101	4,011,101
2039-2043	1,570,000	554,572	2,124,572
2044-2048	1,250,000	223,100	1,473,100
	$ 13,180,000	$ 5,282,468	$ 18,462,468

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, 2023, the District levied ad valorem debt service tax rate of $0.37 per $100 of assessed valuation, which resulted in a levy of $1,832,957 on the adjusted taxable valuation of $495,393,608 for the 2023 tax year.

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 $3,477,651 and the bank balance was $3,434,984. The District was not exposed to custodial credit risk at year-end.

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at December 31, 2023, as listed below:

	Cash
GENERAL FUND	$ 787,466
DEBT SERVICE FUND	1,448,529
CAPITAL PROJECTS FUND	1,241,656
TOTAL DEPOSITS	$ 3,477,651

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors. Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act.

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

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of December 31, 2023, the District had the following investments and maturities:

Funds and Investment Type	Fair Value	Maturities of Less Than 1 Year
GENERAL FUND		
TexPool	$ 3,472,974	$ 3,472,974
DEBT SERVICE FUND		
TexPool	1,443,017	1,443,017
CAPITAL PROJECTS FUND		
TexPool	4,115,308	4,115,308
TOTAL INVESTMENTS	$ 9,031,299	$ 9,031,299

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 the payment of debt service or operating costs with Defined Area No. 1 and Defined Area No. 2.

NOTE 6. CAPITAL ASSETS

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

	January 1, 2023	Increases	Decreases	December 31, 2023
Capital Assets Not Being Depreciated				
Land and Land Improvements	$ 260,900	$	$	$ 260,900
Construction in Progress	110,228	89,034	46,481	152,781
Total Capital Assets Not Being Depreciated	$ 371,128	$ 89,034	$ 46,481	$ 413,681
Capital Assets Subject to Depreciation				
Water System	$ 13,919,299	$	$	$ 13,919,299
Wastewater System	14,186,835	46,481		14,233,316
Detention	443,044			443,044
Buildings, Furniture, Fixtures	575,912			575,912
Vehicles, Machinery, Equipment	894,210			894,210
Total Capital Assets Subject to Depreciation	$ 30,019,300	$ 46,481	$ -0-	$ 30,065,781
Accumulated Depreciation				
Water System	$ 4,199,729	$ 402,113	$	$ 4,601,842
Wastewater System	5,516,570	373,925		5,890,495
Detention	9,845	9,845		19,690
Buildings, Furniture, Fixtures	167,618	14,894		182,512
Vehicles, Machinery, Equipment	609,256	57,710		666,966
Total Accumulated Depreciation	$ 10,503,018	$ 858,487	$ -0-	$ 11,361,505
Total Depreciable Capital Assets, Net of Accumulated Depreciation	$ 19,516,282	$ (812,006)	$ -0-	$ 18,704,276
Total Capital Assets, Net of Accumulated Depreciation	$ 19,887,410	$ (722,972)	$ 46,481	$ 19,117,957

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.

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	4
Inactive employees entitled but not yet receiving benefits	12
Active employees	9

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 8.39% for the 2022 calendar year and 8.26% for the 2023 calendar year. The deposit rate payable by the employee members for calendar years 2022 and 2023 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, 2023, the District contributed $55,450 and its employees contributed $46,992.

Actuarial Assumptions

The total pension asset in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions:

Actuarial valuation date	12/31/22
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, 2022 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.

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.

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. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternative methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. The alternative method used reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act as follows:

NOTE 8. PENSION PLAN (Continued)

Depletion of Plan Assets/ GASB Discount Rate (Continued)

1) TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.

2) Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.

3) The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.

4) An increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected 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. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes.

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.

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 2023 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%	4.95%
Private Equity	25.00%	7.95%
Global Equities	2.50%	4.95%
International Equities-Development	5.00%	4.95%
International Equities-Emerging	6.00%	4.95%
Investment-Grade Bonds	3.00%	2.40%
Strategic Credit	9.00%	3.39%
Direct Lending	16.00%	6.95%
Distressed Debt	4.00%	7.60%
REIT Equities	2.00%	4.15%
Master Limited Partnerships (MLPs)	2.00%	5.30%
Private Real Estate Partnerships	6.00%	5.70%
Hedge Funds	6.00%	2.90%
Cash Equivalents	2.00%	0.20%

NOTE 8. PENSION PLAN (Continued)

Changes in Net Pension Liability/(Asset):

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a)-(b)
Balances of December 31, 2021	$ 3,226,904	$ 3,669,192	$ (442,288)
Changes for the year:			
Service Costs	95,734		95,734
Interest on the Total Pension Liability	248,315		248,315
Effect of Economic/Demographic Gains or Losses	(50,664)		(50,664)
Refund of Contributions	(6,936)	(6,936)	
Benefit Payments	(105,809)	(105,809)	
Administrative Expenses		(2,016)	2,016
Member Contributions		45,055	(45,055)
Net investment income		(213,927)	213,927
Employer Contributions		54,001	(54,001)
Other		1,139	(1,139)
Balances of December 31, 2022	$ 3,407,544	$ 3,440,699	$ (33,155)

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	$ 3,908,074	$ 3,407,551	$ 2,989,218
Fiduciary net position	3,440,706	3,440,706	3,440,706
Net pension liability(asset)	$ 467,368	$ (33,155)	$ (451,488)

NOTE 8. PENSION PLAN (Continued)

As of December 31, 2023, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ 33,776	$ 54,906
Changes in assumptions		99,084
Net difference between projected and actual earnings		73,670
Contributions paid to TCDRS subsequent to the measurement date		55,450
Total	$ 33,776	$ 283,110

The District made plan contributions subsequent to the measurement date and prior to the District fiscal year-end of $55,450, 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:	
2023	$ 921
2024	37,753
2025	56,760
2026	98,450
2027	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, 2023, there was one retiree receiving other postemployment benefits.

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Discount Rate

For plans that do not have formal assets, the discount rate should equal the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA or higher credit rating as of the measurement date. For the purpose of this AMM calculation, the municipal bond rate is 3.77% (based on the daily rate of Fidelity's "20-Year Municipal GO AA Index" closest to but not later than the measurement date). The discount rate was 4.05% as of the beginning of the measurement year.

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	9
Total Plan Members	10

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 3.77%, 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 2.77%	Current Discount Rate Assumption 3.77%	1% Increase 4.77%
$492,556	$424,392	$366,806

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.

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity of Total OPEB Liability (Continued)

1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
$356,110	$424,392	$511,118

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 currently in effect were used as the basis for calculation of the present value of total benefits to be paid.

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 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 – The Total OPEB Liability was rolled forward twelve months from the Valuation Date to the Measurement Date using standard actuarial techniques.

Assumption change – The discount rate was changed from 4.05% as of the beginning of the measurement period to 3.77% as of December 31, 2023 (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.

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes in Total OPEB Liability:

Balances of December 31, 2022	$ 388,480
Changes for the year:	
Service cost	10,979
Interest on total OPEB liability	16,011
Changes in assumption and other inputs	17,163
Benefit payments	(8,241)
Balances of December 31, 2023	$ 424,392

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 $71,850 as of December 31, 2023, are recorded in the financial statement, since such compensation is fully vested. This is an increase of $7,518 over the prior year balance of $64,332.

NOTE 11. WATER SUPPLY CONTRACT

Effective August 1, 2020, the District entered into a Water Supply Contract ("Contract") with the San Jacinto River Authority (the "Authority"). This replaced an agreement in effect since 1990. 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, 2023, was $0.545 per 1,000 gallons. During the current fiscal year, the District paid $198,925 for water purchased in accordance with the Contract. The Contract is in effect for a term of 30 years.

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.

NOTE 13. DEFINED AREAS

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, 2023, the District levied an ad valorem maintenance tax rate on property within Defined Area No. 1 of $0.171 per $100 of assessed valuation which resulted in a levy of $79,177 on the adjusted taxable valuation of $46,302,289 for the 2023 tax year.

The District also levied an ad valorem debt service tax rate on property within Defined Area No. 1 of $0.689 per $100 of assessed valuation, which resulted in a levy of $319,023 on the adjusted taxable valuation of $46,302,289 for the Defined Area No. 1 for the 2023 tax year.

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, 2023, 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 $7,599 on the adjusted taxable valuation of $883,578 for the 2023 tax year.

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