

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

The District will NOT designate the Bonds as “Qualified Tax-Exempt Obligations” for financial institutions. See “TAX MATTERS – NOT Qualified Tax-Exempt Obligations for Financial Institutions” herein.

**NEW ISSUE—BOOK-ENTRY ONLY**  
**CUSIP No. 260655**

**RATINGS: Underlying “A2” Moody’s**  
**See “MUNICIPAL BOND RATING” herein**

**\$13,500,000**  
**DOWDELL PUBLIC UTILITY DISTRICT**  
 (A political subdivision of the State of Texas, located in Harris County, Texas)  
**UNLIMITED TAX BONDS**  
**SERIES 2024**

**Dated: November 1, 2024**

**Due: September 1 (as shown below)**

Interest on the \$13,500,000 Unlimited Tax Bonds, Series 2024 (the “Bonds” or the “Series 2024 Bonds”) will accrue from November 1, 2024, and will be payable on March 1 and September 1 of each year, commencing March 1, 2025. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”), pursuant to the Book-Entry-Only System described herein. 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 owners thereof. Principal of, premium, if any, 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” herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Houston, Texas. See “THE BONDS.”

**MATURITIES, AMOUNTS, INTEREST RATES AND PRICES**

<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield to Maturity (a)</u>	<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield to Maturity (a)</u>
\$275,000	2028	%	%	\$500,000	2041(b)	%	%
\$300,000	2029	%	%	\$525,000	2042(b)	%	%
\$300,000	2030(b)	%	%	\$550,000	2043(b)	%	%
\$325,000	2031(b)	%	%	\$575,000	2044(b)	%	%
\$350,000	2032(b)	%	%	\$600,000	2045(b)	%	%
\$350,000	2033(b)	%	%	\$625,000	2046(b)	%	%
\$375,000	2034(b)	%	%	\$650,000	2047(b)	%	%
\$375,000	2035(b)	%	%	\$700,000	2048(b)	%	%
\$400,000	2036(b)	%	%	\$725,000	2049(b)	%	%
\$425,000	2037(b)	%	%	\$750,000	2050(b)	%	%
\$450,000	2038(b)	%	%	\$775,000	2051(b)	%	%
\$450,000	2039(b)	%	%	\$825,000	2052(b)	%	%
\$475,000	2040(b)	%	%	\$850,000	2053(b)	%	%

- (a) The initial reoffering yields are established by and are the sole responsibility of the Underwriter (hereinafter defined) and may be subsequently changed.
- (b) The Bonds maturing on or after September 1, 2030, are subject to redemption in whole or from time to time in part, at the option of the District (hereinafter defined), on September 1, 2029, or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. If fewer than all of the Bonds within any one maturity are redeemed, the Bonds to be redeemed shall be selected, on behalf of the District, by the Paying Agent/Registrar, in its capacity as Registrar, by lot or other customary method, in integral multiples of \$5,000 in any one maturity. See “THE BONDS—Optional Redemption.”

The proceeds of the Bonds will be used by Dowdell Public Utility District (the “District”) to: (1) finance costs associated with the reimbursement to certain developers for funds previously advanced on behalf of the District; (2) fund certain developer interest costs as approved by the TCEQ; (3) to fund certain District central water and sewer facilities; (4) to fund approximately 6 months of interest on the Bonds; and (5) pay issuance and administrative expenses associated with the sale of the Bonds. See “USE OF BOND PROCEEDS.” The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See “THE BONDS – Sources of and Security for Payment.” 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. Neither the faith and credit nor the taxing power of the State of Texas, Harris County, or the City of Houston, is pledged to the payment of the principal of or interest on the Bonds. **The Bonds are subject to certain investment considerations described under the caption “RISK FACTORS.”**

The Bonds are offered when, as and if issued by the District, subject to approval by the Attorney General of Texas and the approval of certain legal matters by Smith, Murdaugh, Little & Bonham L.L.P., Houston, Texas, Bond Counsel. Certain matters will be passed on for the District by Norton Rose Fulbright US LLP, as Disclosure Counsel, Houston, Texas. Delivery of the Bonds is expected through the facilities of DTC on or about November 7, 2024.

**Bids Due: Thursday, October 17, 2024 at 9:00 A.M. Houston Time**

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

## TABLE OF CONTENTS

USE OF INFORMATION IN OFFICIAL STATEMENT .....	1
SALE AND DISTRIBUTION OF THE BONDS .....	1
MUNICIPAL BOND RATING .....	2
BOND INSURANCE.....	2
OFFICIAL STATEMENT SUMMARY .....	3
SELECTED FINANCIAL INFORMATION .....	6
DEBT SERVICE SCHEDULE .....	7
INTRODUCTION .....	8
RISK FACTORS.....	8
USE OF BOND PROCEEDS .....	17
THE DISTRICT .....	18
THE DEVELOPERS .....	21
THE SYSTEM.....	23
DISTRICT DEBT.....	26
TAX DATA.....	27
TAX PROCEDURES .....	29
ANNEXATION, STRATEGIC PARTNERSHIP AGREEMENT, AND CONSOLIDATION .....	32
THE BONDS.....	33
BOOK-ENTRY-ONLY SYSTEM .....	34
LEGAL INVESTMENT AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS .....	36
LEGAL MATTERS .....	36
TAX MATTERS .....	37
OFFICIAL STATEMENT .....	39
CONTINUING DISCLOSURE OF INFORMATION .....	40
CERTIFICATION OF OFFICIAL STATEMENT .....	41
AUDITED FINANCIAL STATEMENTS OF THE DISTRICT.....	A
SPECIMEN MUNICIPAL BOND INSURANCE POLICY.....	B

## **USE OF INFORMATION IN OFFICIAL STATEMENT**

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended ("Rule 15c2-12"), this Preliminary Official Statement constitutes an "official statement" of the District 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.

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

This Official Statement is not to be used in connection with 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 registered or qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Any information and expressions of opinion herein contained are subject to change, 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.

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

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 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 Underwriter.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of this Official Statement for any purpose.

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

### **Award of the Bonds:**

After requesting competitive bids for the Bonds, the District has accepted the bid producing the lowest net interest cost to the District, which was tendered by \_\_\_\_\_ (the "Underwriter"), to purchase the Bonds bearing the rates shown on the cover page of this Official Statement at a price of \_\_\_\_\_ % of par plus accrued interest to the date of delivery, which resulted in a net effective interest rate of \_\_\_\_\_ %, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into unit investment trusts) and others at prices lower than the public offering price stated on the cover page hereof. The initial offering price may be changed from time to time by the Underwriter.

The following statement is provided by the Underwriters. In accordance with their responsibilities under the federal securities laws, the Underwriters have reviewed the information in this Official Statement but do not guarantee its accuracy or completeness.

### **Prices and Marketability:**

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriter on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity have been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Underwriter regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Underwriter.

THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER AFTER THE BONDS ARE RELEASED FOR SALE, AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO

MAY SELL THE BONDS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

**Securities Laws:**

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

**MUNICIPAL BOND RATING**

In connection with the sale of the Bonds the District has made application to Moody's Investor Services, Inc. ("Moody's") which has assigned the underlying rating of "A2" on the Bonds based upon the District's underlying credit without bond insurance. The underlying rating to be released by Moody's of the District will be maintained by Moody's in addition to the rating by virtue of the bond insurance, if applicable. See "BOND INSURANCE." An explanation of the significance of such rating may be obtained from Moody's. The rating reflects only the view of Moody's, and the District makes no representation as to the appropriateness of such rating. The District can make no assurance that Moody's rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by Moody's if in the judgment of Moody's circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

**BOND INSURANCE**

The District has applied to Assured Guaranty Inc. ("AG") and Build America Mutual Assurance Company ("BAM") for qualification of the Bonds for bond insurance. Potential purchasers may bid for the Bonds with or without bond insurance. If the Underwriters bid for a series of the Bonds with bond insurance, the cost of the bond insurance premium must be paid for by the Underwriters. The District will pay for the cost of the Moody's Investors Services, Inc. ("Moody's") rating. The Underwriters must pay for the cost of any rating other than the Moody's rating. If the Underwriters purchase a series of the Bonds with bond insurance and, subsequent to the sale date and prior to the closing date, the bond insurer's credit rating is down-graded; the Underwriters are still obligated to accept delivery of the Bonds. Information relative to the cost of the insurance premium will be available from AG and BAM on the day of the sale.

## **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 BONDS**

- Description:** The \$13,500,000 Dowdell Public Utility District Unlimited Tax Bonds, Series 2024 (herein the "Bonds" or the "Series 2024 Bonds"), will be issued pursuant to Article XVI, Section 59 of the Texas Constitution and general laws of the State of Texas, including but not limited to Chapters 49 and 54, Texas Water Code, as amended; an order of the Texas Commission on Environmental Quality (the "TCEQ"); a bond election held within the District; and an order (the "Bond Order") of the Board of Directors of Dowdell Public Utility District (the "District"). The Bonds are dated November 1, 2024, and mature September 1 in the years and in the principal amounts set forth on the cover page of this Official Statement. Interest on the Bonds is payable on March 1, 2025, and each September 1 and March 1 thereafter until maturity or prior redemption.
- Book-Entry-Only System:** The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, 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."
- Redemption Provisions:** Bonds maturing on or after September 1, 2030, are subject to early redemption, in whole or from time to time in part, on September 1, 2029, or on any date thereafter at the option of the District at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS – Optional Redemption."
- Authority for Issuance:** The voters within the District have authorized the issuance of a total of \$172,945,000 of bonds payable from taxes, of which \$53,266,525.07 remain authorized but unissued after the sale of the Bonds. The voters of the District may in the future authorize the issuance of additional bonds. See "THE BONDS – Authority for Issuance."
- Sources of Payment:** The Bonds are payable from a continuing direct annual ad valorem tax levied against all taxable property within the District which, under Texas law, is not limited as to rate or amount. See "TAX PROCEDURES." With respect to payment from taxes, the Bonds are further payable equally and ratably with bonds to be issued in the future by the District. See "THE BONDS - Sources of and Security for Payment." The Bonds are obligations of the District, and are not obligations of the City of Houston (the "City"), the State of Texas, Harris County, Texas, or any other political subdivision or agency.
- Municipal Bond Rating:** In connection with the sale of the Bonds the District has made application to Moody's which assigned the underlying rating of "A2" on the Bonds based upon the District's underlying credit without bond insurance. An explanation of the significance of such rating may be obtained from Moody's. The rating reflects only the view of Moody's, and the District makes no representation as to the appropriateness of such rating. See "MUNICIPAL BOND RATING."
- Bond Insurance:** The District has applied to Assured Guaranty Inc. ("AG") and Build America Mutual Assurance Company ("BAM") for qualification of the Bonds for bond insurance. Potential purchasers may bid for the Bonds with or without bond insurance. If the Underwriters bid for a series of the Bonds with bond insurance, the cost of the bond insurance premium must be paid for by the Underwriters. The District will pay for the cost of the Moody's Investors Services, Inc. ("Moody's") rating. The Underwriters must pay for the cost of any rating other than the Moody's rating. If the Underwriters purchase a series of the Bonds with bond insurance and, subsequent to the sale date and prior to the closing date, the bond insurer's credit rating is down-graded; the Underwriters are still obligated to accept delivery of the Bonds. Information relative to the cost of the insurance premium will be available from AG or BAM on the day of the sale. See "BOND INSURANCE."
- Use of Proceeds:** Proceeds from the sale of the Bonds will be used to: (1) finance costs associated with the reimbursement to certain developers for funds previously advanced on behalf of the District; (2) fund certain developer interest costs as approved by the TCEQ; (3) to fund certain District central water and sewer facilities; (4) to fund approximately 6 months of interest on the Bonds; and (5) pay issuance and administrative expenses associated with the sale of the Bonds. See "USE OF BOND PROCEEDS."

**NOT Qualified Tax-Exempt Obligations:**

The District will NOT designate the Bonds as "qualified tax-exempt obligations." See "TAX MATTERS – NOT Qualified Tax-Exempt Obligations."

**Payment Record:**

The District has never defaulted in the payment of principal of or interest on its bonds.

**Paying Agent/Registrar:**

The Bank of New York Mellon Trust Company, N.A., Houston, Texas.

**Legal Opinions:**

Smith, Murdaugh, Little & Bonham, L.L.P., Houston, Texas, Bond Counsel.

**Risk Factors:**

The Bonds are subject to certain risk factors as set forth in this Official Statement. Prospective purchasers should carefully examine this Official Statement with respect to the investment security of the Bonds particularly the section captioned "RISK FACTORS."

**THE DISTRICT**

**Description:**

The District was created by the Texas Legislature (Art. 8280-581) on June 4, 1971, and operates as a municipal utility district pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code and other general statutes of Texas applicable to municipal utility districts. The District is subject to the continuing supervision of the Commission, and is located entirely within the exclusive extraterritorial jurisdiction of the City.

The District is located in northern Harris County approximately 25 miles northwest of the central business district of Houston, Texas, via Interstate Highway 45. The District is generally bounded on the northwest by Willow Creek, the northeast by Kuykendahl Road, the southwest by FM 2920 and the southeast by Spring Stuebner Road. The District is located entirely within the extraterritorial jurisdiction of the City. The District is located within the Klein Independent School District. Since the creation of the District in 1971, the District has added 32 annexations between 1973 and May 2024, resulting in its existing size of approximately 1,532 acres. See "THE DISTRICT."

**Status of Land Development:**

A summary of the approximate land use in the District, as of August 1, 2024, appears in the following table:

<u>Type of Land Use</u>	<u>Approximate Acres</u>
Fully Developed Acres (a)	1,123
Acres Under Development	0
Additional Developable Acres (b)	337
Other Undevelopable Acres (c)	<u>72</u>
<b>Total Approximate Acres</b>	<b>1,532</b>

- (a) Approximately 696 acres includes 2,156 completed homes, 23 homes under construction, 145 vacant developed lots, certain improved commercial tracts of land and developed land owned by Klein ISD.
- (b) Includes certain acreage that will be used for detention pond and drainage rights-of-ways as additional land is developed.
- (c) Includes drainage easements and District plant sites.

**Single-Family Developers in the District:**

D.R. Horton has developed 162 lots and completed the build-out of the single-family residential subdivision known as Willow Lake Village on approximately 72 acres; and marketed homes in the \$280,000 - \$375,000 price range.

D.R. Horton has also constructed homes in the 150-lot subdivision known as Vintage Creek, Section 1; homes in this subdivision have been marketed in the \$180,000 - \$200,000 price range.

K McGaughey FM 2920, LLC has developed 55 lots in the single-family residential subdivisions known as Wildwood Glen, Section 1. MHI began homebuilding in Wildwood Glen, Section 1 during the third quarter of 2014 and completed the build-out of the subdivision during first quarter of 2016. MHI marketed homes in the \$200,000 - \$300,000 price range in the subdivision.

LPUSA, Inc. has developed the lots located in the 2 subdivisions known as Willows Edge (43 lots) and the Preserve at Miramar Lake, Section 1 (96 lots); lots in these sections have been sold to Candlewood Homes, Lennar Homes, and Meritage Homes. Homes were marketed in the \$200,000 - \$300,000 price range in these subdivisions.

K. Hovnanian Houston Willowpoint, LLC has developed 154 lots known as Willowpoint, Section 1 on approximately 41 acres and marketed homes in the \$300,000 range.

**Commercial Development:**

Commercial development within the District consists of approximately 25 acres developed as a strip center, 5 convenience stores/gas stations, a hotel, and 6 multi-family complexes (1,850 units).

Home Depot USA, Inc. ("Home Depot") has completed the development of a 134,500 square foot retail store located on approximately 16 acres during the first quarter of 2019. Home Depot includes two pad sites that will be available for additional commercial development.

Five Forks Village L.L.C. ("Five Forks") sold approximately 15 acres to Watermark Residential ("Watermark") who developed a 336-unit multi-family project. Project was completed during the first half of 2021. According to representative of Watermark, the project is currently 93% occupied.

Additionally, Klein Independent School District ("Klein ISD") has constructed two elementary schools within the District as well as a multi-purpose building. A middle school, high school and a stadium are also proposed to be constructed within the District by Klein ISD. See "THE DISTRICT – Commercial Development in the District."

**Defined Area:**

A portion of the land within the District is located within the District Defined Area No. 1 ("Defined Area"). Most of the Defined Area (approximately 65 acres) is being developed by Grand Parkway Marketplace 1750, LLC. Grand Parkway Marketplace 1750, LLC is a special purpose entity created by and controlled by Kimco Realty Corp. ("KIMCO"), which has completed the construction of a 480,510 sq. ft. (approximate size) retail center located at the intersection of Kuykendahl and Spring Stuebner Road. KIMCO is a publicly traded corporation whose stock has been listed on the New York Stock Exchange since 1991 and specializes in shopping center acquisitions, development and management for more than 50 years. See "RISK FACTORS – Defined Area within the District."

Commercial establishments within the Defined Area include 56 establishments and 466,155 square feet of retail space as of September 1, 2024. See "THE DISTRICT – Commercial Development in the District."

The District has issued \$4,550,000 bonds for facilities located within the Defined Area (the "Defined Area Bonds") such Defined Area bonds are secured solely by a District tax levied against the property located within the Defined Area. The additional tax rate within the Defined Area is \$0.38 per \$100 of assessed valuation in 2023; it is currently anticipated that the 2024 tax rate for the Defined Area will again be \$0.38. The additional tax levied on land located within the Defined Area is on a parity with the District tax levied for payment of the Bonds. See "RISK FACTORS – Defined Area within the District."

**SELECTED FINANCIAL INFORMATION**

(Unaudited)

4/1/2024 Estimated Taxable Value	\$1,252,198,426	(a)
1/1/2024 Taxable Value	\$1,185,013,762	(b)
Direct Debt (See "DISTRICT DEBT")		
Outstanding Bonds (as of October 1, 2024)	\$80,635,000	(c)
The Bonds	<u>\$13,500,000</u>	
Total Direct Debt	\$94,135,000	
Estimated Overlapping Debt	<u>\$64,937,532</u>	(d)
Direct and Estimated Overlapping Debt	\$159,072,532	
Percentage of Direct Debt to:		
4/1/2024 Estimated Taxable Value	7.52%	
1/1/2024 Taxable Value	7.94%	
Percentage of Direct and Estimated Overlapping Debt to:		
4/1/2024 Estimated Taxable Value	12.70%	
1/1/2024 Taxable Value	13.42%	
2023 Tax Rate Per \$100 of Assessed Value		
Debt Service	\$0.58	
Maintenance Tax	<u>\$0.16</u>	
Total 2023 Tax Rate	\$0.74	(e)
General Fund approximate cash balance as of September 19, 2024	\$6,251,743	(f)
Pro-Forma Debt Service Fund approximate cash balance as of September 19, 2024	\$14,851,489	(g)

- 
- (a) Reflects data supplied by the Harris Central Appraisal District ("HCAD"). The Estimated Taxable Value as of 4/1/2024 was prepared by HCAD and provided to the District. Such value is not binding on HCAD, and any new value (subsequent to January 1, 2024) will not be included on the District's tax roll until the 2025 tax roll is prepared and certified by HCAD during the second half of 2025. See "TAX DATA" and "TAX PROCEDURES".
- (b) Reflects the January 1, 2024 Certified Taxable Value according to data supplied to the District by HCAD for informational purposes only. Such value represents \$1,111,695,655 of value that is fully certified and 85% of HCAD's opinion of the taxable value that will be certified for property still in the certification process (\$73,318,107). See "TAX PROCEDURES."
- (c) Excludes bonds issued by the District for the Defined Area; the Defined Area bonds are secured by a tax levied against property located solely within the Defined Area. The District tax securing the Bonds is on a parity within the District tax securing the Defined Area bonds. See "THE DISTRICT DEBT."
- (d) Includes the Defined Area bonds which, within the Defined Area, are direct obligations of the District and payable on a parity with the Bonds from ad valorem taxes levied in the Defined Area. See "THE DISTRICT DEBT" and "RISK FACTORS – Defined Area within the District."
- (e) The Board met on September 19, 2024 to begin the District's 2024 tax rate setting process. The Board voted to publish a 2024 total tax rate of \$0.72 with the idea that the 2024 tax rates would include \$0.50 - \$0.53 for debt service and \$0.16 for Operations and Maintenance. See "TAX DATA – 2024 Tax Rate Setting." The figures above exclude the tax rate of \$0.38 that was levied on the property located within the Defined Area within the District; the Board currently anticipates levying \$0.38 tax rate for the Defined Area in 2024. See "DISTRICT DEBT" and "RISK FACTORS – Defined Area within the District."
- (f) Unaudited figure per the District's records. See "THE SYSTEM – General Fund Operating History."
- (g) Unaudited figure per the District's records. The cash and investment balance in the Debt Service Fund includes \$354,375 of capitalized interest to be funded with Bond proceeds to be deposited into such fund on the date of delivery of the Bonds. Neither Texas law nor the District's Bond Order requires that the District maintain any particular balance in the Debt Service Fund. See "TAX DATA – Tax Adequacy for Debt Service."



**DEBT SERVICE SCHEDULE**

The following sets forth the debt service requirements for the District's outstanding bonds and the Series 2024 Bonds.

<b>Year</b>	<b><u>Outstanding Debt Service Requirements</u></b>	<b>Plus: Debt Service on the Bonds</b>		<b><u>Total Debt Service Requirements*</u></b>
		<b><u>Principal</u></b>	<b><u>Interest*</u></b>	
2025	\$5,062,400	-	\$517,500	\$5,579,900
2026	\$5,267,388	-	\$621,000	\$5,888,388
2027	\$5,322,802	-	\$621,000	\$5,943,802
2028	\$5,192,828	-	\$621,000	\$6,088,828
2029	\$4,963,677	\$275,000	\$608,350	\$5,872,027
2030	\$5,192,029	\$300,000	\$594,550	\$6,086,579
2031	\$4,940,500	\$300,000	\$580,750	\$5,846,250
2032	\$5,020,076	\$325,000	\$565,800	\$5,935,876
2033	\$5,075,076	\$350,000	\$549,700	\$5,974,776
2034	\$5,135,963	\$350,000	\$533,600	\$6,044,563
2035	\$5,066,088	\$375,000	\$516,350	\$5,957,438
2036	\$5,096,638	\$375,000	\$499,100	\$5,995,738
2037	\$5,146,744	\$400,000	\$480,700	\$6,052,444
2038	\$5,165,844	\$425,000	\$461,150	\$6,076,994
2039	\$5,200,393	\$450,000	\$440,450	\$6,090,843
2040	\$4,743,668	\$450,000	\$419,750	\$5,638,418
2041	\$4,757,006	\$475,000	\$397,900	\$5,654,906
2042	\$4,770,431	\$500,000	\$374,900	\$5,670,331
2043	\$4,749,044	\$525,000	\$350,750	\$5,649,794
2044	\$4,751,757	\$550,000	\$325,450	\$5,652,207
2045	\$4,744,626	\$575,000	\$299,000	\$5,643,626
2046	\$2,317,500	\$600,000	\$271,400	\$3,213,900
2047	\$1,487,000	\$625,000	\$242,650	\$2,379,650
2048	\$1,477,500	\$650,000	\$212,750	\$2,390,250
2049	\$1,496,000	\$700,000	\$180,550	\$2,401,550
2050	\$1,481,750	\$725,000	\$147,200	\$2,378,950
2051	\$445,500	\$750,000	\$112,700	\$1,333,200
2052	\$441,250	\$775,000	\$77,050	\$1,343,300
2053	<u>\$446,250</u>	<u>\$825,000</u>	<u>\$39,100</u>	<u>\$1,335,350</u>
<b>TOTALS</b>	<b>\$114,957,727</b>	<b>\$13,500,000</b>	<b>\$11,662,150</b>	<b>\$140,119,877</b>

Maximum Annual Debt Service Requirements (2039) ..... \$6,090,843\*

\$0.52 Tax Rate on the 4/1/2024 Estimated Taxable Valuation of \$1,252,198,426  
 @ 95% collections produces ..... \$6,185,860\*

\$0.55 Tax Rate on the 1/1/2024 Taxable Valuation of \$1,185,013,762  
 @ 95% collections produces ..... \$6,191,697\*

\*Preliminary, subject to change

**OFFICIAL STATEMENT  
relating to**

**\$13,500,000**

**DOWDELL PUBLIC UTILITY DISTRICT  
(A political subdivision of the State of Texas, located within Harris County, Texas)**

**UNLIMITED TAX BONDS  
SERIES 2024**

**INTRODUCTION**

This Official Statement provides certain information in connection with the issuance of the \$13,500,000 Dowdell Public Utility District Unlimited Tax Bonds, Series 2024 (the "Bonds").

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, particularly, Chapters 49 and 54 of the Texas Water Code, as amended; an order adopted by the Texas Commission on Environmental Quality (the "TCEQ"); a bond election held within the District; and an order (the "Bond Order") to be adopted by the Board of Directors of Dowdell Public Utility District (the "District"), a conservation and reclamation district and political subdivision of the State of Texas located within Harris County, Texas.

This Official Statement includes descriptions of the Bonds, Use of Proceeds, the Bond Order, and certain information about the District and its financial condition and status of development. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained by requesting such in writing to the Bond Counsel.

**RISK FACTORS**

**General:**

The security for payment of the Bonds depends on the District's ability to collect taxes levied against property within the District in an amount sufficient to pay debt service on the Bonds when due. The District makes no representation that over the term of the Bonds taxable property within the District will maintain values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property if the District forecloses on property to enforce its tax lien. Further, the collection of delinquent taxes owed the District and the enforcement by a bondholder of the District's obligation to collect sufficient taxes may be costly and lengthy processes. See "- Tax Collections" and "- Registered Owners' Remedies" herein and "THE BONDS – Sources of and Security for Payment."

**Marketability**

The District has no understanding (other than the initial reoffering yields) with the Underwriter (defined herein) 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 spread between the bid and asked price of more traditional issuers as such bonds are generally bought, sold, or traded in the secondary market.

**Tax Collections:**

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through foreclosure may be impaired by: (a) repetitive, annual expensive collections procedures, (b) a federal bankruptcy court's stay of tax collection procedures, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. See "TAX PROCEDURES."

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

The recent volatility in oil prices in the U.S. and globally, which at times has led to the lowest such prices in three decades, may lead to adverse conditions in the oil and gas industry, including but not limited to reduced revenues, declines in capital and operating expenditures, business failures, and layoffs of workers. The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values or homebuilding activity within the District. As previously stated, the Bonds are secured by an

unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

**Dependence on the Energy Industry:**

The economy of the Houston metropolitan area, which has sometimes been referred to as the energy capital of the world, is, in part, dependent upon the oil and gas and petrochemical industries. During the height of the COVID-19 pandemic in 2020, worldwide consumption of energy decreased dramatically and led to the lowest oil prices in three decades. This led to layoffs of workers, business failures and reduced capital and operating expenditures by energy companies. While there has been some rebound, Houston area jobs in the energy industry have not fully recovered. In 2021, the United States rejoined the 2015 Paris Climate Accords, under which many countries have agreed to move away from fossil fuels to alleviate climate change. Although major energy companies expect that fossil fuels will be vital to the global economy for many years to come, they have recognized the need to direct more investment toward various clean energy projects. The pace and success of these efforts could significantly affect the Houston economy in the future.

**Dependence on Future Development and Potential Impact on District Tax Rates:**

The District's 2023 tax rate is \$0.74 per \$100 of assessed valuation. The District also levied an additional \$0.38 per \$100 valuation tax rate on property located within the Defined Area; such \$0.38 tax rate is not levied against any of the residential property in the District or any other property located in the District outside of the Defined Area. At the present time, tax rates in excess of \$1.50 per \$100 of assessed valuation are not common among the majority of utility districts in the Harris County area, although many newly activated districts are presently projecting tax rates in the range of \$1.35 to \$1.50 per \$100. Any increase in the District's tax rate substantially above the \$1.50 level could further adversely impact future building development in the District and the District's ability to collect such tax.

The maintenance of the District's tax base is directly related to the housing industry in general and the demand for residential lots in the District in particular. The housing industry has historically been a cyclical industry, affected by short-term and long-term interest rates, demand for developed property, availability of mortgage and development funds, labor conditions, the rate of foreclosure and general economic conditions. In the mid-1980's, the downturn in the Houston economy and concurrent increases in unemployment substantially reduced the demand for new housing. In many instances, homeowners turned homes back to mortgage companies because of a negative equity position and, consequently, many repossessed homes were resold at substantially reduced prices. The continuation of relatively low oil and natural gas prices for a prolonged period of time could have the same effect on the Houston area economy. The demand for and construction of single-family homes in the District, which is 25 miles north of downtown Houston, also could be affected by competition from nearby residential developments. In addition to competition for new home sales from other developments, there are numerous previously owned homes in more established neighborhoods and/or in more favorable locations closer to downtown Houston that have been or are on the market at prices comparable to prices of new and previously owned homes within the District. Such previously owned homes represent additional competition for new homes proposed to be sold within the District.

The development industry in the Houston area is competitive, and the District can give no assurance that any additional building and development of land within the District will be successfully implemented. Both the local demand for, and the relative performance of developers in the sale of residential lots and the performance of prospective home builders in the construction of single-family homes are affected by most of the factors discussed herein and will directly affect the growth and maintenance of taxable values in the District and the ability of the District to raise tax revenues sufficient to pay its debt service requirements.

Assuming no further residential construction within the District other than that which has already been built, the value of such land and improvements currently located within the District could be a major determinant of the ability of the District to collect, and the willingness of property owners to pay, ad valorem taxes levied by the District. After issuance of the Bonds, the Maximum Annual Debt Service Requirement on the Bonds will be \$6,090,843 (2039). If no growth in value were to occur beyond the 4/1/2024 Estimated Taxable Value of \$1,252,198,426 as provided by HCAD, a \$0.52 debt service tax rate would be required. If no growth in value were to occur beyond the 1/1/2024 Taxable Value of \$1,185,013,762 as provided by HCAD, a \$0.55 debt service tax rate would be required. As noted elsewhere, the property located within the Defined Area would also be subject to an additional tax rate of \$0.38 per \$100 of assessed value if there was no growth in value in the District. See "TAX DATA - Tax Adequacy for Debt Service."

**Current Developers and Landowners under No Obligation to the District:**

There is no commitment by or legal requirement of the current developers, or any other landowner in the District, to proceed at any particular rate or according to any specified plan with the development of land in the District, or for any homebuilder to proceed at any particular pace with the construction of homes in the District. Moreover, there is no restriction on any developers' or landowners' right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of future home construction activity in the District. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable values in the District and could result in higher tax rates. See "THE DISTRICT" and "THE DEVELOPERS."

The current developers are not responsible or liable for, and have not made any commitment for payment of, debt service on the Bonds. The current developers' sole responsibility is to pay the ad valorem taxes levied by the District on its property. Further,

the financial condition of the current developers is subject to change at any time. Likewise, the current developers may sell or otherwise dispose of their property within the District at any time.

### **Registered Owners' Remedies:**

If the District defaults in the payment of principal of, interest on, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages. Even if such sovereign immunity were waived and a judgment against the District for money damages were obtained, the judgment 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 the Registered Owners 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. Specifically, the District may voluntarily file a petition for protection from creditors under the federal bankruptcy laws. During the pendency of the bankruptcy proceedings, the remedy of mandamus would not be available to the Registered Owners unless authorized by a federal bankruptcy judge.

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

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

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect Registered Owners by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating 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 the district.

A district cannot be placed into bankruptcy involuntarily.

### **Approval of the Bonds**

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

### **Economic Factors:**

The Houston area economy is particularly tied to the energy industry, and continuing low oil and natural gas prices could adversely affect the demand for housing and the assessed values of properties located in the District.

The continued growth of taxable values in the District is directly related to the housing and building industry. The housing and building industry have historically been a cyclical industry, affected by both short-term and long-term interest rates, availability of mortgage and development funds, labor conditions, and general economic conditions. A return to relatively high mortgage interest rates similar to those experienced in the past may adversely affect the availability and desirability of mortgage financing for new homes, hence reducing demand by homebuilders for lots within the District.

Interest rates and the availability of mortgage and development funds have a direct impact on construction activity, particularly the short-term interest rates at which developers and builders are able to obtain financing for development or building costs. Interest rate levels may affect the developers' or builders' ability to complete development or building plans. Long-term interest rates affect home purchasers' ability to qualify for and afford the total financing costs of a new home. The continuation of long-term interest rates at higher levels may negatively affect home sales and the rate of growth of taxable values in the District.

The Houston metropolitan area has, in the past, experienced increased unemployment, business failures, and slow absorption of office space. These factors, if they recur, could affect the demand for new residential home construction and commercial development and hence the growth of property values in the District. An oversupply of homes, along with a decreased demand in new housing because of general economic conditions or relatively high interest rates, may have an adverse impact on sale prices for homes and, consequently, may materially adversely affect property values or, in some instances, cause builders to abandon homebuilding plans altogether.

The housing industry in the Houston area is competitive and the District can give no assurance that current building programs will be completed. The competitive position of the Developer in the sale of its developed lots or, respectively, that of present and prospective builders in the construction of single-family residential houses, is affected by most of the factors discussed herein. Such a competitive position is directly related to tax revenues to be received by the District and the growth and maintenance of taxable values in the District.

Alternative sites are available for the construction of single-family residential improvements and within the market area in which the District is located. Such sites could pose competition to the continued homebuilding development and commercial development on comparable sites within the District.

**Future Debt:**

The District has reserved in the Bond Order the right to issue the remaining \$53,266,525.07 for the purpose of providing waterworks, sanitary sewer, and drainage facilities to land within the District or refunding such bonds. The District does not currently anticipate issuing any additional bonds for the Defined Area in the future. All of the remaining bonds which have heretofore been authorized by the voters of the District may be issued by the District from time to time for qualified purposes, as determined by the Board, subject to the approval of the Attorney General of the State of Texas and the Texas Commission on Environmental Quality ("TCEQ") for the unlimited tax bonds.

The District has also reserved the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Order. All of the remaining bonds described above which have heretofore been authorized by the voters of the District may be issued by the District from time to time as needed. If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. See "THE BONDS – Issuance of Additional Debt."

**Financing Parks and Recreational Facilities:**

The District may levy an operation and maintenance tax to support parks and recreational facilities at a rate not to exceed \$0.10 cents per \$100 of assessed valuation of taxable property in the District, if such tax is approved at an election. In addition, the District is authorized to 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 the lesser of one percent (1%) or the value of the taxable property in the District at the time of issuance of the bonds or the estimated cost of the park plan; (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 District may issue bonds for such purposes payable solely from net operating revenues without an election. The issuance of such bonds is subject to rules and regulations to be adopted by the TCEQ.

The District has not called an election for such purposes but could consider doing so in the future.

Current law may be changed in a manner to increase the amount of bonds which may be issued as related to a percentage of the value of taxable property or to allow a higher or lower maintenance tax rate for such purposes. The levy of taxes for such purposes may dilute the security for the Bonds.

**Defined Area within the District:**

The District is authorized to define areas or designate certain property of the District to pay for improvements, facilities or services that primarily benefit that area pursuant to the provisions of Texas House Bill 4206, effective June 18, 2015, and Subchapter J of Chapter 54 of the Texas Water Code, as amended. On August 20, 2015, the Board of Directors of the District approved the

designation of a defined area encompassing approximately 73,691 acres (the "Defined Area"), and such creation was confirmed by the voters of said area at an election within the Defined Area boundaries on November 3, 2015. In addition to the confirmation, the voters authorized \$23,000,000 principal amount of bonds to finance road improvements within the Defined Area. Any bonds issued for the Defined Area shall be payable solely from a tax levied on property located within the boundaries of the Defined Area but within the Defined Area the District tax levied for payments of the Defined Area bonds is on a parity with the District tax levy for payment of the Bonds. A portion of the bonds authorized for the Defined Area (\$4,550,000) were issued in 2017. It is not expected that the District will issue any additional bonds for the Defined Area in the future. The District has levied an additional debt service tax of \$0.38 per \$100 of assessed value against property located within the Defined Area each year since 2017 and currently anticipates levying the same tax rate in the Defined area in 2024.

The vast majority of the Defined Area has been developed by Grand Parkway Marketplace 1750, LLC, a subsidiary controlled by Kimco Realty Corp., which has constructed 480,510 sq. ft. (approximate size) retail center located at the intersection of Kuykendahl and Spring Stuebner Road. KIMCO is a publicly traded corporation whose stock has been listed on the New York Stock Exchange since 1991 and specializes in shopping center acquisitions, development and management for more than 50 years. None of the land in the Defined Area will be developed for single family housing purposes.

While the Defined Area Bonds are obligations of the District's property located within the Defined Area, those bonds are on a parity with the Bonds, and a failure to collect sufficient taxes, from the property located in the Defined Area, could cause an increase in taxes District-wide to pay the debt service on the bonds issued for the Defined Area.

### **Surface Water Conversion:**

The District is within the boundaries of the Harris-Galveston Subsidence District (the "Subsidence District") which regulates groundwater withdrawal. The District's authority to pump groundwater from its well is subject to annual permits issued by the Subsidence District. On April 14, 1999, the Subsidence District adopted a District Regulatory Plan (the "1999 Plan") to reduce groundwater withdrawal through conversion to surface water in areas within the Subsidence District's jurisdiction. Under the 1999 Plan, the District was required to submit to the Subsidence District, a groundwater reduction plan and must have begun construction of surface water conversion infrastructure by January 2005, or pay a disincentive fee for any groundwater withdrawn in excess of 20% of the District's total water demand. This same disincentive fee will be imposed under the 1999 Plan if the District's groundwater withdrawal exceeds 70% of the District's total water demand beginning January 2010, exceeds 40% of the District's total water demand beginning January 2025, and exceeds 20% of the District's total water demand beginning January 2035. In addition, if the District does not meet the Subsidence District's requirements as described above, the District may be required to pay the disincentive fees adopted by the Subsidence District.

The District is located within the North Harris County Regional Water Authority (the "Authority"). The Authority was created to provide for the supply of surface water to north Harris County and to prepare a ground water reduction plan to comply with the Subsidence District's 1999 Plan. The Authority submitted its Groundwater Reduction Plan to the Subsidence District and it received final certification on June 11, 2003. The Authority entered into a contract with the City to purchase surface water beginning in 2010. The District currently pays to the Authority a ground water pumpage fee of \$3.60 per 1,000 gallons of water produced from its wells. If the District were to purchase surface water from the Authority it would pay a fee of \$4.05 per 1,000 gallons of surface water purchased from the Authority. The issuance of additional bonds by the District, in an undetermined amount, may be necessary in the future to develop further surface water infrastructure or to participate in the Authority's regional surface water conversion effort.

### **Bond Insurance Risk Factors:**

*The District has applied for a bond insurance policy to guarantee the scheduled payments of principal and interest on the Bonds. If such policy is issued, investors should be aware of the following risk factors:*

If a bond insurance policy is obtained securing principal of and interest on the Bonds, then in the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable Bond Insurance Policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with optional prepayment of the Bonds by the issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Bond Insurer at such time and in such amounts as would have been due absent such prepayment by the Issuer unless the Bond Insurer chooses to pay such amounts at an earlier date.

Default of payment of principal of and interest on the Bonds does not accelerate the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies, and the Bond Insurer's consent may be required in connection with amendments to any applicable bond documents.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the money received pursuant to the applicable bond documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its claim-paying ability. The Bond 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 Bond Insurer and of the ratings on the Bonds insured by the Bond 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 "BOND INSURANCE" herein.

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

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

### **Environmental Regulations:**

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

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

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

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

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

The HGB Area is currently designated as a "moderate" nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2024. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

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

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

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

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and the EPA’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system.

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

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

The TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”) on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. While the District is currently not subject to the MS4 Permit, if the District’s inclusion were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

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

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

**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 retroactively to the date of original issuance. See "TAX MATTERS."

**Inclement Weather:**

The District is located approximately 75 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. If a hurricane (or any other natural disaster) significantly damaged all or part of the improvements within the District, the assessed value of property within the



District could be substantially reduced, with a corresponding decrease in tax revenues or necessity to increase the District's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District would be adversely affected.

The greater Houston area has experienced multiple storms exceeding a 0.2% probability of occurrence (i.e., "500-year flood" events) since 2015. If the District were to sustain damage to its facilities as a result of such a storm (or any other severe weather event) requiring substantial repair or replacement, or if substantial damage to taxable property within the District were to occur as a result of a severe weather event, the investment security of the Bonds could be adversely affected.

### **Specific Flood Type Risks:**

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

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

### **Hurricane Beryl:**

The District sustained high levels of wind and rainfall as a result of Hurricane Beryl's landfall along the Texas gulf coast on July 8, 2024. According to the District Operator there were no interruptions of water and sewer service as a result of Hurricane Beryl. Also, according to the District Engineer, there were no reports that any homes or improvements within the District experienced flooding or other structural damage as a result of Hurricane Beryl.

The District is subject to occasional severe weather events, including tropical storms and hurricanes. The District has experienced various storms exceeding a 0.2% probability (i.e. "500-year flood" events). If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected.

### **Winter Storm Uri:**

From February 12-19, 2021, the State of Texas experienced a severe winter storm ("Winter Storm Uri") which included prolonged freezing temperatures, heavy snow and freezing rains statewide. Winter Storm Uri led to power outages and potable and non-potable water shortages in many areas of the State, including the District. The federal government issued a Major Disaster Declaration for the State of Texas and has included federal funding for emergency protective measures. The District did not sustain material damage to its infrastructure during Winter Storm Uri, but the District cannot predict the impact of future winter weather events.

### **Reappraisal of Property after Disaster:**

Until January 1, 2020, when requested by a local taxing unit, such as the District, the Appraisal District is required to complete a reappraisal as soon as practicable of all property damaged in an area that the Governor declares a disaster area. For reappraised property, the taxes are pro-rated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1. Beginning on the date of the disaster and for the remainder of the year, the taxing unit applies its tax rate to the reappraised market value of the property. The District has not requested a reappraisal of property.

After January 1, 2020, a district may adopt an exemption for a portion of the value of property damaged by declared natural disaster based on the percentage of damage to the property.

### **Tax Payment Installments after Disaster:**

Certain qualified taxpayers, including owners of residential homesteads, located within a natural disaster area and whose property has been damaged as a direct result of the disaster, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District if the tax payer 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.

**Harris County and City of Houston Floodplain Regulations:**

As a direct result of Hurricane Harvey, Harris County and the City of Houston adopted new rules and amended existing regulations relating to minimizing the potential impact of new development on drainage and mitigating flooding risks. The new and amended Harris County regulations took effect on January 1, 2018, and the new and amended City of Houston regulations took effect on September 1, 2018.

The Harris County floodplain regulations govern construction projects in unincorporated Harris County and include regulations governing the elevation of structures in the 100-year and 500-year floodplains. Additionally, the Harris County regulations govern the minimum finished floor elevations as well as specific foundation construction requirements and windstorm construction requirements for properties located both above and below the 100-year flood elevation.

The City of Houston floodplain regulations govern construction projects in the corporate jurisdiction of the City of Houston and include regulations governing the elevation of structures in the 100-year and 500-year floodplains and the elevation of residential additions greater than one-third the footprint of the existing structure and non-residential additions. Additionally, the City of Houston regulations require an improved structure whose new market value exceeds 50% of the market value of the structure prior to the start of improvements meet the new and amended City of Houston regulations.

The new and amended Harris County and City of Houston regulations may have a negative impact on new development in and around the District as well as on the rehabilitation of existing homes impacted by flooding or other natural disasters.

**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 District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the District. The application of such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

**USE OF BOND PROCEEDS**

Proceeds from the sale of the Bonds will be used to: (1) finance costs associated with the reimbursement to certain developers for funds previously advanced on behalf of the District; (2) fund certain developer interest costs as approved by the TCEQ; (3) to fund certain District central water and sewer facilities; (4) to fund approximately 6 months of interest on the Bonds; and (5) pay issuance and administrative expenses associated with the sale of the Bonds. To the extent surplus funds are available from the sale of the Bonds, such funds may be expended for any lawful purpose for which surplus funds may be used, with approval of the TCEQ.

The Engineer has advised the District that the proceeds listed below should be sufficient for the acquisition of such facilities. The District's present estimate of the use of proceeds of the Bonds as approved by the TCEQ is as follows:

<b><u>CONSTRUCTION COSTS</u></b>	<b><u>District's Share</u></b> (a)
<b>Developer Contribution Items</b>	
Detention Rehabilitation to Serve Willow Trace Section 2	\$185,314
Lift Station No. 13 to Serve Willow Trace Section 2	\$603,054
Storm Sewer, Sanitary Sewer, Force Main and Water Lines to Serve Willow Trace Section 2	\$1,445,145
Willowpoint Water Distribution, Sanitary Sewer, and Drainage Improvements	\$2,921,017
Storm Water Pollution Prevention Plan to Serve Willowpoint Section 1	\$69,837
Engineering\Surveying\Geotechnical	<u>\$662,578</u>
<b>TOTAL DEVELOPER CONTRIBUTION ITEMS</b>	<b>\$5,886,945</b>
 <b>DISTRICT PROJECTS</b>	
Cypress Academy Detention Pond Land	\$660,000
Timewise Hooks Detention Pond Land	\$700,000
Willow Dell Storm Sewer Lift Station	\$450,000
Lift Station Generators	\$700,000
Kuykendahl Water Main @ Dowdell	\$205,000
Water Main Under SH 99 between Kimco and Cavender's	\$592,500
Water Plant Improvements	\$1,110,000
Contingencies	\$305,750
Engineering	<u>\$504,488</u>
<b>TOTAL DISTRICT ITEMS</b>	<b>\$5,227,738</b>
 <b>TOTAL CONSTRUCTION COSTS</b>	 <b>\$11,114,683</b>
 <b><u>NON-CONSTRUCTION COSTS</u></b>	
Legal Fees	\$350,000
Fiscal Agent Fees	\$202,500
Capitalized Interest	\$354,375
Developer Interest	\$903,937
Bond Discount	\$405,000
Bond Issuance Expenses	\$41,255
Attorney General Fee	\$9,500
TCEQ Bond Issuance Fee	\$33,750
Bond Application Report	\$85,000
Contingency	<u>\$0</u> (b)
<b>TOTAL NON-CONSTRUCTION COSTS</b>	<b>\$2,385,317</b>
 <b>TOTAL BOND ISSUE REQUIREMENT</b>	 <b>\$13,500,000</b>

- (a) TCEQ rules require, with certain exceptions that developers contribute to the District's construction program, a minimum of 30% of the construction costs of certain system facilities. The District was granted a waiver of such TCEQ rules because of the underlying investment grade rating on the District's bonds.
- (b) Additionally, the TCEQ Order requires the District to designate any surplus bond proceeds resulting from the sale of the Bonds at a lower interest rate than the rate initially projected in the District's Bond Application to the TCEQ as a contingency line item in the Official Statement. Such funds may be used by the District only upon approval by the TCEQ.

**THE DISTRICT**

**General:**

Dowdell Public Utility District was created by the Texas Legislature (Art. 8280-581) on June 4, 1971, and operates as a municipal utility district pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code and other general statutes of Texas applicable to municipal utility districts. The District is subject to the continuing supervision of the Commission, and is located entirely within the exclusive extraterritorial jurisdiction of the City.

The District is located in northern Harris County approximately 25 miles northwest of the central business district of Houston, Texas, via Interstate Highway 45. The District is generally bounded on the northwest by Willow Creek, the northeast by Kuykendahl Road, the southwest by FM 2920 and the southeast by Spring Stuebner Road. The District is located entirely within the extraterritorial jurisdiction of the City. The District is located within the Klein Independent School District. Since the creation of the District in 1971, the District has added 32 annexations between 1973 and May 2024 resulting in its existing size of approximately 1,532 acres.

**Summary of Land Use:**

A summary of the approximate land use in the District as of August 1, 2024 appears in the following table:

<b><u>Type of Land Use</u></b>	<b><u>Approximate Acres</u></b>
Fully Developed Acres (a)	1,123
Acres Under Development	0
Additional Developable Acres (b)	337
Other Undevelopable Acres (c)	<u>72</u>
<b>Total Approximate Acres</b>	<b>1,532</b>

- (a) Approximately 696 acres includes 2,156 completed homes, 23 homes under construction, 145 vacant developed lots, certain improved commercial tracts of land and developed land owned by Klein ISD.
- (b) Includes certain acreage that will be used for detention pond and drainage rights-of-ways as additional land is developed.
- (c) Includes drainage easements and District plant sites.

**Status of Residential Development:**

The following is an approximate tabulation of the single-family residential development in the District as of August 1, 2024.

<b><u>Section</u></b>	<b><u>Approximate Acreage</u></b>	<b><u># of Lots</u></b>	<b><u>Completed Homes</u></b>	<b><u>Homes Under Construction</u></b>	<b><u>Vacant Developed Lots</u></b>
Willow Forest, Sections 1 & 2	137	563	563	0	0
Willow Dell, Sections 1 - 3	54	241	241	0	0
Miramar Lake, Sections 1 - 3	79	259	258	0	1
Creekside Place, Sections 1 & 2	50	190	190	0	0
Willow Trace, Section 1	85	273	272	0	1
Willow Trace, Section 2	43	116	55	10	51
Wildwood Glen, Section 1	26	55	55	0	0
Willow Lake Village	72	162	162	0	0
Preserve at Miramar Lake, Section 1	24	96	96	0	0
Vintage Creek	51	150	150	0	0
Willows Edge	14	43	43	0	0
Oakview Farms Sections 1 & 2	20	22	5	6	11
Willowpoint, Section 1	<u>41</u>	<u>154</u>	<u>66</u>	<u>7</u>	<u>81</u>
<b>Total</b>	<b>696</b>	<b>2,324</b>	<b>2,156 (a)</b>	<b>23</b>	<b>145</b>

- (a) As of August 1, 2024, there were approximately 2,135 occupied single-family homes in the District.

**Commercial Development in the District:**

Commercial development within the District consists of approximately 190 acres. Major commercial developments include (but are not limited to: an Amazon warehouse (65 acres), Home Depot (18 acres), and a Cavender’s retail outlet. The remaining acreage has been developed as a combination of strip centers, convenience/gas stations, a hotel (94 units), and 6 multi-family complexes (1,850 units) a veterinarian clinic, two gymnasiums, a bank building, offices, fast food restaurants and 3 carwash facilities. The Home Depot tract includes one pad site available for additional commercial development.

Klein ISD has constructed 2 elementary schools within the District, as well as a multi-purpose building (totaling approximately 122 acres). A middle school, high school and a stadium are also proposed to be constructed in the District by Klein ISD.

A portion of the land within the District is located within the Defined Area. Most of the Defined Area (approximately 65 acres) is being developed by Grand Parkway Marketplace 1750, LLC. Grand Parkway Marketplace 1750, LLC is a special purpose entity created by and controlled by Kimco Realty Corp. (“KIMCO”), which has completed the construction of a 480,510 sq. ft. (approximate size) retail center located at the intersection of Kuykendahl and Spring Stuebner Road. KIMCO is a publicly traded corporation whose stock has been listed on the New York Stock Exchange since 1991 and specializes in shopping center acquisitions, development and management for more than 50 years.

Commercial establishments within the Defined Area consist of 56 establishments which represent 466,155 square feet of commercial property as of September 1, 2024. Not Included are 5 spaces of 3,406; 2,752; 1,460; 1,117; and 1,066 square feet, which are currently being marketed for lease. The list of the establishments that have moved into the center are shown below:

<u>Establishment</u>	<u>Approx. Sq. Ft.</u>	<u>Establishment</u>	<u>Approx. Sq. Ft.</u>
Target (a)	126,844	America's Best Contacts & Eye	3,500
Burlington	43,500	Bloofin Sushi	3,400
Ross Dress for Less	25,000	Orangetheory Fitness	3,360
TJ Maxx	21,500	Bojangles	3,138
Michaels	21,362	Shannon Jewelers	3,000
PetSmart	20,626	James Avery Jewelry	2,970
DSW Shoe Warehouse	18,000	Vitamin Shoppe	2,800
Party City	12,500	MOD Pizza	2,800
Ulta	10,000	Regions Bank	2,700
Uncle Julio's Mexican from Scratch	8,300	Salata	2,536
Five Below	8,000	T-Mobile	2,500
Olive Garden	7,750	Torrid	2,447
Famous Footwear	7,000	4EverYoung Anti-Aging Solutions	2,435
Carter's	7,000	Five Guys Burgers and Fries	2,400
My Kid's Dentist & Orthodontic	5,675	Potbelly Sandwich Shop	2,400
Willie's Grill & Icehouse	5,520	Results Physiotherapy	2,250
Buffalo Wild Wings	5,456	Chipotle Mexican Grill	2,200
Maurices	5,185	T Jin's China Diner	2,000
Outback Steakhouse	5,005	Amazing Lash Studio	1,800
Jason's Deli	5,000	IVX Health	1,750
Men's Wearhouse	4,881	Pho Viet & Grill	1,618
		Great American Cookies/ Marble	
Toasted Yolk Cafe	4,650	Slab Creamery	1,600
La Madeleine French Bakery & C	4,500	Jamba Juice	1,540
Navy Federal Credit Union	4,218	Waxing the City	1,505
Bath & Body Works	4,178	Teaspoon	1,159
AT&T Mobility	4,000	Cinnaholic	1,134
Mattress Firm	4,000	PostNet	1,063
Nails of America #2	3,500	Expedia Travel	1,000

---

(a) Target owns its building which includes 126,844 sq. ft. of retail space, the rest of the establishments have entered into lease agreements with Grand Parkway Marketplace 1750, LLC.

Additionally, approximately 16 acres in the Defined Area is owned by Five Forks Village, LLC and G.P. Kuykendahl, LLC's and MT&MS Texas Properties, LLC all of which are entities controlled by Mark Terpestra. Mr. Terpestra has sold the land within the Defined Area as three tracts. One has been developed as a Cavender's Western Wear store, one to Methodist Hospital and the other to a hotel group. The hospital and motel have not been construction as of this date. None of the land in the Defined Area will be developed for single family housing purposes.

**Potential Future Development:**

The District contains approximately 337 developable acres that remain to be developed. Reimbursement by the District of certain of the development costs of such acreage may be financed by the sale of future bond issues by the District. The District makes no representation as to when, if ever, such acreage will be developed. See "THE BONDS – Issuance of Additional Debt."

**Strategic Partnership Agreement:**

The City and the District entered into a Strategic Partnership Agreement ("SPA") effective as of May 14, 2013. The SPA provides for the limited purpose annexation of certain developed commercial tracts within the District into the City for the limited purposes of imposition of the City's Sales and Use Tax. The District continues to provide water supply and wastewater treatment services in the annexed area, and no City services are provided. The properties made subject to the SPA may not be taxed for ad valorem purposes by the City. Additional properties may become subject to the SPA by amending the SPA upon the consent of the City and the District. The City pays the District an amount equal to 50% of all Sales and Use Tax revenues generated from the properties subject to the SPA. The term of the SPA is 30 years. During the term of the SPA, the City has agreed not to annex all or part of the District or commence any action to annex all or part of the District for full purposes. The payments from the City under the SPA are not pledged to the payment of the Bonds and are available for any lawful purpose.

**Management of the District:**

The District is governed by a board of directors (the "Board") which has control over and management supervision of all affairs of the District. All of the directors reside within the District. Director elections are held only in even-numbered years and the directors serve staggered four-year terms. The current members and officers of the Board, along with their titles are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires May</u>
Jerry L. Nelson	President	2028
Allison Copony	Vice President	2026
James J. Bertus	Secretary	2026
Danny Staab	Director	2028
Robert C. Johnson	Director	2026

The District does not employ a general manager and does not have any employees. The District has contracted for utility system operations, bookkeeping, tax assessing and collecting, engineering, legal services, and annual auditing of its financial statements as follows:

Tax Assessor/Collector - The District's Tax Assessor/Collector is Equi-Tax, Inc. who is engaged under annual contract and represents 100 other utility districts.

Bookkeeper - The District's bookkeeper is Myrtle Cruz, Inc. which acts as bookkeeper for approximately 340 other utility districts.

Auditor - The District's annual financial statements as of and for the year ended September 30, 2023, have been audited by McCall Gibson Swedlund Barfoot PLLC ("MGSB"), Certified Public Accountants. See "APPENDIX A" for a copy of the District's September 30, 2023, audited financial statements.

Utility System Operator - The District's operator is Marlon Ivy & Associates. Such firm acts as the operator for approximately 24 other utility districts.

Engineer - The consulting engineer for the District is Vogler & Spencer Engineering, Inc. which serves as the District's Engineer.

Financial Advisor - The District engaged The GMS Group, L.L.C. as financial advisor for a fee to be computed on each separate issuance of bonds, contingent upon such bonds being delivered.

Legal Counsel - Smith, Murdaugh, Little & Bonham, L.L.P., Houston, Texas serves as general counsel and bond counsel in connection with the issuance of bonds by the District. The legal fees to be paid for bond counsel services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered.

Disclosure Counsel – Norton Rose Fulbright US LLP, Houston, Texas, has been engaged by the District to serve as Disclosure Counsel on certain matters related to the sale and delivery of the Bonds, but such advice should not be relied upon by the

purchasers as a due diligence undertaking on their behalf. Fees of the Disclosure Counsel will be paid from proceeds of the Bonds; such fees are contingent upon the sale and delivery of such Bonds.

**Investments of the District:**

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code. The District's goal is to preserve principal and maintain liquidity while securing a competitive yield on its portfolio. Funds of the District are invested in short-term obligations of the U.S. Treasury and federal agencies, certificates of deposit insured by the Federal Deposit Insurance Corporation ("FDIC") or secured by collateral evidenced by perfected safekeeping receipts held by a third-party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own or intend to purchase long-term securities or derivative products.

**THE DEVELOPERS**

**Role of the Developer:**

In general, activities of a developer in a municipal utility district such as the District include acquiring land for development; defining a marketing program; planning and scheduling development; securing adequate funds for development; arranging for design and construction of utilities, streets, amenities, and other improvements; participating in the procurement of necessary governmental permits and approvals, including creation of political subdivisions such as the District; and selling developed and undeveloped land to other developers, investors, and others. Ordinarily, the developer pays 100% of the costs of paving and amenity design and construction while the utility district finances certain costs of water supply and distribution, wastewater collection and treatment, and drainage facilities. The TCEQ rules generally require the developer to pay 30% of the cost of certain underground water distribution, wastewater collection, and drainage facilities. However, developers in the district have qualified for 100% reimbursement in the past and the District anticipates that developers will try to qualify for 100% reimbursement in the future.

In addition, the developer is ordinarily the major taxpayer within a district during the early stages of development. The relative success or failure of a developer to perform in the above-described capacities may affect the ability of a district to collect taxes sufficient to pay debt service and retire bonds.

**Developers in the District:**

D.R. Horton has developed 162 lots and completed the build-out of the single-family residential subdivision known as Willow Lake Village on approximately 72 acres. D.R. Horton marketed homes in the subdivision in the \$280,000 - \$375,000 price range.

D.R. Horton has constructed homes in the 150 developed lot subdivision known as Vintage Creek, Section 1; homes were constructed and marketed in this subdivision in the \$180,000 - \$200,000 price range.

K McGaughey FM 2920, LLC has developed 55 lots in the single-family residential subdivisions known as Wildwood Glen, Section 1. MHI began homebuilding in Wildwood Glen, Section 1 during the third quarter of 2014 and completed the build-out of the subdivision during first quarter of 2016. MHI marketed homes in the \$200,000 - \$300,000 price range in the subdivision.

LPUSA, Inc. has developed the lots located in the 2 subdivisions known as Willows Edge (43 lots) and the Preserve at Miramar Lake, Section 1 (96 lots); lots in these sections have been sold to Candlewood Homes, Lennar Homes, and Meritage Homes. Homes are currently being marketed in the \$200,000 - \$300,000 price range in these subdivisions.

Home Depot completed the development of a 134,500 square foot retail store located on approximately 16 acres in the first quarter of 2019. Home Depot includes one pad site that will be available for additional commercial development.

Five Forks Village L.L.C. ("Five Forks") recently sold approximately 15 acres to Watermark Residential ("Watermark") who has completed the development of a 336-unit multi-family project. According to representative of Watermark, the project is currently 93% occupied.

K. Hovnanian Houston Willowpoint, LLC has developed the lots located in the subdivision known as Willowpoint (154 lots). Homes are currently being marketed in the \$300,000 price range in this subdivision.





## THE SYSTEM

### Regulation:

The District's water, wastewater, and storm drainage facilities have been designed in accordance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities, including, among others, the TCEQ, the City, Harris County, Harris County Flood Control District and the Harris-Galveston Coastal Subsidence District. The designs of all such facilities have been approved by all required governmental agencies. Operation of the District's waterworks and wastewater facilities is subject to regulation by, among others, the Environmental Protection Agency, the TCEQ, the City, Harris County, and the Harris-Galveston Coastal Subsidence District. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision.

### Description of the System:

The water, wastewater and storm drainage facilities of the District and the accompanying rights of use therein are described below based upon information obtained from the District's records.

#### - Water Facilities -

The District is presently served by three water plants and related facilities. The water supply is from three wells with a combined capacity of 3,200 gallons per minute ("gpm"). The District's water plants, water wells, and related water supply facilities has the capacity to serve approximately 4,625 equivalent single-family connections ("ESFCs"). Such capacity is adequate to serve the District as the District exists today.

#### - Wastewater Treatment System -

The District owns a permanent wastewater treatment plant with a capacity of 950,000 gallons per day ("gpd"). According to the District's Engineer, the District's capacity of 950,000 gpd of wastewater capacity is sufficient to serve approximately 3,800 ESFCs.

The District owns a second wastewater treatment facility completed in 2022 which has a capacity of 450,000 gpd that is sufficient to serve approximately 1,800 ESFCs. The combined capacity is adequate to serve the District as the District exists today.

### 100-Year Flood Plain:

Willow Forest, Section 1, subdivision contains 44 lots located within the current 100-year flood plain (34 of these lots have been purchased by Harris County Flood Control District; Dowdell owns 5 of the lots and Willow Forest Homes Association owns 5 of the lots; no structures will ever be constructed on these lots). Additionally, there are 38 lots within the current 100-year flood plain that are improved with existing homes constructed on those 38 lots.

### Surface Water Conversion:

The District is within the boundaries of the Harris-Galveston Subsidence District (the "Subsidence District") which regulates groundwater withdrawal. The District's authority to pump groundwater from its well is subject to annual permits issued by the Subsidence District. On April 14, 1999, the Subsidence District adopted a District Regulatory Plan (the "1999 Plan") to reduce groundwater withdrawal through conversion to surface water in areas within the Subsidence District's jurisdiction. Under the 1999 Plan, the District was required to submit to the Subsidence District, a groundwater reduction plan and must have begun construction of surface water conversion infrastructure by January 2005, or pay a disincentive fee for any groundwater withdrawn in excess of 20% of the District's total water demand. This same disincentive fee will be imposed under the 1999 Plan if the District's groundwater withdrawal exceeds 70% of the District's total water demand beginning January 2010, exceeds 40% of the District's total water demand beginning January 2025, and exceeds 20% of the District's total water demand beginning January 2035. In addition, if the District does not meet the Subsidence District's requirements as described above, the District may be required to pay the disincentive fees adopted by the Subsidence District.

The District is located within the North Harris County Regional Water Authority (the "Authority"). The Authority was created to provide for the supply of surface water to north Harris County and to prepare a ground water reduction plan to comply with the Subsidence District's 1999 Plan. The Authority submitted its Groundwater Reduction Plan to the Subsidence District and it received final certification on June 11, 2003. The Authority entered into a contract with the City to purchase surface water beginning in 2010. The District currently pays to the Authority a ground water pumpage fee of \$2.60 per 1,000 gallons of water produced from its wells. If the District were to purchase surface water from the Authority it would pay a fee of \$3.05 per 1,000 gallons of surface water. The issuance of additional bonds by the District, in an undetermined amount, may be necessary in the future to develop further surface water infrastructure or to participate in the Authority's regional surface water conversion effort.

**Water and Waste Collection and Disposal Rates:**

The Board establishes rates and fees for water and waste collection and disposal services, which are subject to change from time to time. Waste collection and disposal service provided to single family residential customers includes wastewater treatment service and solid waste collection service. Commercial customers receive only water and wastewater treatment service according to the rate order. The following monthly residential rates became effective on December 21, 2023.

	<b><u>Minimum Charge</u></b>	<b><u>Minimum Usage</u></b>	<b><u>Rate per 1,000 Gallons over Minimum Usage</u></b>	<b><u>Levels</u></b>
<b>WATER:</b>	\$33.14	6,000	\$1.50	6,001 to 20,000
			\$1.60	20,001 to 40,000
			\$1.70	40,001 and up
<b>WASTEWATER:</b>	\$10.00	6,000	\$0.75	6,001 to 20,000
			\$0.85	20,001 to 40,000
			\$0.95	40,001 and up
<b>North Harris County Regional Water Authority Fee</b>			\$3.96	0,001 and up

**General Fund Operating History:**

The 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. The information included in the table below relating to the District's water and sewer system operations is provided for information purposes only.

	<b>Fiscal Year Ended September 30 (a)</b>				
	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>REVENUES</b>					
Property Taxes	\$924,045	\$772,218	\$666,166	\$628,787	\$530,298
Water Service	\$1,406,685	\$1,356,844	\$1,169,490	\$1,098,122	\$1,059,888
Wastewater Service	\$483,266	\$444,116	\$412,799	\$370,972	\$346,650
Water Authority Fees	\$1,288,703	\$1,316,556	\$1,067,351	\$926,269	\$763,224
Penalty and Interest	\$78,293	\$68,904	\$37,896	\$22,724	\$29,499
Tap Connection and Inspection Fees	\$1,199,726	\$437,656	\$511,775	\$446,010	\$469,585
Investment and Miscellaneous Revenues	<u>\$309,574</u>	<u>\$69,318</u>	<u>\$43,410</u>	<u>\$54,689</u>	<u>\$176,010.0</u>
<b>TOTAL REVENUES</b>	<b>\$5,690,292</b>	<b>\$4,465,612</b>	<b>\$3,908,887</b>	<b>\$3,547,573</b>	<b>\$3,375,154</b>
<b>EXPENDITURES</b>					
Professional Fees	\$386,853	\$345,116	\$226,876	\$273,395	\$323,808
Contracted Services	\$971,218	\$791,451	\$552,748	\$515,707	\$500,557
Utilities	\$340,300	\$259,169	\$195,032	\$201,682	\$203,351
Water Authority Assessments	\$1,386,801	\$1,472,239	\$1,136,798	\$925,180	\$789,630
Repairs and Maintenance	\$1,317,322	\$1,239,545	\$796,080	\$786,701	\$697,992
Other	\$1,078,762	\$509,012	\$521,360	\$486,884	\$510,997
Capital outlay	<u>\$4,070</u>	<u>-</u>	<u>\$40,801</u>	<u>\$868,323</u>	<u>\$214,002</u>
<b>TOTAL EXPENDITURES (b)</b>	<b>\$5,485,326</b>	<b>\$4,616,532</b>	<b>\$3,469,695</b>	<b>\$4,057,872</b>	<b>\$3,240,337</b>
<b>EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES</b>	<b>\$204,966</b>	<b>(\$150,920)</b>	<b>\$439,192</b>	<b>(\$510,299)</b>	<b>\$134,817</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in (Out)	-	-	\$897,277	\$260,273	-
Contributed by Other Government Unit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES(USES)</b>	<b>-</b>	<b>-</b>	<b>\$897,277</b>	<b>\$260,273</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$204,966</b>	<b>(\$150,920)</b>	<b>\$1,336,469</b>	<b>(\$250,026)</b>	<b>\$134,817</b>
<b>BEGINNING FUND BALANCE</b>	<b>\$4,687,474</b>	<b>\$4,838,394</b>	<b>\$3,501,925</b>	<b>\$3,751,951</b>	<b>\$3,617,134</b>
<b>ENDING FUND BALANCE</b>	<b>\$4,892,440</b>	<b>\$4,687,474</b>	<b>\$4,838,394</b>	<b>\$3,501,925</b>	<b>\$3,751,951</b>

(a) Data is taken from District's audited financial statements. See "APPENDIX A."

(b) As of September 19, 2024, the District had an unaudited cash balance and investment balance in the General Fund of approximately \$6,251,743. For the fiscal year ending September 30, 2024 the General Fund is projecting revenues of \$6,730,435 and expenditures of \$5,494,073. For the fiscal year ending September 30, 2025 the General Fund is budgeting revenues of \$5,683,500 and expenditures of \$5,369,100.

**DISTRICT DEBT**  
(Unaudited)

4/1/2024 Estimated Taxable Value	\$1,252,198,426	(a)
1/1/2024 Taxable Value	\$1,185,013,762	(b)

Direct Debt		
Outstanding Bonds (as of October 1, 2024)	\$80,635,000	(c)
The Bonds	<u>\$13,500,000</u>	
Total Direct Debt	\$94,135,000	

Estimated Overlapping Debt	<u>\$64,937,532</u>	(d)
Direct and Estimated Overlapping Debt	\$159,072,532	

Percentage of Direct Debt to:		
4/1/2024 Estimated Taxable Value	7.52%	
1/1/2024 Taxable Value	7.94%	

Percentage of Direct and Estimated Overlapping Debt to:		
4/1/2024 Estimated Taxable Value	12.71%	
1/1/2024 Taxable Value	13.43%	

2023 Tax Rate Per \$100 of Assessed Value		
Debt Service	\$0.58	
Maintenance Tax	<u>\$0.16</u>	
Total 2023 Tax Rate	\$0.74	(e)

- (a) Reflects data supplied by HCAD. The Estimated Taxable Value as of 4/1/2024 was prepared by HCAD and provided to the District. Such value is not binding on HCAD, and any new value (subsequent to January 1, 2024) will not be included on the District's tax roll until the 2025 tax roll is prepared and certified by HCAD during the second half of 2025. See "TAX DATA" and "TAX PROCEDURES".
- (b) Reflects the January 1, 2024 Certified Taxable Value according to data supplied to the District by HCAD for informational purposes only. Such value represents \$1,111,695,655 of value that is fully certified and 85% of HCAD's opinion of the taxable value that will be certified for property still in the certification process (\$73,318,107). See "TAX PROCEDURES."
- (c) Excludes bonds issued by the District for the Defined Area; the Defined Area bonds are secured by a tax levied against property located solely within the Defined Area. The District tax securing the Bonds is on a parity within the District tax securing the Defined Area bonds.
- (d) Includes the Defined Area bonds which, within the Defined Area, are direct obligations of the District and payable on a parity with the Bonds from ad valorem taxes levied in the Defined Area.
- (e) The Board met on September 19, 2024 to begin the District's 2024 tax rate setting process. The Board voted to publish a 2024 total tax rate of \$0.72 with the idea that the 2024 tax rates would include \$0.50 - \$0.53 for debt service and \$0.16 for Operations and Maintenance. See "TAX DATA – 2024 Tax Rate Setting." The figures above exclude the tax rate of \$0.38 that was levied on the property located within the Defined Area within the District; the Board currently anticipates levying \$0.38 tax rate for the Defined Area in 2024. See "DISTRICT DEBT" and "RISK FACTORS – Defined Area within the District."

**Estimated Overlapping Debt:**

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

<u>Taxing Jurisdiction</u>	<u>Outstanding Debt</u>	<u>Overlapping Debt</u>	
		<u>Percent</u>	<u>Amount</u>
Klein Independent School District	\$1,339,560,000	3.94%	\$52,844,580
Harris County	\$2,292,474,039	0.16%	\$3,767,880
Harris County Flood Control District	\$987,825,000	0.17%	\$1,686,555
Port of Houston Authority	\$406,509,397	0.17%	\$812,116
Harris County Hospital District	\$65,285,000	0.18%	\$118,430
Harris County Department of Education	\$28,960,000	0.16%	\$47,770
Lone Star College System	\$507,100,000	0.35%	\$1,765,201
Dowdell PUD Defined Area No. 1 (a)	\$4,025,000	100.00%	<u>\$4,025,000</u>
<b>Total Estimated Overlapping Debt</b>			<b><u>\$64,937,532</u></b>
The District's Direct Debt (b)			<u>\$94,135,000</u>
<b>Total Direct and Estimated Overlapping Debt</b>			<b><u>\$159,072,532</u></b>

- (a) See "RISK FACTORS – Defined Area within the District."  
 (b) Includes the Bonds.

**TAX DATA**

**Tax Collections:**

The following table sets forth the historical tax collection experience of the District for the tax years 2019 through 2023. Such table has been prepared based upon information from District records. Reference is made to such records and statements for further and complete information.

<u>Tax Year</u>	<u>Taxable Valuation</u>	<u>Tax Rate</u>	<u>Adjusted Levy</u>	<u>Current Collections</u>	<u>Current &amp; Prior Years</u>	<u>End 9/30</u>
2023	\$1,071,889,903 (a)	\$0.74	\$7,931,985	98%	99%	2024
2022	\$934,819,829	\$0.78	\$7,291,595	99%	99%	2023
2021	\$771,064,371	\$0.80 (b)	\$6,168,515	100%	97%	2022
2020	\$671,027,785	\$0.80 (b)	\$5,368,222	100%	97%	2021
2019	\$630,207,322	\$0.80 (b)	\$5,041,659	100%	99%	2020

- (a) Reflects the January 1, 2023 Certified Taxable Value according to data supplied to the District by HCAD for informational purposes only. See "TAX PROCEDURES."  
 (b) Excludes the \$0.38 tax rate levied by the District against property located within the boundaries of the Defined Area which is in addition to the tax rate levied by the District. See "THE DISTRICT DEBT" and "RISK FACTORS – Defined Area within the District."

**Tax Distribution:**

The following table sets forth the tax rate distribution of the District for the years 2019 through 2023.

	<u>2023 (a)</u>	<u>2022 (a)</u>	<u>2021 (a)</u>	<u>2020 (a)</u>	<u>2019 (a)</u>
Debt Service	\$0.58	\$0.68	\$0.70	\$0.70	\$0.70
Maintenance/Operation	<u>\$0.16</u>	<u>\$0.10</u>	<u>\$0.10</u>	<u>\$0.10</u>	<u>\$0.10</u>
<b>Total</b>	<b><u>\$0.74</u></b>	<b><u>\$0.78</u></b>	<b><u>\$0.80</u></b>	<b><u>\$0.80</u></b>	<b><u>\$0.80</u></b>

- (a) Excludes the Defined Area's \$0.38 tax rate levied in 2018 - 2021; within the Defined Area. See "RISK FACTORS – Defined Area within the District."

**2024 Tax Rate Setting**

The Board met on September 19, 2024 and began the process of setting the 2024 tax rate. The decision was made at that meeting to publish a \$0.72 total tax rate and to conduct a public hearing regarding the 2024 tax rates at the District's October 17, 2024 Board meeting. The Board has indicated its intention to set a \$0.66 - \$0.69 total tax rate comprised of \$0.50 - \$0.53 for debt service and \$0.16 for operations and maintenance.

**Maintenance Tax:**

The District has the statutory authority to levy and collect an annual ad valorem tax for operation and maintenance of the District's improvements. Such maintenance tax was authorized by the District's voters during May 2015. The District is authorized to levy a \$1.00 maintenance tax. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, the Outstanding Bonds, and any tax bonds which may be issued in the future. The District has levied such a maintenance tax in 2015 – 2023 and expects to levy a maintenance tax in the future.

**Principal Taxpayers:**

The following table, which sets forth the District's principal taxpayers, was provided by the District's Tax Assessor/Collector based upon the 2024 certified tax roll (which reflects ownership at January 1, 2024 of the Harris Central Appraisal District.)

<u>Principal Taxpayers (a)</u>	<u>Type of Property</u>	<u>Assessed Value</u>	<u>% of Total</u>
GP Market Place 1750 LLC	Commercial	\$96,317,120	8.13%
Magnolia Spring Property Owner LP	Commercial	\$52,915,087	4.47%
Amazon	Commercial	\$52,045,494	4.39%
Vantage at Tomball LLC	Commercial	\$41,821,170	3.53%
Willow Creek I Ltd	Commercial	\$31,160,503	2.63%
Q Grandparkway LP	Commercial	\$24,121,521	2.04%
Home Depot	Commercial	\$20,755,421	1.75%
Willow Creek Manors Property LLC	Commercial	\$18,570,624	1.57%
Target Corporation	Commercial	\$13,515,685	1.14%
Arcab Kuykendahl LLC	Commercial	\$10,610,989	0.90%
<b>TOTAL</b>		<b>\$361,833,614</b>	<b>30.53%</b>

(a) Reflects information obtained by the District's Tax Assessor/Collector from the HCAD's records. The District makes no representation as to the accuracy of such information.

**Tax Adequacy for Debt Service:**

The calculations shown below assume, solely for the purpose of illustration, no net revenues, no increase over the 4/1/2024 Estimated Taxable Valuation and the 2024 Taxable Value as provided by HCAD and use a tax rate adequate to service the District's total debt service requirements following issuance of the Bonds. The available balances in the debt service fund are not reflected in these computations. The figures below do not include any calculations relative to the taxes necessary to satisfy debt service requirements in the District's Defined Area. The District levied a \$0.38 debt service tax rate in the Defined Area in 2023 and anticipates levying similar debt service tax rates in the Defined Area in the future.

Maximum Annual Debt Service Requirements (2039) .....	\$6,090,843*
\$0.52 Tax Rate on the 4/1/2024 Estimated Taxable Valuation of \$1,252,198,426	
@ 95% collections produces .....	\$6,185,860*
\$0.55 Tax Rate on the 1/1/2024 Taxable Valuation of \$1,185,013,762	
@ 95% collections produces .....	\$6,191,697*

\*Preliminary, subject to change.

**Analysis of Tax Base:**

Based on information provided to the District by HCAD and its Tax Assessor/Collector, the following represents the composition of property comprising the tax roll valuations for 2019 through 2023.

<u>Year</u>	<u>Type of Property</u>			<u>Gross Valuations</u>	<u>Exemptions</u>	<u>Taxable Valuations</u>
	<u>Land</u>	<u>Improvements</u>	<u>Personal Property</u>			
2024						\$1,111,695,655 (a)
2023	\$231,325,819	\$879,262,637	\$60,979,276	\$1,171,567,732	\$99,677,829	\$1,071,889,903
2022	\$228,440,622	\$725,336,904	\$58,204,524	\$1,011,982,050	\$77,162,221	\$934,819,829
2021	\$224,790,831	\$585,600,798	\$38,486,601	\$848,878,230	\$77,813,859	\$771,064,371
2020	\$182,738,769	\$522,413,605	\$39,264,742	\$744,417,116	\$73,389,331	\$671,027,785
2019	\$169,727,345	\$500,900,087	\$29,428,031	\$700,055,463	\$69,848,141	\$630,207,322

(a) Reflects only the portion of the January 1, 2024 Certified Taxable Value that is presently certified on the District's tax roll and therefore excludes \$73,318,107 of uncertified taxable value that is still in the certification process; such amount of uncertified value represents HCAD's estimate of the taxable value that will ultimately be certified on the District's tax roll after successful protest. The District is authorized by law to levy taxes only against certified values. See "TAX PROCEDURES."

**Estimated Overlapping Taxes:**

The following table sets forth all 2023 taxes levied by overlapping taxing jurisdictions on property within the District. No recognition is given to local assessments for civic association dues, fire department contributions, or any other levy by entities other than political subdivisions.

<u>Taxing Entities</u>	<u>2023 Tax Rate Per \$100 Assessed Valuation</u>
Klein Independent School District	\$1.031600
Harris County (a)	\$0.535090
Lone Star College System	\$0.107600
Harris County Emergency Service District No. 16	\$0.045097
Harris County Emergency Service District No. 11	<u>\$0.030175</u>
<b>Total Overlapping Taxes</b>	<b>\$1.749562</b>
The District	<u>\$0.740000</u>
<b>Total Direct &amp; Overlapping Taxes (b)</b>	<b>\$2.489562</b>

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

(b) Does not include the Defined Area No. 1 tax rate. The overlapping tax rates for such portion of the District is \$2.869562 as opposed to the \$2.489562 shown in the table above. The Defined Area consists of commercial properties; no homeowners reside within the Defined Area. See "RISK FACTORS – Defined Area within the District."

**TAX PROCEDURES**

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

Under Texas law, including the Texas Tax Code (the "Tax Code"), there is established in each county in the state a single appraisal district with responsibility for recording and appraising property for all taxing units within the county and a single appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. By May 15 of each year or as soon thereafter as is practicable, the appraisal district is required to prepare appraisal records of property to be appraised as of January 1 of each year. The Tax Code generally requires appraisals at 100% of market value. A residence homestead is to be appraised solely on the basis of its value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. Property tax appraisals in the District are subject to review by the Harris Central Appraisal Review Board (the "Appraisal Review Board"). Taxpayers and, under certain circumstances, taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in state district court. Such review or appeals may delay the certification of taxable values and hence delay the levy and collection of taxes by the District. In the event of such an appeal, the value of the property in question will be determined by the court, or by a jury if requested by any party. Absent any such appeal, the appraisal roll prepared by the Harris Central Appraisal District ("HCAD") and approved by the Appraisal Review Board

must be used by each taxing jurisdiction within Harris County to establish its tax rolls and tax rate. The Texas Comptroller of Public Accounts may provide for the administration and enforcement of uniform standards and procedures for appraisal of property.

Although the District is responsible for establishing tax rates and levying and collecting its taxes each year, under the system of county-wide tax appraisal implemented by the Tax Code, the District cannot establish appraisal standards or determine the frequency of revaluation or reappraisal. The Tax Code requires HCAD to implement a plan for periodic reappraisal of property to update appraised values, and the plan must provide for reappraisal of all real property in the appraisal district at least once every three years. The District is eligible, along with all other conservation and reclamation districts within Harris County, to participate in the nomination of and vote for a member of the Board of Directors of HCAD.

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

Except for certain exemptions provided by Texas law, all real and tangible personal property in the District is subject to taxation by the District. However, the District makes no effort to collect taxes on personal property, other than on personal property rendered for taxation, business inventories, and the property of privately-owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas, and mineral interests owned by an institution of higher education; certain property owned and used for qualified purposes by certain charitable religious, education and other organizations, designated historical sites; solar and wind-powered energy devices; and most individually-owned automobiles.

The District, either by action of its Board or through a process of petition and referendum initiated by its residents, may grant exemptions for residential homesteads of persons 65 years of age or older and of certain disabled persons, to the extent deemed advisable by the Board. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, but only to the maximum extent of \$3,000 of taxable valuation. The District has granted an exemption for persons 65 years of age and older or for disabled persons of \$20,000 of taxable valuation for the tax year 2024.

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

**Agricultural, Open Space, or Timber Land Use:**

The Tax Code permits land designated for agricultural or timber land use to be appraised at its value based upon the land’s capacity to produce agricultural products or, with respect to timber land, the value based upon accepted income capitalization methods. The Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of an agricultural, timber land or residential real property appraisal must apply for such appraisal, and the Appraisal District is required to act on each claimant’s application individually. If a claimant receives an agricultural or timber land appraisal on land and later changes the land use or sells the land to an unqualified owner, an additional tax is imposed on the land equal to the difference between the taxes imposed on the land for each of the five (5) years preceding the year in which the change of use occurs that the land was appraised as agricultural or timber land and the tax that would have been imposed had the land been taxed on the basis of market value in each of those years, plus interest at an annual rate of seven percent (7%) calculated from the dates on which the differences would have become due. Provisions of the Tax Code are complex and are not fully summarized here.

**Residential Homestead Exemption:**

Pursuant to the Texas Constitution, the governing body of each political subdivision in the State may exempt up to 20% of the market value of residential homesteads from ad valorem taxes. However, 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 obligation of the contract by which the debt was created. The District has never granted a 20% residential homestead exemption.



**Notice and Hearing Procedures:**

The Tax Code establishes procedures for providing notice and the opportunity for a hearing for taxpayers if the District proposes to increase taxes, and provides for taxpayer referenda which could result in the repeal of certain tax increases. The Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

**Levy and Collection of Taxes:**

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: (a) the valuation of property within the District as of the preceding January 1, and (b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of 6% of the amount of the tax for the first calendar month it is delinquent, plus 1% for each additional month or portion of a month the tax remains unpaid. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of 12% regardless of the number of months the tax has been delinquent. In addition, if the District engages an attorney for collection of delinquent taxes, the Board may impose an additional penalty not to exceed 20% on all taxes unpaid on July 1 for collection costs. The delinquent tax also accrues interest at a rate of 1% for each month or portion of a month it remains unpaid. The 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.

**Rollback of Maintenance Tax Rate:**

Under current law, the qualified voters of the District have the right to petition for a rollback of the District's operation and maintenance tax rate only if the total tax bill on the average residence homestead increases by more than eight percent. If a rollback election is called and passes, the rollback tax rate is the current year's debt service and contract tax rates plus 1.08 times the previous year's operation and maintenance tax rate. Thus, debt service and contract tax rates cannot be changed by a rollback election.

During the 86th Regular Legislative Session, Senate Bill 2 ("SB 2") was passed and signed by the Governor, with an effective date of January 1, 2020, and the provisions described herein are effective beginning with the 2020 tax year. See "SELECTED FINANCIAL INFORMATION" for a description of the District's current total tax rate. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

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

**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. For the 2024 tax year the District was determined to be a developing district.

**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 2024, the Board determined the District to be a Developing District. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

**Collection of Delinquent Taxes:**

Taxes levied by the District are a personal obligation of the owner of the taxed property as of January 1 of the year in which the taxes are imposed. On January 1 of each year, a tax lien attaches to property to secure 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 and each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with tax liens of all other such taxing units. A tax lien on real property has priority over the claim of most creditors and other holders of liens on the property encumbered by the tax, whether or not the debt or lien existed before the attachment of the tax lien. Further, as a general rule, the District's tax lien and a federal tax lien are on par with ultimate priority being determined by applicable federal law. Under certain circumstances, personal property is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest. At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. The ability of the District to collect delinquent taxes by judicial foreclosure may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions affecting the market value of the property at the time of any tax foreclosure sale, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt.

Further, the District's ability to foreclose its tax lien or collect penalties and interest may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 United States Code Section 1825, as amended.

**ANNEXATION, STRATEGIC PARTNERSHIP AGREEMENT, AND CONSOLIDATION**

**Annexation by the City of Houston:**

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District must conform to a City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City without the District's consent. If the District is annexed, the City will assume the District's assets and obligations (including the Bonds) and dissolve the District within ninety (90) days, except as provided below under "Strategic Partnership Agreement – Limited Purpose Annexation by City of Houston." Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and therefore, the District makes no representation that the City will ever annex the District and assume its debt, nor does the District make any representation concerning the ability of the City to pay debt service on the District's bonds if annexation were to occur.

Generally, the City of Houston cannot annex territory within the District unless it annexes the entire District; however, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. 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.

**Strategic Partnership Agreement – Limited Purpose Annexation by City of Houston:**

The District entered into a Strategic Partnership Agreement ("SPA") with the City of Houston (the "City") effective as of May 14, 2013, whereby the tracts of land containing commercial development were annexed into the City for the limited purpose of applying certain of the City's Planning, Zoning, Health and Safety Ordinances to the commercial businesses. The City imposes a Sales and Use Tax within the annexed tracts on the receipts from the sales and use at retail of taxable items at the rate of one percent or such other rate as may be imposed by the City from time to time. Under the SPA, one-half or 50% of the sales tax revenue generated by the commercial business will be paid to the District, and the District can use the sales tax for any purpose for which the District is lawfully authorized.

Neither the District nor any owners of taxable property in the District is liable for any present or future debts of the City and current and future ad valorem taxes levied by the City will not be levied on taxable property in the District.

The Bonds are not obligations of the City and the SPA does not obligate the City, either directly or indirectly to pay the principal of or interest on the Bonds.

The SPA provides that the City will not annex the District for a period of 30 years from the effective date of the SPA.

**Consolidation:**

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

**THE BONDS**

**General:**

The Bonds are dated November 1, 2024. The Bonds will mature on September 1 in the years and in the amounts set forth on the cover page of this Official Statement. Interest on the Bonds will be calculated on the basis of a 360-day year or 12 30-day months and will be payable on March 1, 2025, and each September 1 and March 1 thereafter until maturity or prior redemption. The Bonds will be issued in denominations of \$5,000 each or integral multiples thereof. The Bond Order authorizes the issuance and sale of the Bonds and prescribes terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds will be issued only in fully registered form in any integral multiple of \$5,000 of principal amount for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Principal of, premium, if any, 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 beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

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

**Paying Agent/Registrar:**

Pursuant to the Bond Order, the initial paying agent and initial registrar with respect to the Bonds is The Bank of New York Mellon Trust Company, N.A., Houston, Texas. The District will maintain at least one Registrar, where the Bonds may be surrendered for transfer and/or for exchange or replacement for other Bonds, and for the purpose of maintaining the Bond Register on behalf of the District. The Registrar is required at all times to be a duly qualified banking corporation or association organized and doing business under the laws of the United States of America, or of any state thereof, and subject to supervision or examination by federal or state banking authorities.

The District reserves the right and authority to change any paying agent/registrar and, upon any such change, the District covenants and agrees in the Bond Order to promptly cause written notice thereof, specifying the name and address of such successor paying agent/registrar, to be sent to each Registered Owner of the Bonds by United States mail, first class, postage prepaid.

**Authority for Issuance:**

The Bonds constitute the eleventh issue of unlimited tax bonds authorized by the District's voters in various elections held in the District. Subsequent to the sale of the Bonds, \$53,266,525.07 unlimited tax bonds will remain authorized but unissued. The Bonds are issued by the District as unlimited tax bonds pursuant to the terms and provisions of the Bond Order, Article XVI, Section 59 of the Texas Constitution, the laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended.

**Optional Redemption:**

The Bonds maturing on or after September 1, 2030, are subject to redemption at the option of the District, prior to maturity, in whole or in part on September 1, 2029, or on any date thereafter, at a price of the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular Bonds to be redeemed will be selected by the District. If fewer than all of the Bonds within any one maturity are redeemed, the particular Bonds to be redeemed shall be selected by the Registrar by lot or other random selection method.

**Sources of and Security for Payment:**

The Bonds are payable from the proceeds of a continuing, direct annual ad valorem tax levied, without legal limitation as to rate or amount, against taxable property located within the District. In the Bond Order the District covenants to levy a tax sufficient in rate and amount to pay principal of and interest on the Bonds when due, full allowance being made for delinquencies and costs of collection, and the District undertakes to collect such tax. The net proceeds from taxes levied for debt service purposes will be

deposited in the District's Debt Service Fund and will be used to pay principal of and interest on the Bonds and on any additional bonds payable from taxes which the District may hereafter issue.

**Defeasance:**

The District's pledge of taxes and all other covenants in the Bond Order, except the covenant to pay principal of and interest on the Bonds to maturity or redemption, will terminate when payment of such principal and interest has been provided for by depositing with the Paying Agent/Registrar money or direct obligations of the United States of America maturing on such dates and in such amounts as will be sufficient, without further investment, to make such payment of principal of and interest on the Bonds.

**Funds:**

The Bond Order confirms the previous establishment of the District's Debt Service Fund created and established pursuant to the orders authorizing the issuance of the Outstanding Bonds. The Debt Service Fund is to be kept separate from all other funds of the District and used for payment of debt service on the Bonds and any of the District's Outstanding Bonds or any duly authorized additional bonds. Amounts on deposit in the Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar and to pay the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any additional bonds.

**Issuance of Additional Debt:**

If authorized by the Board, and with the approval of the TCEQ, the District may issue additional bonds necessary to construct, acquire, or maintain facilities to provide the services for which the District was created. See "THE DISTRICT." The District's voters have previously authorized the issuance of an aggregate of \$4,400,000 principal amount of unlimited tax and revenue bonds, bonds for water, sanitary sewer and drainage improvements, of which the District has issued \$2,945,000 and rescinded the remaining authorization of \$1,455,000. The voters have also previously authorized the issuance of \$170,000,000 unlimited tax bonds and the refunding of bonds, of which \$53,266,525.07 will be remaining after the issuance of the Bonds. In addition, the District may authorize additional amounts in future elections. See "RISK FACTORS – Future Debt." The Bond Order imposes no limitation on the amount of additional parity bonds which may be issued by the District.

**Registration, Transfer, and Exchange:**

In the event the Book-Entry-Only System is discontinued, the Bonds are transferable only at the designated principal corporate trust office of the Paying Agent/Registrar upon presentation and surrender of the Bonds accompanied by a duly executed assignment. The Bonds will be exchangeable for an equal principal amount of Bonds of the same type, maturity, and interest rate, in any authorized denomination. No service charge will be made for any transfer or exchange, but the District or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith. Neither the District nor the Paying Agent/Registrar is required to: (i) issue, transfer or exchange any Bond during the period beginning at the opening of business 15 calendar days before the date of the first mailing of any notice of redemption of Bonds and ending at the close of business on the date of such mailing or (ii) thereafter to transfer or exchange any Bonds selected for redemption when such redemption is scheduled within 30 calendar days.

**Replacement of Mutilated, Lost, or Stolen Bonds:**

In the event the Book-Entry-Only System is discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, upon receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The District may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

**BOOK-ENTRY-ONLY SYSTEM**

*This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, Maturity Value, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Financial Advisor, and the Underwriter believe the source of such information to be reliable but take no responsibility for the accuracy or completeness thereof.*

The District and the Underwriter cannot and do 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 United States Bonds 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 certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount or Maturity Value, as the case may be, of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a 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](http://www.dtcc.com).

Purchases of Securities under the DTC system must be made by or through Direct Participants, who will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Certificate ("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 securities representing their ownership interests in Securities except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Securities 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 Securities 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 Securities 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 Certificate documents. For example, Beneficial Owners of Securities 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 registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If fewer than all of the Bonds within 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 MMI 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All 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, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the District believes to be reliable, but none of the District, the Financial Advisor or the Underwriter takes any responsibility for the accuracy thereof. Termination by the District of the DTC Book-Entry-Only System may require consent of DTC Participants under DTC Operational Arrangements.

### **LEGAL INVESTMENT AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS**

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

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

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

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

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

### **LEGAL MATTERS**

#### **Legal Opinion:**

The District will furnish the Underwriter a transcript of certain certified proceedings incident to the authorization and issuance of the Bonds. Such transcript will include a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, the effect that the Bonds are valid and binding obligations of the District. The District also will furnish the approving legal opinion of Smith, Murdaugh, Little & Bonham, L.L.P., Houston, Texas, Bond Counsel ("Bond Counsel"), 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. The legal opinion of Bond Counsel will further state that the Bonds, including principal of and interest thereon, are payable from ad valorem taxes, without legal limit as to rate or amount, upon all taxable property located within the District. The District will also furnish the approving legal opinion of Bond 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, as is described under "TAX MATTERS" below.

#### **Legal Review:**

In its capacity as Bond Counsel, Smith, Murdaugh, Little & Bonham, L.L.P., has reviewed the information appearing in this Official Statement under the captions "TAX PROCEDURES," "ANNEXATION, STRATEGIC PARTNERSHIP AGREEMENT, AND CONSOLIDATION," "THE BONDS," "LEGAL INVESTMENT AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," "LEGAL MATTERS," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" to determine whether such information fairly summarizes the procedures, law and documents referred to therein. Bond Counsel has not, however, independently verified any of the other factual information contained in this Official Statement nor have they conducted an investigation of the affairs of the District for the purposes of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to the accuracy or completeness of any of the information contained herein. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered. Bond Counsel acts as general counsel for the District on matters other than the issuance of bonds. Certain legal matters will be passed upon for the District by Norton Rose Fulbright US LLP, Houston, Texas acting as Disclosure Counsel.

**No-Litigation Certificate:**

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

**No Material Adverse Change:**

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

**TAX MATTERS**

**Tax Exemption:**

On the date of initial delivery of the Bonds, Bond Counsel to the District, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law") (i) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (ii) the Bonds will not be treated as "specified private activity bonds" the interest of which would be included as an alternative minimum-tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Additionally, and interest on the Bonds is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code")) for the purpose of determining the alternative minimum tax imposed on corporations. Except as stated above, Bond Counsel to the District will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

In rendering its opinion, Bond Counsel to the District will rely upon (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate, and (b) covenants of the District contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the Refunded Bonds and the property financed or refinanced therewith.

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

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

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

**Collateral Federal Income Tax Consequences:**

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

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

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

Interest on the Bonds will be includable as an adjustment for "adjusted current earnings" to calculate the alternative minimum tax imposed on corporations by Section 55 of the Code.

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

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

**NOT Qualified Tax-Exempt Obligations for Financial Institutions:**

The District will NOT designate the Bonds as "qualified tax-exempt obligations".

**Tax Accounting Treatment of Original Issue Premium Bonds:**

Some of the Bonds may be offered at initial offering prices which exceed the stated redemption prices payable at the maturity of such Bonds. If a substantial amount of any maturity of the Bonds is sold to members of the public (which for this purpose excludes bond houses, brokers and similar persons or entities acting in the capacity of wholesales or underwriters) at such initial offering price, each of the Bonds of such maturity (the "Premium Bonds") will be considered for federal income tax purposes to have "bond premium" equal to such excess. The basis for federal income tax purposes of a Premium Bond in the hands of an initial purchaser who purchases such Bond in the initial offering must be reduced each year and upon the sale or other taxable disposition of the Bond by the amount of amortizable bond premium. This reduction in basis will increase the amount of any gain (or decrease the amount of any loss) recognized for federal income tax purposes upon the sale or other taxable disposition of a Premium Bond by the initial purchaser. Generally, no corresponding deduction is allowed for federal income tax purposes, for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond which is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined under special tax accounting rules which use a constant yield throughout the term of the Premium Bond based on the initial purchaser's original basis in such Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition by an owner of Bonds that are not purchased in the initial offering or which are purchased at an amount representing a price other than the initial offering prices for the Bonds of the same maturity may be determined according to rules which differ from those described above. Moreover, all prospective purchasers of Bonds should consult their tax advisors with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of Premium Bonds.

**Tax Accounting Treatment of Original Issue Discount Bonds:**

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

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

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of



such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

The Code also imposes a 20% alternative minimum tax on the "alternative minimum taxable income" of a corporation if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax. Generally, the alternative minimum taxable income of a corporation (other than any S corporation, regulated investment company, REIT, REMIC or FASIT), includes 75% of the amount by which its "adjusted current earnings" exceeds its other "alternative minimum taxable income." Because interest on tax exempt obligations, such as the Bonds, is included in a corporation's "adjusted current earnings," ownership of the Bonds could subject a corporation to alternative minimum tax consequences.

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

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

## **OFFICIAL STATEMENT**

### **Sources of Information:**

The information contained in this Official Statement has been obtained primarily from the District's records, the Engineer, the Tax Assessor/Collector, HCAD, and other sources which are believed reliable, but the District makes no representation as to the accuracy or completeness of the information derived from such other sources. The summaries of the statutes, resolutions, and engineering and other related reports 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.

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.

### **Consultants:**

**Financial Advisor:** The Official Statement was compiled and edited under the supervision of The GMS Group, L.L.C., (the "Financial Advisor"). The fees paid the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered, and such fees are contingent on the sale and delivery of the Bonds. In approving this Official Statement, the District has relied upon the following consultants:

**Engineer:** The information contained in this Official Statement relating to engineering matters generally, to the description of the System, and, in particular, that information included in the sections entitled "RISK FACTORS -- Future Debt," "USE OF BOND PROCEEDS," "THE DISTRICT," and "THE SYSTEM" has been provided by the District's Engineer, Vogler and Spencer Engineering.

**Tax Assessor Collector:** The information contained in this Official Statement relating to the assessed valuation of property and, in particular, such information contained in the section captioned "TAX DATA," has been provided by the Harris Central Appraisal District and by Equi-Tax, Inc., Tax Assessor/Collector, in reliance upon their authority as experts in the field of tax appraisal and tax assessing and collecting, respectively.

**Auditors:** The District's annual financial statements as of and for the year ended September 30, 2023, have been audited by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants. See "APPENDIX A" for a copy of the District's September 30, 2023, audited financial statements.

### **Updating of Official Statement:**

For the period beginning on the date of the award of the sale of the Bonds to the Underwriter and ending on the ninety-first (91st) day after the "end of the underwriting period" {as defined in SEC Rule 15c(2)-12(e)(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 the Official Statement in order to make the statements therein, in light of the circumstances when the Official Statement is delivered to a prospective purchaser, not misleading,

the District will promptly notify the Underwriter of the occurrence of such event and will cooperate in the preparation of a revised Official Statement, or amendments or supplements thereto, so that the statements in the Official Statement, as revised, amended or supplemented, will not, in light of the circumstances when such Official Statement is delivered to a prospective purchaser, be misleading.

### **CONTINUING DISCLOSURE OF INFORMATION**

In the Bond Order, the District has made the following agreement for the benefit of the holders 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 material events, to the Municipal Securities Rulemaking Board ("MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system.

#### **Annual Reports:**

The District will provide certain updated financial information and operating data annually. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "SELECTED FINANCIAL INFORMATION," "TAX DATA," and in "APPENDIX A." The District will update and provide this information within six months after the end of each of its fiscal years ending after 2025. The District will provide the updated information to the Municipal Securities Rulemaking Board (the "MSRB") or any successor to its functions as a repository 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 updated information will include audited financial statements if it commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB via EMMA within such six-month period, and audited financial statements when the audit report on such statements 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 currently September 30. Accordingly, it must provide updated information by March 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB via EMMA of the change.

#### **Event Notices:**

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. (15) incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the obligated person, any of which reflect financial difficulties. Financial Obligation in the immediately preceding paragraphs (15) and (16) means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order make any provisions for debt service reserves, liquidity enhancement, the pledge of property (other than ad valorem tax revenues) to secure payment of the Bonds, or appointment of a trustee. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

**Availability of Information:**

The District has agreed to provide the foregoing updated information only to the MSRB. Investors will be able to access, without charge from the MSRB, continuing disclosure information filed with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org).

**Limitations and Amendments:**

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

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

**Compliance with Prior Undertakings:**

For the past 5 years, the District has complied in all material respects with its continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

**Continuing Availability of Financial Information:**

Pursuant to Texas law, the District has its financial statements prepared in accordance with generally accepted accounting principles and has its financial statements audited by a certified public accountant in accordance with generally accepted auditing standards within 120 days after the close of its fiscal year. The District audit report is required to be filed with the TCEQ within 135 days after the close of its fiscal year.

The District's financial records and audited financial statements are available for public inspection during regular business hours at the office of the District and copies will be provided on written request, to the extent permitted by law, upon payment of copying charges. Requests for copies should be addressed to the District in care of Smith, Murdaugh, Little & Bonham LLP, 2727 Allen Parkway, Suite 1100, Houston, TX 77019.

**CERTIFICATION OF OFFICIAL STATEMENT**

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

This Official Statement was approved by the Board of Directors of Dowdell Public Utility District as of the date shown on the cover page.

**APPENDIX A**

**AUDITED FINANCIAL STATEMENTS OF THE DISTRICT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**DOWDELL PUBLIC UTILITY DISTRICT**

**HARRIS COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**SEPTEMBER 30, 2023**



**DOWDELL PUBLIC UTILITY DISTRICT**

**HARRIS COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**SEPTEMBER 30, 2023**





## TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-8
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	9-12
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	13
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	14-15
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	16
NOTES TO THE FINANCIAL STATEMENTS	17-31
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND	33
SUPPLEMENTARY INFORMATION – REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to the financial statements)	
SERVICES AND RATES	35-37
GENERAL FUND EXPENDITURES	38
INVESTMENTS	39
TAXES LEVIED AND RECEIVABLE	40-41
LONG-TERM DEBT SERVICE REQUIREMENTS	42-53
CHANGES IN LONG-TERM BOND DEBT	54-56
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS	57-60
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	61-62



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

13100 Wortham Center Drive  
Suite 235  
Houston, Texas 77065-5610  
(713) 462-0341  
Fax (713) 462-2708

PO Box 29584  
Austin, TX 78755-5126  
(512) 610-2209  
[www.mgsbpllc.com](http://www.mgsbpllc.com)  
E-Mail: [mgsb@mgsbpllc.com](mailto:mgsb@mgsbpllc.com)

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Dowdell Public Utility District  
Harris County, Texas

**Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of Dowdell Public Utility District (the "District") as of and for the year ended September 30, 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 September 30, 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.



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

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

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

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

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

### **Required Supplementary Information**

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



Board of Directors  
Dowdell Public 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  
Certified Public Accountants  
Houston, Texas

December 21, 2023





**DOWDELL PUBLIC UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Management's discussion and analysis of the financial performance of Dowdell Public Utility District (the "District") provides an overview of the District's financial activities for the fiscal year ended September 30, 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 and deferred outflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

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

**FUND FINANCIAL STATEMENTS**

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

**DOWDELL PUBLIC UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**FUND FINANCIAL STATEMENTS (Continued)**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

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

**OTHER INFORMATION**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets and deferred outflows of resources by \$3,925,443 as of September 30, 2023. A portion of the District's net position reflects its net investment in capital assets which include land, water facilities, wastewater facilities, drainage facilities, detention facilities, and a privacy wall less any debt used to acquire those assets that is still outstanding.

**DOWDELL PUBLIC UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

A comparative analysis of government-wide changes in net position is presented below.

	<u>Summary of Changes in the Statement of Net Position</u>		
	2023	2022	Change Positive (Negative)
Current and Other Assets	\$ 17,929,721	\$ 16,414,361	\$ 1,515,360
Capital Assets (Net of Accumulated Depreciation)	<u>76,272,481</u>	<u>70,237,873</u>	<u>6,034,608</u>
Total Assets	<u>\$ 94,202,202</u>	<u>\$ 86,652,234</u>	<u>\$ 7,549,968</u>
Deferred Outflows of Resources	<u>\$ 829,220</u>	<u>\$ 884,087</u>	<u>\$ (54,867)</u>
Due to Developer	\$ 16,836,560	\$ 14,640,620	\$ (2,195,940)
Bonds Payable	80,629,888	73,491,419	(7,138,469)
Other Liabilities	<u>1,490,417</u>	<u>2,164,306</u>	<u>673,889</u>
Total Liabilities	<u>\$ 98,956,865</u>	<u>\$ 90,296,345</u>	<u>\$ (8,660,520)</u>
Net Position:			
Net Investment in Capital Assets	\$ (20,008,565)	\$ (16,371,579)	\$ (3,636,986)
Restricted	11,177,314	8,906,486	2,270,828
Unrestricted	<u>4,905,808</u>	<u>4,705,069</u>	<u>200,739</u>
Total Net Position	<u>\$ (3,925,443)</u>	<u>\$ (2,760,024)</u>	<u>\$ (1,165,419)</u>

The following table provides a summary of the District's operations for the years ending September 30, 2023, and September 30, 2022.

	<u>Summary of Changes in the Statement of Activities</u>		
	2023	2022	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 7,615,764	\$ 6,672,693	\$ 943,071
Charges for Services	4,526,013	3,691,626	834,387
Other Revenues	<u>919,491</u>	<u>167,546</u>	<u>751,945</u>
Total Revenues	<u>\$ 13,061,268</u>	<u>\$ 10,531,865</u>	<u>\$ 2,529,403</u>
Expenses for Services	<u>14,226,687</u>	<u>9,459,539</u>	<u>(4,767,148)</u>
Change in Net Position	\$ (1,165,419)	\$ 1,072,326	\$ (2,237,745)
Net Position, Beginning of Year	<u>(2,760,024)</u>	<u>(3,832,350)</u>	<u>1,072,326</u>
Net Position, End of Year	<u>\$ (3,925,443)</u>	<u>\$ (2,760,024)</u>	<u>\$ (1,165,419)</u>

**DOWDELL PUBLIC UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS**

The District's combined fund balances as of September 30, 2023, were \$16,484,468, an increase of \$2,265,476 from the prior year.

The General Fund fund balance increased by \$204,966, primarily due to property tax and service revenues exceeding operating costs.

The Debt Service Fund fund balance increased by \$2,342,828, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance decreased by \$282,318. The District sold its Series 2022 bonds and used the proceeds to reimburse the District's developers.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors adopted an unappropriated budget for the current fiscal year. Actual revenues were \$477,092 more than budgeted revenues and actual expenditures were \$285,776 more than budgeted expenditures which resulted in a positive budget variance of \$191,316. See the budget to actual comparison for further information.

**CAPITAL ASSETS**

Capital assets as of September 30, 2023, total \$76,272,481 (net of accumulated depreciation) and include land, water facilities, wastewater facilities, drainage facilities, detention facilities, and a privacy wall. Significant capital asset activity during the current fiscal year included utilities infrastructure funded with proceeds from the issuance of bonds.

Capital Assets At Year-End			Change
	2023	2022	Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 10,725,019	\$ 8,723,534	\$ 2,001,485
Construction in Progress	89,414	12,708,199	(12,618,785)
Capital Assets Subject to Depreciation:			
Water System	24,755,863	19,560,691	5,195,172
Wastewater System	50,493,527	40,811,325	9,682,202
Drainage and Detention Systems	5,355,214	2,054,177	3,301,037
Privacy Wall	713,296	713,296	
Less Accumulated Depreciation	(15,859,852)	(14,333,349)	(1,526,503)
Total Net Capital Assets	\$ 76,272,481	\$ 70,237,873	\$ 6,034,608

**DOWDELL PUBLIC UTILITY DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**LONG-TERM DEBT ACTIVITY**

As of September 30, 2023, the District had total bond debt payable of \$80,815,000. The changes in the debt position of the District during the fiscal year ended September 30, 2023, are summarized as follows:

Bond Debt Payable, October 1, 2022	\$ 73,725,000
Add: Bonds Sold - Series 2022	9,650,000
Less: Bond Principal Paid	<u>(2,560,000)</u>
Bond Debt Payable, September 30, 2023	<u>\$ 80,815,000</u>

The District’s bonds carry underlying ratings of “A3” by Moody’s with the exception of the Series 2022 which carries an underlying rating of “A2.” The District’s bonds carry insured ratings of “AA” by virtue of bond insurance issued by Assured Guaranty Municipal Corporation or Build America Mutual Assurance Company. The Series 2016 Bonds and Series 2020 Refunding Bonds are private placement bonds and do not carry insured nor underlying ratings. Credit enhanced ratings provided through bond insurance policies are subject to change based on changes to the ratings of the insurers.

**CONTACTING THE DISTRICT’S MANAGEMENT**

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

**DOWDELL PUBLIC UTILITY DISTRICT**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**SEPTEMBER 30, 2023**

	General Fund	Debt Service Fund
<b>ASSETS</b>		
Cash	\$ 871,252	\$ 78,195
Investments	4,834,453	11,256,532
Receivables:		
Property Taxes	13,368	105,055
Penalty and Interest on Delinquent Taxes		
Service Accounts	287,016	
Due from Other Funds	82,421	
Prepaid Costs	84,226	
Due from Other Governmental Units	8,606	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
<b>TOTAL ASSETS</b>	<b>\$ 6,181,342</b>	<b>\$ 11,439,782</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Charges on Refunding Bonds	\$ -0-	\$ -0-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 6,181,342</b>	<b>\$ 11,439,782</b>

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 139,576	\$ 1,089,023	\$	\$ 1,089,023
221,844	16,312,829		16,312,829
	118,423		118,423
		29,598	29,598
	287,016		287,016
	82,421	(82,421)	
	84,226		84,226
	8,606		8,606
		10,725,019	10,725,019
		89,414	89,414
		65,458,048	65,458,048
\$ 361,420	\$ 17,982,544	\$ 76,219,658	\$ 94,202,202
\$ -0-	\$ -0-	\$ 829,220	\$ 829,220
\$ 361,420	\$ 17,982,544	\$ 77,048,878	\$ 95,031,422

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

**DOWDELL PUBLIC UTILITY DISTRICT**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**SEPTEMBER 30, 2023**

	General Fund	Debt Service Fund
<b>LIABILITIES</b>		
Accounts Payable	\$ 433,479	\$ 18,964
Accrued Interest Payable		
Due to Developers		
Annexation Deposits	478,620	
Due to Other Funds		79,917
Security Deposits	363,435	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
<b>TOTAL LIABILITIES</b>	<b>\$ 1,275,534</b>	<b>\$ 98,881</b>
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes	\$ 13,368	\$ 105,055
 <b>FUND BALANCES</b>		
Nonspendable:		
Prepaid Costs	\$ 84,226	\$
Restricted for Authorized Construction		
Restricted for Debt Service		10,055,029
Restricted for Defined Area Debt Service		1,180,817
Unassigned	4,808,214	
<b>TOTAL FUND BALANCES</b>	<b>\$ 4,892,440</b>	<b>\$ 11,235,846</b>
 <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 6,181,342</b>	<b>\$ 11,439,782</b>
 <b>NET POSITION</b>		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
<b>TOTAL NET POSITION</b>		

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



Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 2,734	\$ 455,177	\$	\$ 455,177
		193,185	193,185
		16,836,560	16,836,560
	478,620		478,620
2,504	82,421	(82,421)	
	363,435		363,435
		2,655,000	2,655,000
		77,974,888	77,974,888
<u>\$ 5,238</u>	<u>\$ 1,379,653</u>	<u>\$ 97,577,212</u>	<u>\$ 98,956,865</u>
<u>\$ -0-</u>	<u>\$ 118,423</u>	<u>\$ (118,423)</u>	<u>\$ -0-</u>
\$	\$ 84,226	\$ (84,226)	\$
356,182	356,182	(356,182)	
	10,055,029	(10,055,029)	
	1,180,817	(1,180,817)	
	4,808,214	(4,808,214)	
<u>\$ 356,182</u>	<u>\$ 16,484,468</u>	<u>\$ (16,484,468)</u>	<u>\$ - 0 -</u>
<u>\$ 361,420</u>	<u>\$ 17,982,544</u>		
		\$ (20,008,565)	\$ (20,008,565)
		11,177,314	11,177,314
		4,905,808	4,905,808
		<u>\$ (3,925,443)</u>	<u>\$ (3,925,443)</u>

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

**DOWDELL PUBLIC UTILITY DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2023**

Total Fund Balances - Governmental Funds \$ 16,484,468

Amounts reported for governmental activities in the Statement of Net Position are different because:

Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the new debt or the old debt, whichever is shorter. 829,220

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 76,272,481

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. 148,021

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 Developers	\$ (16,836,560)	
Accrued Interest Payable	(193,185)	
Bonds Payable	<u>(80,629,888)</u>	<u>(97,659,633)</u>
Total Net Position - Governmental Activities		<u>\$ (3,925,443)</u>

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

**THIS PAGE INTENTIONALLY LEFT BLANK**

**DOWDELL PUBLIC UTILITY DISTRICT**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	General Fund	Debt Service Fund
<b>REVENUES</b>		
Property Taxes	\$ 924,045	\$ 6,727,675
Water Service	1,406,685	
Wastewater Service	483,266	
Water Authority Fees	1,288,703	
Penalty and Interest	78,293	78,453
Tap Connection and Inspection Fees	1,199,726	
Investment and Miscellaneous Revenues	309,574	582,811
<b>TOTAL REVENUES</b>	<b>\$ 5,690,292</b>	<b>\$ 7,388,939</b>
<b>EXPENDITURES/EXPENSES</b>		
Service Operations:		
Professional Fees	\$ 386,853	\$ 1,692
Contracted Services	971,218	130,353
Utilities	340,300	
Water Authority Assessments	1,386,801	
Repairs and Maintenance	1,317,322	
Depreciation		
Other	1,078,762	31,692
Capital Outlay	4,070	
Developer Interest		
Conveyance of Assets		
Loss on Disposal of Assets		
Debt Service:		
Bond Issuance Costs		
Bond Principal		2,560,000
Bond Interest		2,322,374
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>\$ 5,485,326</b>	<b>\$ 5,046,111</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER</b>		
<b>EXPENDITURES/EXPENSES</b>	<b>\$ 204,966</b>	<b>\$ 2,342,828</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Proceeds from Issuance of Long-Term Debt	\$	\$
Bond Discounts		
Bond Premiums		
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ -0-</b>	<b>\$ -0-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 204,966</b>	<b>\$ 2,342,828</b>
<b>CHANGE IN NET POSITION</b>		
<b>FUND BALANCES/NET POSITION -</b>		
<b>OCTOBER 1, 2022</b>	<b>4,687,474</b>	<b>8,893,018</b>
<b>FUND BALANCES/NET POSITION -</b>		
<b>SEPTEMBER 30, 2023</b>	<b>\$ 4,892,440</b>	<b>\$ 11,235,846</b>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 7,651,720	\$ (35,956)	\$ 7,615,764
	1,406,685		1,406,685
	483,266		483,266
	1,288,703		1,288,703
	156,746	(9,113)	147,633
	1,199,726		1,199,726
27,106	919,491		919,491
<u>\$ 27,106</u>	<u>\$ 13,106,337</u>	<u>\$ (45,069)</u>	<u>\$ 13,061,268</u>
\$	\$ 388,545	\$	\$ 388,545
	1,101,571		1,101,571
	340,300		340,300
	1,386,801		1,386,801
127,480	1,444,802		1,444,802
		1,800,461	1,800,461
1,230	1,111,684		1,111,684
7,698,539	7,702,609	(7,702,609)	
1,336,778	1,336,778		1,336,778
		2,049,505	2,049,505
		13,976	13,976
841,651	841,651		841,651
	2,560,000	(2,560,000)	
	2,322,374	88,239	2,410,613
<u>\$ 10,005,678</u>	<u>\$ 20,537,115</u>	<u>\$ (6,310,428)</u>	<u>\$ 14,226,687</u>
<u>\$ (9,978,572)</u>	<u>\$ (7,430,778)</u>	<u>\$ 6,265,359</u>	<u>\$ (1,165,419)</u>
\$ 9,650,000	\$ 9,650,000	\$ (9,650,000)	\$
(40,825)	(40,825)	40,825	
87,079	87,079	(87,079)	
<u>\$ 9,696,254</u>	<u>\$ 9,696,254</u>	<u>\$ (9,696,254)</u>	<u>\$ -0-</u>
\$ (282,318)	\$ 2,265,476	\$ (2,265,476)	\$
		(1,165,419)	(1,165,419)
638,500	14,218,992	(16,979,016)	(2,760,024)
<u>\$ 356,182</u>	<u>\$ 16,484,468</u>	<u>\$ (20,409,911)</u>	<u>\$ (3,925,443)</u>

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

**DOWDELL PUBLIC 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 SEPTEMBER 30, 2023**

Net Change in Fund Balances - Governmental Funds	\$ 2,265,476
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.	(35,956)
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.	(9,113)
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(1,800,461)
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. Conveyance of assets and losses on disposals of assets are recorded as an expense in the Statement of Activities.	5,639,128
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.	2,560,000
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.	(88,239)
Governmental funds report bond proceeds, including bond discounts and bond premiums, as other financing sources or uses. Issued bonds, net of related bond discounts and bond premiums, are recorded as long-term liabilities in the Statement of Net Position.	<u>(9,696,254)</u>
Change in Net Position - Governmental Activities	<u>\$ (1,165,419)</u>

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

**DOWDELL PUBLIC UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

**NOTE 1. CREATION OF DISTRICT**

Dowdell Public Utility District was created by the Texas Legislature (Art. 8280-581) on June 4, 1971, and operates as a municipal utility district pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code and other general statutes of Texas applicable to municipal utility districts. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality, and is located entirely within the exclusive extraterritorial jurisdiction of the City of Houston.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

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

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established 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 set forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

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

**DOWDELL PUBLIC UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

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

Financial Statement Presentation (Continued)

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

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

Governmental Funds

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



**DOWDELL PUBLIC UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

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

Governmental Funds (Continued)

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

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both “measurable and available.” Measurable means the amount can be determined. Available means 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 taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

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 September 30, 2023, the Debt Service Fund owed the General Fund \$67,617 for maintenance tax collections and an interfund loan made to assist with the payment of debt service costs, as well as \$12,300 for arbitrage compliance and paying agent costs. The Capital Projects Fund owed the General Fund \$2,504 for Series 2022 bond issuance costs.

**DOWDELL PUBLIC UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

**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. Interest costs will no longer be capitalized as part of the asset but will be shown as an expenditure in the fund financial statements and as an expense in the government-wide financial statements. Assets are capitalized, including infrastructure assets, 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 10 to 45 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 not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the budgeted amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service determined that directors are considered to be “employees” for federal payroll tax purposes only.

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.

**DOWDELL PUBLIC UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

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

Measurement Focus (Continued)

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 using the following hierarchy:

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

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

*Committed*: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

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

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

When 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.

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.

**DOWDELL PUBLIC UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

**NOTE 3. LONG-TERM DEBT**

	Refunding Series 2014	(Private Placement) Refunding Series 2016	Defined Area No. 1 Series 2017
Amount Outstanding – September 30, 2023	\$ 3,235,000	\$ 1,645,000	\$ 4,150,000
Interest Rates	3.00% - 4.00%	2.02%	3.00% - 4.00%
Maturity Dates - Serially Beginning/Ending	September 1, 2024/2034	September 1, 2024/2028	September 1, 2024/2045
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	September 1, 2023*	Non-callable	September 1, 2022*
	Series 2017A	Series 2018	Series 2019
Amount Outstanding – September 30, 2023	\$ 17,325,000	\$ 4,950,000	\$ 9,900,000
Interest Rates	2.00% - 3.50%	3.00% - 4.125%	2.00% - 4.00%
Maturity Dates - Serially Beginning/Ending	September 1, 2024/2045	September 1, 2024/2045	September 1, 2024/2046
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	September 1, 2023*	September 1, 2023*	September 1, 2025*

\* Or any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. Series 2014 term bonds due September 1, 2029, September 1, 2031, and September 1, 2033 are subject to mandatory redemption by random selection beginning September 1, 2028, September 1, 2030, and September 1, 2032, respectively. Series 2017 Defined Area No. 1 term bonds due September 1, 2045 are subject to mandatory redemption on September 1, 2040. Series 2017A term bonds due September 1, 2034, September 1, 2036, September 1, 2038, September 2042, and September 1, 2045 are subject to mandatory redemption by random selection beginning September 1, 2033, September 1, 2035, September 1, 2037, September 1, 2040, and September 1, 2043, respectively. Series 2019 term bonds due September 1, 2046 are subject to mandatory redemption by random selection beginning September 1, 2044.

**DOWDELL PUBLIC UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

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

	(Private Placement) Refunding Series 2020	Series 2021	Refunding Series 2021A
Amount Outstanding – September 30, 2023	\$ 1,765,000	\$ 7,700,000	\$ 7,030,000
Interest Rates	1.68%	1.00% - 2.00%	1.00% - 2.00%
Maturity Dates - Serially Beginning/Ending	September 1, 2024/2030	September 1, 2024/2050	September 1, 2024/2039
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	Non-callable	September 1, 2025*	September 1, 2027*
	Refunding Series 2021B	Series 2022	
Amount Outstanding – September 30, 2023	\$ 13,465,000	\$ 9,650,000	
Interest Rates	1.00% - 4.00%	4.00% - 6.50%	
Maturity Dates - Serially Beginning/Ending	September 1, 2024/2045	September 1, 2026/2050	
Interest Payment Dates	March 1/ September 1	March 1/ September 1	
Callable Dates	September 1, 2027*	September 1, 2027*	

\* Or any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. Series 2021 term bonds due September 1, 2043, September 1, 2045, September 1, 2047, and September 1, 2049 are subject to mandatory redemption by random selection beginning September 1, 2040, September 1, 2044, September 1, 2046, and September 1, 2048, respectively. Series 2021A Refunding term bonds due September 1, 2039 are subject to mandatory redemption by random selection beginning September 1, 2038. Series 2021B Refunding term bonds due on September 1, 2042 and September 1, 2045 are subject to mandatory redemption by random selection beginning on September 1, 2040 and September 1, 2043, respectively. Series 2022 term bonds due September 1, 2044, September 1, 2047, and September 1, 2050 are subject to mandatory redemption by random selection beginning September 1, 2043, September 1, 2045, and September 1, 2048, respectively.

**DOWDELL PUBLIC UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

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

The following is a summary of transactions regarding bonds payable for the year ended September 30, 2023:

	<u>October 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>September 30, 2023</u>
Bonds Payable	\$ 73,725,000	\$ 9,650,000	\$ 2,560,000	\$ 80,815,000
Unamortized Discounts	(626,546)	(40,825)	(29,422)	(637,949)
Unamortized Premiums	<u>392,965</u>	<u>87,079</u>	<u>27,207</u>	<u>452,837</u>
Bonds Payable, Net	<u>\$ 73,491,419</u>	<u>\$ 9,696,254</u>	<u>\$ 2,557,785</u>	<u>\$ 80,629,888</u>
			Amount Due Within One Year	\$ 2,655,000
			Amount Due After One Year	<u>77,974,888</u>
			Bonds Payable, Net	<u>\$ 80,629,888</u>

As of September 30, 2023, the debt service requirements on the bonds outstanding were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 2,655,000	\$ 2,318,223	\$ 4,973,223
2025	2,750,000	2,256,700	5,006,700
2026	3,020,000	2,187,938	5,207,938
2027	3,035,000	2,104,603	5,139,603
2028	3,015,000	2,019,278	5,034,278
2029-2033	15,305,000	9,066,134	24,371,134
2034-2038	17,900,000	6,907,756	24,807,756
2039-2043	19,275,000	4,213,237	23,488,237
2044-2048	11,885,000	1,262,634	13,147,634
2049-2050	<u>1,975,000</u>	<u>112,750</u>	<u>2,087,750</u>
	<u>\$ 80,815,000</u>	<u>\$ 32,449,253</u>	<u>\$ 113,264,253</u>

As of September 30, 2023, the District had authorized but unissued bonds in the amount of \$73,266,525 for utility facilities and refunding purposes. The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

**DOWDELL PUBLIC UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

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

During the year ended September 30, 2023, the District levied an ad valorem debt service tax rate of \$0.68 per \$100 of assessed valuation, which resulted in a tax levy of \$6,303,090 on the adjusted taxable valuation of \$926,925,017 for the 2022 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

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.

DEFINED AREA

The District is authorized to define areas or designate certain property of the District to pay for improvements, facilities or services that primarily benefit that area pursuant to the provisions of Texas House Bill 4206, effective June 18, 2015, and Subchapter J of Chapter 54 of the Texas Water Code, as amended. On August 20, 2015, the Board of Directors of the District approved the designation of a defined area encompassing approximately 73.691 acres (the “Defined Area”), and such creation was confirmed by the voters of said area at an election within the Defined Area boundaries on November 3, 2015. In addition to the confirmation, the voters authorized \$23,000,000 principal amount of bonds to finance road improvements within the Defined Area. Any bonds issued for the Defined Area shall be payable solely from a tax levied on property located within the boundaries of the Defined Area but within the Defined Area the District tax levied for payments of the Defined Area bonds is on a parity with the District tax levy for payment of the Bonds. A portion of the bonds authorized for the Defined Area (\$4,550,000) were issued in 2017. It is not expected that the District will issue any additional bonds for the Defined Area in the future.

While the Defined Area Bonds are obligations of the District’s property located within the Defined Area, those bonds are on a parity with other District bonds, and a failure to collect sufficient taxes, from the property located in the Defined Area, could cause an increase in taxes District-wide to pay the debt service on the bonds issued for the Defined Area.

During the year ended September 30, 2023, the District levied an ad valorem debt service rate of \$0.38 per \$100 of assessed valuation within the Defined Area, which resulted in a total tax levy of \$458,245 on the adjusted taxable valuation of \$120,590,725 for the 2022 tax year.

**DOWDELL PUBLIC UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

**NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS**

The bond orders state that the District is required by the Securities and Exchange Commission to provide 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 and shall continue to be provided through the life of the bonds.

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 five-year anniversary of the bonds.

**NOTE 5. DEPOSITS AND INVESTMENTS**

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year-end, the carrying amount of the District's deposits was \$1,089,023 and the bank balance was \$1,602,459. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at September 30, 2023, as listed below:

	Cash
GENERAL FUND	\$ 871,252
DEBT SERVICE FUND	78,195
CAPITAL PROJECTS FUND	139,576
TOTAL DEPOSITS	\$ 1,089,023



**DOWDELL PUBLIC UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

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

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. There are no limitations or restrictions on withdrawals from TexPool. The District measures its investments in certificates of deposit at acquisition cost for financial reporting purposes.

As of September 30, 2023, the District had the following investments and maturities:

Funds and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$ 4,834,453	\$ 4,834,453
<u>DEBT SERVICE FUND</u>		
TexPool	11,256,532	11,256,532
<u>CAPITAL PROJECTS FUND</u>		
TexPool	221,844	221,844
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 16,312,829</u></b>	<b><u>\$ 16,312,829</u></b>

**DOWDELL PUBLIC UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

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

Investments (Continued)

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. TexPool is rated AAAM by Standard and Poor's. The District manages credit risk by investing in certificates of deposit covered by FDIC insurance. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in TexPool to have a maturity of less than one year due to the fact the share position can be redeemed each day 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 the payment of debt service and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

**NOTE 6. CAPITAL ASSETS**

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

	October 1, 2022	Increases	Decreases	September 30, 2023
<b>Capital Assets Not Being Depreciated</b>				
Land and Land Improvements	\$ 8,723,534	\$ 2,001,485	\$	\$ 10,725,019
Construction in Progress	12,708,199	7,849,045	20,467,830	89,414
<b>Total Capital Assets Not Being Depreciated</b>	<b>\$ 21,431,733</b>	<b>\$ 9,850,530</b>	<b>\$ 20,467,830</b>	<b>\$ 10,814,433</b>
<b>Capital Assets Subject to Depreciation</b>				
Water System	\$ 19,560,691	\$ 5,483,106	\$ 287,934	\$ 24,755,863
Wastewater System	40,811,325	9,682,202		50,493,527
Drainage and Detention Systems	2,054,177	3,301,037		5,355,214
Privacy Wall	713,296			713,296
<b>Total Capital Assets Subject to Depreciation</b>	<b>\$ 63,139,489</b>	<b>\$ 18,466,345</b>	<b>\$ 287,934</b>	<b>\$ 81,317,900</b>
<b>Less Accumulated Depreciation</b>				
Water System	\$ 5,269,447	\$ 514,264	\$ 273,958	\$ 5,509,753
Wastewater System	8,923,146	1,143,415		10,066,561
Drainage and Detention Systems	45,648	119,005		164,653
Privacy Wall	95,108	23,777		118,885
<b>Total Accumulated Depreciation</b>	<b>\$ 14,333,349</b>	<b>\$ 1,800,461</b>	<b>\$ 273,958</b>	<b>\$ 15,859,852</b>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 48,806,140</b>	<b>\$ 16,665,884</b>	<b>\$ 13,976</b>	<b>\$ 65,458,048</b>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 70,237,873</b>	<b>\$ 26,516,414</b>	<b>\$ 20,481,806</b>	<b>\$ 76,272,481</b>

**DOWDELL PUBLIC UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

**NOTE 7. MAINTENANCE TAX**

On May 9, 2015, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.00 per \$100 of assessed valuation of taxable property within the District. Such tax is in addition to taxes which the District is authorized to levy for paying principal and interest on the District’s bond debt. The maintenance tax is to be used by the General Fund to pay expenditures of operating the District’s waterworks and sanitary sewer system. During the year ended September 30, 2023, the District levied an ad valorem maintenance tax rate of \$0.10 per \$100 of assessed valuation, which resulted in a tax levy of \$926,925 on the adjusted taxable valuation of \$926,925,017 for the 2022 tax year.

**NOTE 8. UNREIMBURSED COSTS**

The District has executed a developer financing agreements with Developers within the District. The agreements call for the Developers to fund costs associated with water, wastewater and drainage facilities until such time as the District can sell bonds. The following table summarizes the activity for the current fiscal year.

Due to Developers, October 1, 2022	\$ 14,861,019
Current year Additions	9,438,057
Less Current year Reimbursements	<u>(7,462,516)</u>
Due to Developers, September 30, 2023	<u>\$ 16,836,560</u>

**NOTE 9. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**NOTE 10. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY**

The District is located within the boundaries of the North Harris County Regional Water Authority (the “Authority”). The Authority charges a fee, based on the amount of water pumped from a well, to the owner of wells located within the boundaries of the Authority, unless exempted. This fee enables the Authority to fulfill its purpose and regulatory functions. The current pumpage fee charged is \$4.10 per 1,000 gallons of water pumped from each well. Fees paid to the Authority for the current fiscal year totaled \$1,386,801.

**DOWDELL PUBLIC UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

**NOTE 11. EMERGENCY WATER SUPPLY AGREEMENT**

On April 1, 2014, the District entered into an Emergency Water Supply Agreement (“Agreement”) with Harris County Municipal Utility District No. 480 (“District No. 480”). Costs to maintain the point of connection facilities will be borne equally by both districts, with the costs billed by District No. 480 to the District. The cost of water is equal to the base rate per 1,000 gallons charged by the supplying district for single family residential users within its district at 5,000 gallons usage during a month, plus any pumpage fee, unless the fee is already included in the rate. The term of the Agreement is 20 years, with automatic successive five-year renewals.

**NOTE 12. STRATEGIC PARTNERSHIP AGREEMENT**

The City of Houston (the “City”) and the District entered into a Strategic Partnership Agreement (“SPA”) effective as of May 14, 2013. The SPA provides for the limited purpose annexation of certain developed commercial tracts within the District into the City for the limited purposes of imposition of the City’s Sales and Use Tax. The District continues to provide water supply and wastewater treatment services in the annexed area, and no City services are provided. The properties made subject to the SPA may not be taxed for ad valorem purposes by the City.

Additional properties may become subject to the SPA by amending the SPA upon the consent of the City and the District. The City pays the District an amount equal to 50% of all sales and use tax revenues generated from the properties subject to the SPA. The term of the SPA is 30 years. During the term of the SPA, the City has agreed not to annex all or part of the District or commence any action to annex all or part of the District for full purposes. The payments from the City under the SPA are not pledged to the payment of the Bonds and are available for any lawful purpose.

**NOTE 13. BOND SALE**

On October 27, 2022, the District issued \$9,650,000 of Unlimited Tax Bonds, Series 2022. Proceeds from the bonds were used to reimburse Developers for: construction and engineering costs for water, wastewater, and drainage facilities serving Wildwood Glen, Section 1; Northcrest Industrial Park clearing, grubbing, detention ponds and lift stations; and land acquisition costs for the Watermark and KIMCO detention ponds. Additional proceeds were to pay for issuance costs of the bonds.

**DOWDELL PUBLIC UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

**NOTE 14. USE OF SURPLUS FUNDS**

On March 16, 2023, in accordance with Rule 30 T.A.C. 293.83(3)(A) of the Commission, the District approved the use of surplus Capital Projects Fund monies to cover the costs of the clarifier drive at the District's wastewater treatment plant site in the amount of \$69,966.

On May 18, 2023, in accordance with Rule 30 T.A.C. 293.83(3)(A) of the Commission, the District approved the use of surplus Capital Projects Fund monies to cover the costs of the following: (i) clarifier and spur gear assembly with rebuilt primary drive at the District's wastewater treatment plant site in the amount of \$64,875; and (ii) the decommissioning of water plant no. 1 in the amount of \$115,218.

**NOTE 15. SUBSEQUENT EVENT - BOND SALE**

On November 16, 2023, subsequent to year-end, the District issued \$6,500,000 of Unlimited Tax Bonds, Series 2023. Proceeds from the bonds were used to reimburse Developers for: land; improvements to serve 9-acre Hildebrandt Development; detention ponds and mass grading serving 12.986-acre tract at Kuykendahl and Dowdell; and 12-inch water line, 24-inch storm sewer, detention pond and 8-inch sanitary sewer. Additional proceeds were to pay for issuance costs of the bonds and Developer interest.

**THIS PAGE INTENTIONALLY LEFT BLANK**

**DOWDELL PUBLIC UTILITY DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2023**





**DOWDELL PUBLIC UTILITY DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
Property Taxes	\$ 925,000	\$ 924,045	\$ (955)
Water Service	1,295,000	1,406,685	111,685
Wastewater Service	438,000	483,266	45,266
Water Authority Fees	1,455,000	1,288,703	(166,297)
Penalty and Interest	36,000	78,293	42,293
Tap Connection and Inspection Fees	1,025,200	1,199,726	174,526
Investment and Miscellaneous Revenues	<u>39,000</u>	<u>309,574</u>	<u>270,574</u>
<b>TOTAL REVENUES</b>	<u>\$ 5,213,200</u>	<u>\$ 5,690,292</u>	<u>\$ 477,092</u>
<b>EXPENDITURES</b>			
Service Operations:			
Professional Fees	\$ 273,000	\$ 386,853	\$ (113,853)
Contracted Services	962,300	971,218	(8,918)
Utilities	292,500	340,300	(47,800)
Water Authority Assessments	1,455,000	1,386,801	68,199
Repairs, Maintenance, and Capital Outlay	1,303,000	1,321,392	(18,392)
Other	<u>913,750</u>	<u>1,078,762</u>	<u>(165,012)</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 5,199,550</u>	<u>\$ 5,485,326</u>	<u>\$ (285,776)</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 13,650	\$ 204,966	\$ 191,316
<b>FUND BALANCE - OCTOBER 1, 2022</b>	<u>4,687,474</u>	<u>4,687,474</u>	<u>_____</u>
<b>FUND BALANCE - SEPTEMBER 30, 2023</b>	<u>\$ 4,701,124</u>	<u>\$ 4,892,440</u>	<u>\$ 191,316</u>

Seen accompanying independent auditor's report.

**THIS PAGE INTENTIONALLY LEFT BLANK**

**DOWDELL PUBLIC UTILITY DISTRICT**  
**SUPPLEMENTARY INFORMATION – REQUIRED BY THE**  
**WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**  
**SEPTEMBER 30, 2023**



**DOWDELL PUBLIC UTILITY DISTRICT  
SERVICES AND RATES  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

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

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

**2. RETAIL SERVICE PROVIDERS**

**a. RETAIL RATES FOR A 5/8” METER (OR EQUIVALENT):**

The following rates are based on the rate order effective April 20, 2023.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels				
WATER:	\$ 33.14	6,000	N	\$ 1.50 \$ 1.60 \$ 1.70	6,001 to 20,000 20,001 to 40,000 40,001 and up				
WASTEWATER:	\$ 10.00	6,000	N	\$ 0.75 \$ 0.85 \$ 0.95	6,001 to 20,000 20,001 to 40,000 40,001 and up				
SURCHARGE:									
Regional Water Authority			N	\$ 3.96	0,001 and up				
District employs winter averaging for wastewater usage?					<table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <tr> <td style="text-align: center; width: 50px;">_____</td> <td style="text-align: center; width: 50px;"><u>  X  </u></td> </tr> <tr> <td style="text-align: center;">Yes</td> <td style="text-align: center;">No</td> </tr> </table>	_____	<u>  X  </u>	Yes	No
_____	<u>  X  </u>								
Yes	No								

Total monthly charges per 10,000 gallons usage: Water: \$39.14 Wastewater: \$13.00 Surcharge: \$39.60

See accompanying independent auditor’s report.

**DOWDELL PUBLIC UTILITY DISTRICT  
SERVICES AND RATES  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

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

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

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	2,190	2,171	x 1.0	2,171
1"	44	41	x 2.5	103
1½"			x 5.0	
2"	109	101	x 8.0	808
3"			x 15.0	
4"	7	5	x 25.0	125
6"	11	7	x 50.0	350
8"	8	4	x 80.0	320
10"	4	2	x 115.0	230
12"	1	1		
Total Water Connections	<u>2,374</u>	<u>2,332</u>		<u>4,107</u>
Total Wastewater Connections	<u>2,289</u>	<u>2,247</u>	x 1.0	<u>2,247</u>

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

Gallons pumped into system:	329,722,000	Water Accountability Ratio: 89.7% (Gallons billed and sold/Gallons pumped)
Gallons billed to customers:	290,792,000	
Gallons sold:	5,016,000	To: Harris County Municipal Utility District No. 401

See accompanying independent auditor's report.

**DOWDELL PUBLIC UTILITY DISTRICT**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

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

Does the District have Debt Service standby fees?                      Yes       No

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

**5. LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes               No

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely               Partly               Not at all

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

Entirely               Partly               Not at all

ETJ in which District is located:

City of Houston, Texas.

Are Board Members appointed by an office outside the District?

Yes               No

See accompanying independent auditor's report.

**DOWDELL PUBLIC UTILITY DISTRICT**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

PROFESSIONAL FEES:	
Auditing	\$ 23,500
Engineering	185,861
Legal	175,742
Financial Advisor	1,750
TOTAL PROFESSIONAL FEES	<u>\$ 386,853</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 33,270
Operations and Billing	315,797
Security	622,151
TOTAL CONTRACTED SERVICES	<u>\$ 971,218</u>
UTILITIES	<u>\$ 340,300</u>
REPAIRS AND MAINTENANCE	<u>\$ 1,317,322</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 27,924
Insurance	77,118
Office Supplies and Postage	65,155
Travel and Meetings	10,515
Easements, Donations, and Other	72,400
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 253,112</u>
CAPITAL OUTLAY	<u>\$ 4,070</u>
TAP CONNECTIONS	<u>\$ 487,720</u>
OTHER EXPENDITURES:	
Chemicals	\$ 83,047
Laboratory Fees	64,595
Permit Fees	19,338
Inspection Fees	45,675
Water Authority Assessments	1,386,801
Regulatory Assessment	9,248
Sludge Hauling	116,027
TOTAL OTHER EXPENDITURES	<u>\$ 1,724,731</u>
TOTAL EXPENDITURES	<u>\$ 5,485,326</u>

See accompanying independent auditor's report.



**DOWDELL PUBLIC UTILITY DISTRICT**  
**INVESTMENTS**  
**SEPTEMBER 30, 2023**

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
TexPool	XXXX0002	Varies	Daily	\$ 4,834,453	\$ -0-
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 10,110,343	\$
TexPool	XXXX0007	Varies	Daily	1,146,189	_____
TOTAL DEBT SERVICE FUND				\$ 11,256,532	\$ -0-
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0003	Varies	Daily	\$ 221,844	\$ -0-
TOTAL - ALL FUNDS				\$ 16,312,829	\$ -0-

See accompanying independent auditor's report.

**DOWDELL PUBLIC UTILITY DISTRICT**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
OCTOBER 1, 2022	\$	17,595	\$	132,338
Adjustments to Beginning				
Balance		(7,107)	\$	10,488
			(49,760)	\$
				82,578
Original 2022 Tax Levy	\$	926,166	\$	6,297,929
Adjustment to 2022 Tax Levy		759	926,925	5,161
			6,303,090	
TOTAL TO BE				
ACCOUNTED FOR		\$	937,413	\$
				6,385,668
TAX COLLECTIONS:				
Prior Years	\$	5,404	\$	37,870
Current Year		918,641	924,045	6,246,760
			6,284,630	
TAXES RECEIVABLE -				
SEPTEMBER 30, 2023		\$	13,368	\$
				101,038
TAXES RECEIVABLE BY				
YEAR:				
2022		\$	8,284	\$
2021			2,918	20,429
2020			1,108	7,758
2019			515	3,603
2018			198	1,464
2017 and Prior			345	11,454
TOTAL		\$	13,368	\$
				101,038

**DEFINED AREA TAX LEVY:** During the year ended September 30, 2023, the District also levied an ad valorem debt service tax rate of \$0.38 per \$100 of assessed valuation within the Defined Area, which resulted in a tax levy of \$458,245 on the adjusted taxable valuation of \$120,590,725 for the 2022 tax year. Unpaid taxes for the Defined Area as of September 30, 2023, totaled \$4,017.

See accompanying independent auditor's report.

**DOWDELL PUBLIC UTILITY DISTRICT**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	2022	2021	2020	2019
<b>PROPERTY VALUATIONS:</b>				
Land	\$ 280,340,761	\$ 226,441,170	\$ 184,381,419	\$ 176,434,986
Improvements	726,479,074	589,667,467	528,198,481	500,900,087
Personal Property	60,344,133	39,287,663	36,336,227	33,056,965
Exemptions	<u>(140,238,951)</u>	<u>(79,246,568)</u>	<u>(75,574,806)</u>	<u>(79,954,688)</u>
<b>TOTAL PROPERTY VALUATIONS</b>	<b><u>\$ 926,925,017</u></b>	<b><u>\$ 776,149,732</u></b>	<b><u>\$ 673,341,321</u></b>	<b><u>\$ 630,437,350</u></b>
<b>TAX RATES PER \$100 VALUATION:</b>				
Debt Service	\$ 0.68	\$ 0.70	\$ 0.70	\$ 0.70
Maintenance	<u>0.10</u>	<u>0.10</u>	<u>0.10</u>	<u>0.10</u>
<b>TOTAL TAX RATES PER \$100 VALUATION</b>	<b><u>\$ 0.78</u></b>	<b><u>\$ 0.80</u></b>	<b><u>\$ 0.80</u></b>	<b><u>\$ 0.80</u></b>
<b>ADJUSTED TAX LEVY*</b>	<b><u>\$ 7,230,015</u></b>	<b><u>\$ 6,209,198</u></b>	<b><u>\$ 5,386,730</u></b>	<b><u>\$ 5,043,498</u></b>
<b>PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED</b>	<b><u>99.11 %</u></b>	<b><u>99.62 %</u></b>	<b><u>99.84 %</u></b>	<b><u>99.92 %</u></b>

\* Based upon adjusted tax at time of audit for the period in which the tax was levied.

Maintenance Tax – Maximum tax rate of \$1.00 per \$100 assessed valuation approved by voters on May 9, 2015.

See accompanying independent auditor's report.

**DOWDELL PUBLIC UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2023**

SERIES - 2014 REFUNDING

Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2024	\$ 485,000	\$ 118,025	\$ 603,025
2025	505,000	103,475	608,475
2026	530,000	83,275	613,275
2027	550,000	62,075	612,075
2028	150,000	44,200	194,200
2029	155,000	38,950	193,950
2030	160,000	33,525	193,525
2031	165,000	27,125	192,125
2032	170,000	20,525	190,525
2033	180,000	14,150	194,150
2034	185,000	7,400	192,400
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
	<u>\$ 3,235,000</u>	<u>\$ 552,725</u>	<u>\$ 3,787,725</u>

See accompanying independent auditor's report.

**DOWDELL PUBLIC UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2023**

SERIES - 2016 REFUNDING

Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2024	\$ 305,000	\$ 33,229	\$ 338,229
2025	320,000	27,068	347,068
2026	330,000	20,604	350,604
2027	340,000	13,938	353,938
2028	350,000	7,070	357,070
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
	<u>\$ 1,645,000</u>	<u>\$ 101,909</u>	<u>\$ 1,746,909</u>

See accompanying independent auditor's report.

**DOWDELL PUBLIC UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2023**

SERIES - 2017 DEFINED AREA NO. 1

Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2024	\$ 125,000	\$ 151,875	\$ 276,875
2025	125,000	148,125	273,125
2026	125,000	144,375	269,375
2027	125,000	140,625	265,625
2028	150,000	136,875	286,875
2029	150,000	132,188	282,188
2030	150,000	127,313	277,313
2031	150,000	122,250	272,250
2032	150,000	117,000	267,000
2033	175,000	111,750	286,750
2034	175,000	105,625	280,625
2035	175,000	99,281	274,281
2036	200,000	92,938	292,938
2037	200,000	85,438	285,438
2038	200,000	77,938	277,938
2039	225,000	70,438	295,438
2040	225,000	62,000	287,000
2041	250,000	53,000	303,000
2042	250,000	43,000	293,000
2043	275,000	33,000	308,000
2044	275,000	22,000	297,000
2045	275,000	11,000	286,000
2046			
2047			
2048			
2049			
2050			
	<u>\$ 4,150,000</u>	<u>\$ 2,088,034</u>	<u>\$ 6,238,034</u>

See accompanying independent auditor's report.

**DOWDELL PUBLIC UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2023**

S E R I E S - 2 0 1 7 A

Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2024	\$ 500,000	\$ 537,436	\$ 1,037,436
2025	525,000	527,438	1,052,438
2026	550,000	516,938	1,066,938
2027	575,000	505,250	1,080,250
2028	600,000	491,594	1,091,594
2029	625,000	476,594	1,101,594
2030	650,000	459,406	1,109,406
2031	675,000	439,906	1,114,906
2032	700,000	419,656	1,119,656
2033	725,000	398,656	1,123,656
2034	750,000	376,906	1,126,906
2035	775,000	354,406	1,129,406
2036	800,000	330,188	1,130,188
2037	850,000	305,188	1,155,188
2038	875,000	277,562	1,152,562
2039	900,000	249,126	1,149,126
2040	950,000	218,750	1,168,750
2041	975,000	185,500	1,160,500
2042	1,025,000	151,376	1,176,376
2043	1,050,000	115,500	1,165,500
2044	1,100,000	78,750	1,178,750
2045	1,150,000	40,250	1,190,250
2046			
2047			
2048			
2049			
2050			
	<u>\$ 17,325,000</u>	<u>\$ 7,456,376</u>	<u>\$ 24,781,376</u>

See accompanying independent auditor's report.

**DOWDELL PUBLIC UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2023**

S E R I E S - 2 0 1 8

Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2024	\$ 50,000	\$ 193,094	\$ 243,094
2025	50,000	191,594	241,594
2026	50,000	190,094	240,094
2027	100,000	188,594	288,594
2028	185,000	185,469	370,469
2029	190,000	179,456	369,456
2030	200,000	173,042	373,042
2031	205,000	166,044	371,044
2032	215,000	158,869	373,869
2033	225,000	150,269	375,269
2034	230,000	141,268	371,268
2035	240,000	132,069	372,069
2036	250,000	122,469	372,469
2037	260,000	112,469	372,469
2038	270,000	102,068	372,068
2039	280,000	91,268	371,268
2040	295,000	80,068	375,068
2041	305,000	68,268	373,268
2042	320,000	55,688	375,688
2043	330,000	42,488	372,488
2044	345,000	28,876	373,876
2045	355,000	14,644	369,644
2046			
2047			
2048			
2049			
2050			
	<u>\$ 4,950,000</u>	<u>\$ 2,768,168</u>	<u>\$ 7,718,168</u>

See accompanying independent auditor's report.



**DOWDELL PUBLIC UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2023**

S E R I E S - 2 0 1 9

Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2024	\$ 50,000	\$ 257,937	\$ 307,937
2025	50,000	255,937	305,937
2026	50,000	253,937	303,937
2027	75,000	252,938	327,938
2028	200,000	251,437	451,437
2029	225,000	247,438	472,438
2030	250,000	242,937	492,937
2031	275,000	237,938	512,938
2032	300,000	232,094	532,094
2033	350,000	225,344	575,344
2034	400,000	217,469	617,469
2035	500,000	207,969	707,969
2036	525,000	196,094	721,094
2037	550,000	182,969	732,969
2038	575,000	169,219	744,219
2039	600,000	154,844	754,844
2040	625,000	139,094	764,094
2041	675,000	121,906	796,906
2042	700,000	103,344	803,344
2043	700,000	84,094	784,094
2044	700,000	63,969	763,969
2045	725,000	43,844	768,844
2046	800,000	23,000	823,000
2047			
2048			
2049			
2050			
	<u>\$ 9,900,000</u>	<u>\$ 4,165,752</u>	<u>\$ 14,065,752</u>

See accompanying independent auditor's report.

**DOWDELL PUBLIC UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2023**

SERIES - 2020 REFUNDING

Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2024	\$ 230,000	\$ 29,652	\$ 259,652
2025	235,000	25,788	260,788
2026	240,000	21,840	261,840
2027	250,000	17,808	267,808
2028	260,000	13,608	273,608
2029	270,000	9,240	279,240
2030	280,000	4,704	284,704
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
	<u>\$ 1,765,000</u>	<u>\$ 122,640</u>	<u>\$ 1,887,640</u>

See accompanying independent auditor's report.

**DOWDELL PUBLIC UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2023**

S E R I E S - 2 0 2 1

Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2024	\$ 200,000	\$ 127,875	\$ 327,875
2025	200,000	125,875	325,875
2026	200,000	123,875	323,875
2027	200,000	121,875	321,875
2028	225,000	119,875	344,875
2029	225,000	117,625	342,625
2030	225,000	115,375	340,375
2031	225,000	113,125	338,125
2032	250,000	110,594	360,594
2033	250,000	107,469	357,469
2034	250,000	104,021	354,021
2035	250,000	100,594	350,594
2036	275,000	96,844	371,844
2037	275,000	92,375	367,375
2038	275,000	87,563	362,563
2039	300,000	82,750	382,750
2040	300,000	77,500	377,500
2041	300,000	71,500	371,500
2042	325,000	65,500	390,500
2043	325,000	59,000	384,000
2044	350,000	52,500	402,500
2045	350,000	45,500	395,500
2046	375,000	38,500	413,500
2047	375,000	31,000	406,000
2048	375,000	23,500	398,500
2049	400,000	16,000	416,000
2050	400,000	8,000	408,000
	<u>\$ 7,700,000</u>	<u>\$ 2,236,210</u>	<u>\$ 9,936,210</u>

See accompanying independent auditor's report.

**DOWDELL PUBLIC UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2023**

SERIES - 2021A REFUNDING

Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2024	\$ 535,000	\$ 129,975	\$ 664,975
2025	560,000	119,275	679,275
2026	565,000	108,075	673,075
2027	335,000	96,775	431,775
2028	355,000	90,075	445,075
2029	375,000	86,525	461,525
2030	370,000	81,838	451,838
2031	390,000	76,750	466,750
2032	410,000	70,900	480,900
2033	400,000	62,700	462,700
2034	420,000	54,700	474,700
2035	440,000	46,300	486,300
2036	430,000	37,500	467,500
2037	475,000	28,900	503,900
2038	490,000	19,400	509,400
2039	480,000	9,600	489,600
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
	<u>\$ 7,030,000</u>	<u>\$ 1,119,288</u>	<u>\$ 8,149,288</u>

See accompanying independent auditor's report.

**DOWDELL PUBLIC UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2023**

SERIES - 2021B REFUNDING

Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2024	\$ 175,000	\$ 283,625	\$ 458,625
2025	180,000	276,625	456,625
2026	180,000	269,425	449,425
2027	235,000	262,225	497,225
2028	290,000	252,825	542,825
2029	385,000	249,925	634,925
2030	575,000	246,075	821,075
2031	595,000	238,888	833,888
2032	610,000	229,963	839,963
2033	655,000	217,763	872,763
2034	670,000	204,663	874,663
2035	715,000	191,263	906,263
2036	730,000	176,963	906,963
2037	740,000	162,363	902,363
2038	755,000	147,563	902,563
2039	790,000	132,463	922,463
2040	830,000	116,663	946,663
2041	840,000	97,988	937,988
2042	850,000	79,088	929,088
2043	880,000	59,963	939,963
2044	890,000	40,163	930,163
2045	895,000	20,138	915,138
2046			
2047			
2048			
2049			
2050			
	<u>\$ 13,465,000</u>	<u>\$ 3,956,620</u>	<u>\$ 17,421,620</u>

See accompanying independent auditor's report.

**DOWDELL PUBLIC UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2023**

S E R I E S - 2 0 2 2

Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2024	\$	\$ 455,500	\$ 455,500
2025		455,500	455,500
2026	200,000	455,500	655,500
2027	250,000	442,500	692,500
2028	250,000	426,250	676,250
2029	250,000	416,250	666,250
2030	275,000	406,250	681,250
2031	275,000	395,250	670,250
2032	300,000	384,250	684,250
2033	300,000	372,250	672,250
2034	325,000	360,250	685,250
2035	325,000	346,844	671,844
2036	350,000	333,031	683,031
2037	350,000	317,718	667,718
2038	375,000	301,968	676,968
2039	400,000	285,094	685,094
2040	400,000	267,094	667,094
2041	425,000	248,594	673,594
2042	425,000	228,938	653,938
2043	450,000	208,750	658,750
2044	475,000	186,250	661,250
2045	500,000	162,500	662,500
2046	500,000	137,500	637,500
2047	525,000	112,500	637,500
2048	550,000	86,250	636,250
2049	575,000	58,750	633,750
2050	600,000	30,000	630,000
	<u>\$ 9,650,000</u>	<u>\$ 7,881,531</u>	<u>\$ 17,531,531</u>

See accompanying independent auditor's report.

**DOWDELL PUBLIC UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2023**

ANNUAL REQUIREMENTS  
FOR ALL SERIES

Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2024	\$ 2,655,000	\$ 2,318,223	\$ 4,973,223
2025	2,750,000	2,256,700	5,006,700
2026	3,020,000	2,187,938	5,207,938
2027	3,035,000	2,104,603	5,139,603
2028	3,015,000	2,019,278	5,034,278
2029	2,850,000	1,954,191	4,804,191
2030	3,135,000	1,890,465	5,025,465
2031	2,955,000	1,817,276	4,772,276
2032	3,105,000	1,743,851	4,848,851
2033	3,260,000	1,660,351	4,920,351
2034	3,405,000	1,572,302	4,977,302
2035	3,420,000	1,478,726	4,898,726
2036	3,560,000	1,386,027	4,946,027
2037	3,700,000	1,287,420	4,987,420
2038	3,815,000	1,183,281	4,998,281
2039	3,975,000	1,075,583	5,050,583
2040	3,625,000	961,169	4,586,169
2041	3,770,000	846,756	4,616,756
2042	3,895,000	726,934	4,621,934
2043	4,010,000	602,795	4,612,795
2044	4,135,000	472,508	4,607,508
2045	4,250,000	337,876	4,587,876
2046	1,675,000	199,000	1,874,000
2047	900,000	143,500	1,043,500
2048	925,000	109,750	1,034,750
2049	975,000	74,750	1,049,750
2050	1,000,000	38,000	1,038,000
	<u>\$ 80,815,000</u>	<u>\$ 32,449,253</u>	<u>\$ 113,264,253</u>

See accompanying independent auditor's report.

**DOWDELL PUBLIC UTILITY DISTRICT**  
**CHANGES IN LONG-TERM BOND DEBT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Description	Original Bonds Issued	Bonds Outstanding October 1, 2022
Dowdell Public Utility District Unlimited Tax and Refunding Bonds - Series 2014	\$ 6,900,000	\$ 3,705,000
Dowdell Public Utility District Unlimited Tax Refunding Bonds - Series 2016	4,445,000	1,940,000
Dowdell Public Utility District Defined Area No. 1 Unlimited Tax Bonds - Series 2017	4,550,000	4,250,000
Dowdell Public Utility District Unlimited Tax Bonds - Series 2017A	18,750,000	17,825,000
Dowdell Public Utility District Unlimited Tax Bonds - Series 2018	5,100,000	5,000,000
Dowdell Public Utility District Unlimited Tax Bonds - Series 2019	10,000,000	9,950,000
Dowdell Public Utility District Unlimited Tax Refunding Bonds - Series 2020	2,400,000	1,985,000
Dowdell Public Utility District Unlimited Tax Bonds - Series 2021	7,900,000	7,900,000
Dowdell Public Utility District Unlimited Tax Refunding Bonds - Series 2021A	7,790,000	7,535,000
Dowdell Public Utility District Unlimited Tax Refunding Bonds - Series 2021B	13,800,000	13,635,000
Dowdell Public Utility District Unlimited Tax Bonds - Series 2022	9,650,000	
<b>TOTAL</b>	<b>\$ 91,285,000</b>	<b>\$ 73,725,000</b>

See accompanying independent auditor's report.



Current Year Transactions				
Bonds Sold	Retirements		Bonds Outstanding September 30, 2023	Paying Agent
	Principal	Interest		
\$	\$ 470,000	\$ 134,475	\$ 3,235,000	Zions Bancorporation, NA Houston, TX
	295,000	39,188	1,645,000	Zions Bancorporation, NA Houston, TX
	100,000	154,875	4,150,000	Zions Bancorporation, NA Houston, TX
	500,000	559,938	17,325,000	Zions Bancorporation, NA Houston, TX
	50,000	195,594	4,950,000	Zions Bancorporation, NA Houston, TX
	50,000	259,937	9,900,000	Zions Bancorporation, NA Houston, TX
	220,000	33,348	1,765,000	Zions Bancorporation, NA Houston, TX
	200,000	129,875	7,700,000	Zions Bancorporation, NA Houston, TX
	505,000	140,075	7,030,000	Zions Bancorporation, NA Houston, TX
	170,000	290,425	13,465,000	Zions Bancorporation, NA Houston, TX
<u>9,650,000</u>		<u>384,644</u>	<u>9,650,000</u>	BONY Mellon Trust Co., NA Dallas, TX
<u>\$ 9,650,000</u>	<u>\$ 2,560,000</u>	<u>\$ 2,322,374</u>	<u>\$ 80,815,000</u>	

See accompanying independent auditor's report.

**THIS PAGE INTENTIONALLY LEFT BLANK**

**DOWDELL PUBLIC UTILITY DISTRICT**  
**CHANGES IN LONG-TERM BOND DEBT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	Tax and Refunding Bonds	Defined Area Bonds
Bond Authority:		
Amount Authorized by Voters	\$ 172,945,000	\$ 23,000,000
Amount Issued	99,678,475	4,550,000
Remaining to be Issued	\$ 73,266,525	\$ 18,450,000
 Debt Service Fund cash and investment balances as of September 30, 2023:		\$ 11,334,727
 Average annual debt service payment (principal and interest) for remaining term of all debt:		\$ 4,194,972

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

See accompanying independent auditor's report.

**DOWDELL PUBLIC UTILITY DISTRICT**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**GENERAL FUND - FIVE YEARS**

	Amounts		
	2023	2022	2021
<b>REVENUES</b>			
Property Taxes	\$ 924,045	\$ 772,218	\$ 666,166
Water Service	1,406,685	1,356,844	1,169,490
Wastewater Service	483,266	444,116	412,799
Water Authority Fees	1,288,703	1,316,556	1,067,351
Penalty and Interest	78,293	68,904	37,896
Tap Connection and Inspection Fees	1,199,726	437,656	511,775
Investment and Miscellaneous Revenues	309,574	69,318	43,410
<b>TOTAL REVENUES</b>	<b>\$ 5,690,292</b>	<b>\$ 4,465,612</b>	<b>\$ 3,908,887</b>
<b>EXPENDITURES</b>			
Professional Fees	\$ 386,853	\$ 345,116	\$ 226,876
Contracted Services	971,218	791,451	552,748
Utilities	340,300	259,169	195,032
Water Authority Assessments	1,386,801	1,472,239	1,136,798
Repairs and Maintenance	1,317,322	1,239,545	796,080
Other	1,078,762	509,012	521,360
Capital Outlay	4,070		40,801
<b>TOTAL EXPENDITURES</b>	<b>\$ 5,485,326</b>	<b>\$ 4,616,532</b>	<b>\$ 3,469,695</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 204,966</b>	<b>\$ (150,920)</b>	<b>\$ 439,192</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In (Out)	\$ - 0 -	\$ - 0 -	\$ 897,277
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 204,966</b>	<b>\$ (150,920)</b>	<b>\$ 1,336,469</b>
<b>BEGINNING FUND BALANCE</b>	<b>4,687,474</b>	<b>4,838,394</b>	<b>3,501,925</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 4,892,440</b>	<b>\$ 4,687,474</b>	<b>\$ 4,838,394</b>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
<u>2020</u>	<u>2019</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
\$ 628,787	\$ 530,298	16.3 %	17.3 %	17.0 %	17.7 %	15.7 %
1,098,122	1,059,888	24.7	30.4	29.9	31.0	31.4
370,972	346,650	8.5	9.9	10.6	10.5	10.3
926,269	763,224	22.6	29.5	27.3	26.1	22.6
22,724	29,499	1.4	1.5	1.0	0.6	0.9
446,010	469,585	21.1	9.8	13.1	12.6	13.9
54,689	176,010	5.4	1.6	1.1	1.5	5.2
<u>\$ 3,547,573</u>	<u>\$ 3,375,154</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 273,395	\$ 323,808	6.8 %	7.7 %	5.8 %	7.7 %	9.6 %
515,707	500,557	17.1	17.7	14.1	14.5	14.8
201,682	203,351	6.0	5.8	5.0	5.7	6.0
925,180	789,630	24.4	33.0	29.1	26.1	23.4
786,701	697,992	23.2	27.8	20.4	22.2	20.7
486,884	510,997	19.0	11.4	13.3	13.7	15.1
868,323	214,002	0.1		1.0	24.5	6.3
<u>\$ 4,057,872</u>	<u>\$ 3,240,337</u>	<u>96.6 %</u>	<u>103.4 %</u>	<u>88.7 %</u>	<u>114.4 %</u>	<u>95.9 %</u>
\$ (510,299)	\$ 134,817	<u>3.4 %</u>	<u>(3.4) %</u>	<u>11.3 %</u>	<u>(14.4) %</u>	<u>4.1 %</u>
<u>\$ 260,273</u>	<u>\$ - 0 -</u>					
\$ (250,026)	\$ 134,817					
<u>3,751,951</u>	<u>3,617,134</u>					
<u>\$ 3,501,925</u>	<u>\$ 3,751,951</u>					

See accompanying independent auditor's report.

**DOWDELL PUBLIC UTILITY DISTRICT**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**DEBT SERVICE FUND - FIVE YEARS**

	Amounts		
	2023	2022	2021
<b>REVENUES</b>			
Property Taxes	\$ 6,727,675	\$ 5,884,382	\$ 5,083,129
Penalty and Interest	78,453	72,265	30,534
Investment and Miscellaneous Revenues	582,811	79,076	10,278
<b>TOTAL REVENUES</b>	<b>\$ 7,388,939</b>	<b>\$ 6,035,723</b>	<b>\$ 5,123,941</b>
<b>EXPENDITURES</b>			
Tax Collection Expenditures	\$ 159,837	\$ 125,894	\$ 109,768
Debt Service Principal	2,560,000	2,290,000	2,040,000
Debt Service Interest and Fees	2,326,274	2,064,719	1,948,769
Bond Issuance Costs			1,112,977
<b>TOTAL EXPENDITURES</b>	<b>\$ 5,046,111</b>	<b>\$ 4,480,613</b>	<b>\$ 5,211,514</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 2,342,828</b>	<b>\$ 1,555,110</b>	<b>\$ (87,573)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Payment to Refunded Bond Escrow Agent	\$	\$	\$ (20,748,202)
Proceeds from Issuance of Long-Term Debt			21,590,000
Bond Discount			(315,550)
Bond Premium			277,674
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ - 0 -</b>	<b>\$ - 0 -</b>	<b>\$ 803,922</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 2,342,828</b>	<b>\$ 1,555,110</b>	<b>\$ 716,349</b>
<b>BEGINNING FUND BALANCE</b>	<b>8,893,018</b>	<b>7,337,908</b>	<b>6,621,559</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 11,235,846</b>	<b>\$ 8,893,018</b>	<b>\$ 7,337,908</b>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<b>2,332</b>	<b>2,205</b>	<b>2,175</b>
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<b>2,247</b>	<b>2,120</b>	<b>2,090</b>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2020	2019	2023	2022	2021	2020	2019
\$ 4,857,476	\$ 4,256,494	91.0 %	97.5 %	99.2 %	97.7 %	96.1 %
50,003	38,205	1.1	1.2	0.6	1.0	0.9
66,097	134,484	7.9	1.3	0.2	1.3	3.0
<u>\$ 4,973,576</u>	<u>\$ 4,429,183</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 104,154	\$ 88,063	2.2 %	2.1 %	2.1 %	2.1 %	2.0 %
1,475,000	1,330,000	34.6	37.9	39.8	29.7	30.0
2,292,820	2,059,269	31.5	34.2	38.0	46.1	46.5
68,004				21.7	1.4	
<u>\$ 3,939,978</u>	<u>\$ 3,477,332</u>	<u>68.3 %</u>	<u>74.2 %</u>	<u>101.6 %</u>	<u>79.3 %</u>	<u>78.5 %</u>
\$ 1,033,598	\$ 951,851	31.7 %	25.8 %	(1.6) %	20.7 %	21.5 %
\$ (2,333,210)	\$					
2,400,000						
<u>66,790</u>	<u>- 0 -</u>					
\$ 1,100,388	\$ 951,851					
5,521,171	4,569,320					
<u>\$ 6,621,559</u>	<u>\$ 5,521,171</u>					
2,173	2,158					
<u>2,093</u>	<u>2,083</u>					

See accompanying independent auditor's report.

**DOWDELL PUBLIC UTILITY DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
SEPTEMBER 30, 2023**

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

District Telephone Number - (713) 652-6500

<b>Board Members</b>	Term of Office (Elected or Appointed)	Fees of Office for year ended September 30, 2023	Expense Reimbursements for the year ended September 30, 2023	Title
Jerry Nelson	05/20 05/24 (Elected)	\$ 5,360	\$ 1,213	President
Allison Copony	05/22 05/26 (Elected)	\$ 6,260	\$ 750	Vice President
James Bertus	05/22 05/26 (Elected)	\$ 3,805	\$ 1,145	Secretary
Robert Johnson	05/22 05/26 (Elected)	\$ 4,989	\$ 2,147	Director
Danny Staab	05/20 05/24 (Elected)	\$ 5,510	\$ 166	Director

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

Submission date of most recent District Registration Form: May 24, 2022

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

See accompanying independent auditor's report.



**DOWDELL PUBLIC UTILITY DISTRICT**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**SEPTEMBER 30, 2023**

<b>Consultants:</b>	<u>Date Hired</u>	<u>Fees for the year ended September 30, 2023</u>	<u>Title</u>
Smith, Murdaugh, Little & Bonham, L.L.P.	11/20/72	\$ 175,742 \$ 274,682	General Counsel Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	09/18/14	\$ 19,000 \$ 23,500	Auditor Bond Related
Myrtle Cruz, Inc.	04/01/98	\$ 36,741	Bookkeeper
Vogler & Spencer Engineering, Inc.	09/16/15	\$ 308,962	Engineer
The GMS Group	02/19/15	\$ 147,975	Financial Advisor
Mary Jarmon		\$ -0-	Investment Officer
Marlon Ivy & Associates	08/23/78	\$ 769,659	Operator
Equi-Tax Inc.	03/14/75	\$ 51,060	Tax Assessor/ Collector

See accompanying independent auditor's report.



**APPENDIX B**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

*(To be included in the Final Official Statement if applicable)*