

PRELIMINARY OFFICIAL STATEMENT DATED JULY 18, 2024

*IN THE OPINION OF BOND COUNSEL, BASED UPON AN ANALYSIS OF EXISTING LAWS, REGULATIONS, RULINGS AND COURT DECISIONS, AND ASSUMING, AMONG OTHER MATTERS, THE ACCURACY OF CERTAIN REPRESENTATIONS AND COMPLIANCE WITH CERTAIN COVENANTS, INTEREST ON THE BONDS IS EXCLUDED FROM GROSS INCOME OF THE OWNERS THEREOF FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW, 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 PURPOSES OF DETERMINING THE ALTERNATIVE MINIMUM TAX IMPOSED ON CORPORATIONS. BOND COUNSEL EXPRESSES NO OPINION REGARDING ANY OTHER TAX CONSEQUENCES RELATED TO THE OWNERSHIP OR DISPOSITION OF, OR THE AMOUNT, ACCRUAL OR RECEIPT OF INTEREST ON, THE BONDS. SEE "TAX MATTERS" HEREIN.*

*The District will **not** designate the Bonds as "qualified tax-exempt obligations" for purposes of the calculation of interest expense by financial institutions which may own the Bonds. See "TAX MATTERS -- NOT Qualified Tax-Exempt Obligations for Financial Institutions."*

NEW ISSUE  
BOOK-ENTRY ONLY  
CUSIP No. 414911

RATING (S&P): "A"

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 119**

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

**\$12,510,000**

**WATERWORKS AND SEWER SYSTEM COMBINATION  
UNLIMITED TAX AND REVENUE BONDS, SERIES 2024**

**Dated Date: November 1, 2024**

**Due: May 1, as shown on inside cover**

The \$12,510,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2024 (the "Bonds") are obligations solely of Harris County Municipal Utility District No. 119 (the "District") and are not obligations of the State of Texas; Harris County, Texas; the City of Houston, Texas; or any other political subdivision or agency. See "THE BONDS--Source of and Security for Payment."

Interest on the Bonds will accrue from November 1, 2024, will be payable May 1, 2025 and each November 1 and May 1 thereafter, until maturity or redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds are issuable only in fully registered form in the principal denominations of \$5,000 or integral multiples thereof initially registered solely in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"), acting as securities depository for the Bonds, until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co. is the registered owner of the Bonds, as nominee for DTC, the Bonds shall be payable to Cede & Co., which will in turn, remit such amount to DTC participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS--Book-Entry-Only System."

Principal of, interest on and the redemption price for the Bonds are payable by The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, or any successor paying agent/registrant (the "Paying Agent/Registrar"). Interest on the Bonds will be payable by check mailed on or before the interest payment date to registered owners shown on the records of the Paying Agent/Registrar on the fifteenth day of the month preceding each interest payment date or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the registered owner at the risk and expense of the registered owner. See "THE BONDS--Description."

SEE INSIDE COVER PAGE FOR MATURITY SCHEDULE

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District and are further payable from a pledge of and lien on certain Net Revenues (as defined herein) of the District's waterworks and sewer system. See "THE BONDS--Source of and Security for Payment." The Bonds are subject to special risk factors described herein. See "RISK FACTORS." **Neither the State of Texas, Harris County, Texas, the City of Houston, Texas, nor any political subdivision other than the District shall be obligated to pay the principal of and interest on the Bonds.**

The Bonds will be delivered when, as, and if issued by the District and accepted by the initial purchaser of the Bonds (the "Underwriter"), subject, amongst other things, to the approval of the Initial Bonds by the Attorney General of the State of Texas and by the approval of certain legal matters by Strawn & Richardson, P.C., Houston, Texas, Bond Counsel. Delivery of the Bonds through the facilities of DTC is expected on November 7, 2024.

***Receiving bids until: October 3, 2024, at 10:00 a.m., Central Time***

This Preliminary Official Statement and the information contained herein are subject to completion or amendment in a Final Official Statement. The Bonds may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell, nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the applicable securities laws of any such jurisdiction. Final written confirmation of the sale shall not be conclusive unless the Final Official Statement is delivered to the purchaser.

## MATURITY SCHEDULE

**Bonds Dated: November 1, 2024**

**Due: May 1, as shown below**

<u><i>Maturity</i></u>	<u><i>Amount</i></u>	<u><i>Interest Rate</i></u>	<u><i>Initial Yield(a)</i></u>	<u><i>Maturity</i></u>	<u><i>Amount</i></u>	<u><i>Interest Rate</i></u>	<u><i>Initial Yield(a)</i></u>
2025	\$135,000	%	%	2038(b)	\$275,000	%	%
2026	135,000			2039(b)	615,000		
2027	130,000			2040(b)	640,000		
2028	225,000			2041(b)	665,000		
2029	225,000			2042(b)	695,000		
2030	235,000			2043(b)	720,000		
2031(b)	240,000			2044(b)	750,000		
2032(b)	250,000			2045(b)	785,000		
2033(b)	255,000			2046(b)	820,000		
2034(b)	260,000			2047(b)	855,000		
2035(b)	265,000			2048(b)	890,000		
2036(b)	270,000			2049(b)	930,000		
2037(b)	275,000			2050(b)	970,000		

(a) Initial yield represents the initial reoffering yield to the public which has been established by the Underwriter for public offerings and which subsequently may be changed. The initial yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date. Accrued interest from November 1, 2024 is to be added to the price.

(b) Bonds maturing on or after May 1, 2031, are subject to redemption prior to maturity at the option of the District, as a whole or from time to time in part, on November 1, 2030 or on any date thereafter, at par plus accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS–Optional Redemption.”

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## USE OF INFORMATION IN OFFICIAL STATEMENT

*For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission ("Rule 15c2-12"), this document may be treated as an "official statement" of the District with respect to the Bonds described herein 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(b)(1).*

*This Official Statement, when further supplemented by adding information specifying the interest rates and certain other information relating to the Bonds, shall constitute a "final official statement" of the District with respect to the Bonds, as that term is defined in Rule 15c2-12.*

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

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 qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the District, c/o Strawn & Richardson, P.C., 1155 Dairy Ashford Road, Suite 875, Houston, Texas 77079-3034 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 as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the condition of the District or other matters described herein since the date hereof. 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 and thereafter only as specified in "PREPARATION OF OFFICIAL STATEMENT-- Updating the Official Statement" and "CONTINUING DISCLOSURE OF INFORMATION."

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this offering document.

## SALE AND DISTRIBUTION OF THE BONDS

### 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 prior to delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has 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 or control regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the sole 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 special district bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional governmental 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 Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other 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 jurisdictions.

### **Underwriter**

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by \_\_\_\_\_ (the "Underwriter") bearing the interest rates shown on the inside cover page hereof, at a price of \_\_\_\_\_% of the principal amount thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of \_\_\_\_\_% as calculated pursuant to Chapter 1204, Texas Government Code, as amended (the "IBA" method).

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 inside cover page hereof. The initial offering price may be changed from time to time by the Underwriter within the guidelines prescribed by applicable laws and regulations of the United States Securities and Exchange Commission.

### **Municipal Bond Rating**

In connection with the sale of the Bonds, the District made application to S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), which has assigned a rating of "A" to the Bonds. An explanation of the significance of such rating may be obtained from S&P. The rating reflects only the view of S&P and the District makes no representation as to the appropriateness of such rating.

The District can make no assurance that the S&P rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P if in the judgment of S&P circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

## SUMMARY

The following information is a summary of certain information contained herein and is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement, reference to which is made for all purposes. This summary should not be detached and should be used in conjunction with more complete information contained herein.

### - The District -

Issuer/Description	Harris County Municipal Utility District No. 119 of Harris County, Texas (the "District") contains approximately 639 acres of land located approximately 10 miles northwest of Houston's central business district and is entirely within the exclusive extraterritorial jurisdiction of the City of Houston (the "City"). Approximately 35% of the taxable property within the District lies within Klein Independent School District and 65% within Aldine Independent School District. See "THE DISTRICT."
Location	The District is located north of and adjacent to the city limits of the City, to the west of Antoine Drive and to the east of North Houston Rosslyn Road.
Authority	The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code, as amended. See "THE DISTRICT—Authority."
Development	As of July 1, 2024, the District has a total of 2,152 equivalent single family connections ("ESFC") to the utility system, including 1,493 completed homes, commercial development including approximately 40 acres of multi-family dwellings totaling 838 units in 7 complexes, four retail shopping centers, one convenience store, two day care centers, one church, two civic association recreation centers, one elementary school (not subject to taxation by the District), office buildings, nine miscellaneous commercial buildings, approximately three acres for a proposed church served with District facilities, and approximately 21 acres of developable commercial acreage.

### - The Bonds -

Description	The \$12,510,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2024 (the "Bonds") are dated November 1, 2024, and bear interest from such date at the rates per annum set forth on the inside cover page hereof, which interest is payable May 1, 2025 and each November 1 and May 1 thereafter until the earlier of maturity or redemption. The Bonds mature serially on May 1 in each of the years 2025 through 2050, both inclusive, in the principal amounts set forth on the inside cover page hereof. The Bonds maturing on or after May 1, 2031, are subject to redemption at the option of the District at par plus any unpaid accrued interest on any date on or after November 1, 2030. See "THE BONDS — Description" and "— Optional Redemption."
Source of Payment	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District and are further payable from a pledge of and lien on certain Net Revenues, if any, of the District's waterworks and sanitary sewer system. The Bonds are obligations of the District and are not obligations of Harris County, Texas; the City of Houston, Texas; the State of Texas; or any political subdivision of the State of Texas other than the District. See "THE BONDS--Source of and Security for Payment."
Use of Proceeds	Proceeds of the Bonds will be used to rehabilitate the District's sanitary sewer system, the wastewater treatment plant, water plant No. 2, and lift stations No. 1 and No. 3; to construct the

City of Houston surface water transmission line; to install generators at lift stations No. 1 and No. 3; to convert water plants No. 1 and No. 2 chlorine treatment to chloramine; to provide for one year's capitalized interest on the Bonds; and to pay the costs of issuance of the Bonds. See "THE BONDS — Use and Distribution of Bond Proceeds."

NOT Qualified Tax

Exempt Obligations The District will NOT designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See "TAX MATTERS--NOT Qualified Tax-Exempt Obligations for Financial Institutions."

Payment Record

The District has never defaulted in the payment of its previously issued bonds. See "DISTRICT DEBT."

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 and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co. and Cede & Co. will make distribution of the amounts so paid to the beneficial owners of the Bonds (see "THE BONDS--Book-Entry Only System").

Bond Counsel

Strawn & Richardson, P.C., Houston, Texas, Bond Counsel. See "LEGAL MATTERS."

Disclosure Counsel

McCall, Parkhurst & Horton, L.L.P., Dallas, Texas.

Financial Advisor

Blitch Associates, Inc., Houston, Texas.

Paying Agent/  
Registrar

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

Municipal  
Bond Rating

The District made application to Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), which has assigned an underlying rating of "A" to the Bonds. See "SALE AND DISTRIBUTION OF THE BONDS--Municipal Bond Rating."

**RISK FACTORS**

THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THE ENTIRE OFFICIAL STATEMENT WITH RESPECT TO THE INVESTMENT SECURITY OF THE BONDS, INCLUDING PARTICULARLY THE SECTION CAPTIONED "RISK FACTORS."

**- Financial Highlights -  
(Unaudited)**

2023 Taxable Assessed Valuation (100% of Market Value)	\$336,956,352	(a)
Direct Debt		
Outstanding Bonds (As of August 1, 2024)	\$3,674,999	
The Bonds	<u>12,510,000</u>	
Total Direct Debt	\$16,184,999	
Estimated Overlapping Debt	<u>17,852,858</u>	(b)
Direct and Estimated Overlapping Debt	<u>\$34,037,857</u>	
Direct Debt Ratios:		
Direct Debt to Value	4.80%	
Direct & Estimated Overlapping Debt to Value	10.10%	
2023 Tax Rate per \$100 of Assessed Value		
Debt Service	\$0.115	
Maintenance	<u>0.283</u>	
Total	<u>\$0.398</u>	
	<b><u>Current</u></b>	<b><u>Total</u></b>
2022 Tax Collection Percentage	94.05%	96.37% (c)
Five-Year Average (2018/2022) Collection Percentage	96.09%	97.46% (c)
Estimated Average Annual Debt Service Requirements (2025/2050)	\$1,146,757	(d)
Estimated Maximum Annual Debt Service Requirements (2025)	\$1,252,400	(d)
Tax Rate Required to pay such Requirements at 98% Collection		
Estimated Average (2024/2050)	\$0.348	
Estimated Maximum (2025)	\$0.380	
Fund Balances as of July 3, 2024 (Cash & Investments)		
General Fund	\$2,322,424	
Debt Service Fund	\$249,479	(e)
Capital Projects Fund	\$100,217	

(a) Certified by the Harris Central Appraisal District (the "Appraisal District"). See "TAX PROCEDURES."

(b) See "DISTRICT DEBT--Estimated Overlapping Debt."

(c) 2023 tax collections still in progress; see "TAX DATA--Tax Collection History."

(d) Such requirements are on the Bonds and the Outstanding Bonds (as defined herein).

(e) At the time of closing, accrued interest from November 1, 2024 to the date of delivery of the Bonds and one year's capitalized interest on the Bonds shall be deposited in the Debt Service Fund. Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Debt Service Fund.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 119**  
**\$12,510,000**  
**WATERWORKS AND SEWER SYSTEM COMBINATION**  
**UNLIMITED TAX AND REVENUE BONDS, SERIES 2024**

This Official Statement of Harris County Municipal Utility District No. 119 (the "District") is provided to furnish certain information with respect to the sale by the District of its \$12,510,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2024 (the "Bonds").

The Bonds are issued pursuant to the Texas Constitution, the general laws of the State of Texas and an order authorizing the issuance of the Bonds (the "Order") adopted by the Board of Directors of the District (the "Board"); Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; and an Order of the Texas Commission on Environmental Quality (the "TCEQ"). See "THE BONDS."

This Official Statement includes descriptions of the Bonds, the Bond Order and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document, copies of which may be obtained by contacting the District, c/o Strawn & Richardson, P.C., 1155 Dairy Ashford Road, Suite 875, Houston, Texas 77079-3034.

**THE BONDS**

**Description**

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order. A copy of the Bond Order may be obtained upon request to the District and payment of the applicable copying charges.

The Bonds will mature on May 1 of the years and in principal amounts, and will bear interest from November 1, 2024, at the rates per annum, set forth on the inside cover page of this Official Statement. Interest on the Bonds will be payable on May 1, 2025 and semiannually thereafter on each November 1 and May 1 until the earlier of maturity or redemption. Principal of and interest on the Bonds will be payable to Cede & Co., as registered owner and nominee of DTC, by the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar"). Cede & Co. will make distribution of the principal and interest so paid to the beneficial owners of the Bonds. For so long as DTC shall continue to serve as securities depository for the Bonds, all transfers of beneficial ownership interest will be made by book-entry only and no investor or other party purchasing, selling or otherwise transferring beneficial ownership of the Bonds is to receive, hold or deliver any Bond certificate.

If at any time, DTC ceases to hold the Bonds as securities depository, then principal of the Bonds will be payable to the registered owner at maturity or redemption upon presentation and surrender at the principal payment office of the Paying Agent/Registrar. Interest on the Bonds will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to the registered owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15<sup>th</sup> day of the month next preceding the interest payment date (the "Record Date").

The Bonds of each maturity will be issued in fully-registered form only in the principal amount or maturity amount of \$5,000 or any integral multiple thereof.

If the specified date for any payment of principal (or redemption price) or interest on the Bonds shall be a Saturday, Sunday or legal holiday or equivalent (other than a moratorium) for banking institutions generally in the City of Houston, Texas, such payment may be made on the next succeeding date which is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payments.

## Use of Proceeds

Proceeds of the Bonds will be used to rehabilitate the District's sanitary sewer system, the wastewater treatment plant, water plant No. 2, and lift stations No. 1 and No. 3; to construct the City of Houston surface water transmission line; to install generators at lift stations No. 1 and No. 3; to convert water plants No. 1 and No. 2 chlorine treatment to chloramine; to provide for one year's capitalized interest on the Bonds; and to pay the costs of issuance of the Bonds.

The estimated costs outlined below have been provided by A&S Engineers, Inc., Houston, Texas, the District's consulting engineer (the "Engineer"), and reflect a portion of those costs approved by the Texas Commission on Environmental Quality ("TCEQ") of a bond issue of \$13,430,000. The Financial Advisor determined that the two years' capitalized interest from Bond proceeds would not be necessary and could be reduced to one year's capitalized interest without affecting the feasibility. The Bonds have been reduced accordingly as shown below.

Non-construction costs are based upon either contract amounts, or estimates of various costs by the Engineer and the Financial Advisor (hereinafter defined). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds. *Amounts indicated may not add due to rounding.*

The estimated costs outlined below have been provided by A&S Engineers, Inc., Houston, Texas, the District's consulting engineer (the "Engineer"), and reflect those costs approved by the TCEQ. *Amounts indicated below may not add due to rounding.*

<b>Construction Costs</b>	<b><u>As Approved</u></b>	<b><u>Less</u></b>	<b><u>The Bonds</u></b>
Sanitary Sewer Rehabilitation	\$1,233,000		\$1,233,000
Wastewater Treatment Plant Rehabilitation	3,301,000		3,301,000
Water Plant No 2 and Lift Stations 1 & 3 Rehabilitation	370,000		370,000
City of Houston GRP Transmission Line	4,228,000		4,228,000
Lift Stations No. 1 & No. 3 Generators	501,000		501,000
Water Plants 1 & 2 Chloramine Conversion	<u>1,210,000</u>		<u>1,210,000</u>
Total Construction Costs	\$10,843,000		\$10,843,000
<b>Non-Construction Costs</b>			
Financial Advisor Fee	\$164,300	(\$9,200)	\$155,100
Bond Counsel	268,600	(18,400)	250,200
Bond Discount (3.00%)	402,900	(27,600)	375,300
Capitalized Interest	1,611,600	(861,000)	750,600
TCEQ Fee (0.25%)	33,575	(2,300)	31,275
Attorney General Fee	9,500	0	9,500
Bond Application Report	50,000	0	50,000
Costs of Issuance	<u>46,525</u>	<u>(1,500)</u>	<u>45,025</u>
Total Non-Construction Costs	<u>\$2,587,000</u>	<u>(\$920,000)</u>	<u>\$1,667,000</u>
<b>The Bonds</b>	<b><u>\$13,430,000</u></b>	<b><u>(\$920,000)</u></b>	<b><u>\$12,510,000</u></b>

In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved by the TCEQ. In the instance that actual costs exceed previously approved estimated

amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required. The Engineer has advised the District that the proceeds of the sale of the Bonds should be sufficient to pay the costs of the above-described facilities; however, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

### **Book-Entry-Only System**

*This section describes how ownership of the Bonds are to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC, while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District 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 Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.*

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

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

Purchases of Bonds under the DTC system must be made by or through DTC Participants, which will receive a credit for such purchases on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct or 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 interest in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of

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

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

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

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

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

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

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

### **Registration and Transfer**

The Bonds will be transferable only on the bond register kept by the Paying Agent/Registrar upon surrender and reissuance. The Bonds are exchangeable for an equal aggregate principal of Bonds of the same maturity and of any authorized denomination upon surrender of the Bonds to be exchanged at the principal office of the Paying Agent/Registrar in Dallas, Texas. No service charge will be made for any registration, transfer or exchange of Bonds, 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 issue, transfer or exchange any Bond during the period beginning at the opening of business on a Record Date and ending at the close

of business on the next succeeding interest payment date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning 15 calendar days prior to the date of the first mailing of any notice of redemption and ending at the close of business on the date of such mailing, or to transfer or exchange any Bond called for redemption during the thirty (30) day period prior to the date fixed for redemption of such Bond.

### **Optional Redemption**

The District reserves the right, at its option, to redeem the Bonds maturing on and after May 1, 2031, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof on November 1, 2030, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. If fewer than all of the Bonds are to be optionally redeemed, the particular maturities and amounts of Bonds to be redeemed shall be selected by the District. If fewer than all of the Bonds of a certain maturity are to be redeemed, the Paying Agent/Registrar shall select by lot those Bonds to be redeemed (or such Bonds shall be selected by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

At least thirty (30) days prior to the date fixed for any such redemption a written notice of such redemption shall be given to the registered owner of each Bond or a portion thereof being called for redemption by depositing such notice in the United States mail, first class, postage prepaid, addressed to each such registered owner at his address shown on the registration books of the Paying Agent/Registrar; provided, however, that the failure to receive such notice shall not affect the validity or effectiveness of the proceedings for the redemption of any Bond. By the date fixed for any such redemption due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or the portions thereof which are to be so redeemed, plus accrued interest to the date fixed for redemption. If a portion of any Bond shall be redeemed, a substitute Bond having the same maturity date, bearing interest at the same rate, in any integral multiple of \$5,000, and in aggregate principal amount equal to the unredeemed position thereof, will be issued to the registered owner upon the surrender of the Bonds being redeemed, at the expense of the District, all as provided for in the Bond Order.

### **Ownership**

The District, the Paying Agent/Registrar and any agent of either may treat the person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of receiving payment of the principal and the interest thereon, and for all other purposes, whether or not such Bond is overdue. Neither the District, the Paying Agent/Registrar nor any agent of either shall be bound by any notice or knowledge to the contrary. All payments made to the person deemed to be the owner of any Bond in accordance with the Bond Order shall be valid and effective and shall discharge the liability of the District and the Paying Agent/Registrar for such Bond to the extent of the sums paid.

### **Source of and Security for Payment**

The Bonds (together with the Outstanding Bonds (hereinafter defined) and any additional combination unlimited tax and revenue bonds as may hereafter be issued by the District) are payable as to principal and interest from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against taxable property within the District and are further payable from a pledge of and lien on certain Net Revenues, if any, of the District's System (herein defined).

#### **- Tax Pledge -**

The Board covenants in the Bond Order that, while any of the Bonds are outstanding and the District is in existence, it will levy an annual ad valorem tax, without legal limit as to rate or amount, and will undertake to collect such a tax, against taxable property within the District at a rate from year to year sufficient, with full allowance being made for anticipated delinquencies, together with revenues and receipts from other sources which are legally available for such purposes, to pay interest on the Bonds, the Outstanding Bonds (hereinafter defined) and any additional bonds payable from taxes, as it becomes due, to provide for the payment of principal when due or the redemption price at any earlier redemption date and to pay the expenses of assessing and collecting such tax. The net proceeds from taxes levied to pay debt service on the Bonds are required to be placed in a special account or accounts of the District designated as a "Debt

Service Fund." Currently the District has a single Debt Service Fund into which it deposits all of its ad valorem tax revenue designated for debt service payments and out of which it pays all of its debt service requirements when due on all of its parity bonds which include the Bonds, the Outstanding Bonds and any future parity bonds issued by the District.

#### **- Net Revenues Pledge -**

Net Revenues of the System are pledged and assigned in the Bond Order to the payment of the Bonds, the Remaining Outstanding Bonds and any future tax and revenue bonds or revenue bonds issued by the District, all equally and ratably. "Net Revenues" are defined in the Bond Order as all income or increment which may grow out of ownership and operation of the District's plants, facilities and improvements, less such portion of such revenue income as reasonably may be required to provide for the administration of the District and for the efficient operation and adequate maintenance of such plants, facilities and improvements and which may be derived from contracts with persons, private corporations, municipalities or political subdivisions, which, under the terms of the authorizing resolutions or orders may be pledged for the requirements of the District's revenue bonds issued particularly to finance the facilities needed in performing any such contracts. The District has never realized sufficient Net Revenues to apply to the payment of its previously-issued bonds and does not currently anticipate using any Net Revenues for payment of the Bonds. Information with respect to revenue and expenses of the District is included in the Financial Statements of the District included as "APPENDIX A."

#### **Replacement of Paying Agent/Registrar**

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

#### **Authority for Issuance**

The District has issued eleven installments of unlimited tax and revenue bonds out of \$41,100,000 authorized at elections held within the District for that purpose on April 10, 1974, November 8, 1975, April 3, 1982, June 15, 1985 and May 14, 2011. Following issuance of the Bonds, an aggregate of \$7,585,000 principal amount of unlimited tax and revenue bonds will remain authorized but unissued. See "Issuance of Additional Debt."

The Bonds are issued pursuant to the Texas Constitution, the general laws of the State of Texas and an order authorizing the issuance of the Bonds (the "Order") adopted by the Board of Directors of the District (the "Board"); Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; and an order of the TCEQ./

#### **Outstanding Debt**

In addition to previous issues of bonds which issues have been paid or refunded, the District has also previously issued its \$1,970,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2015 (the "Series 2015 Bonds") and its \$3,329,999 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2021 (the "Series 2021 Bonds").

As of August 1, 2024, \$610,000 of the Series 2015 Bonds and \$3,064,999 of the Series 2021 Bonds remain outstanding (collectively, the "Outstanding Bonds").

The District has timely made all payments due on the Outstanding Bonds.

### **Issuance of Additional Debt**

The District may issue additional bonds, with the approval of the Texas Commission on Environmental Quality (the “TCEQ”), to provide those improvements for which the District was created. After the sale of the Bonds, the District has \$7,585,000 of unlimited tax and revenue bonds authorized by the District’s voters but unissued. The District does not expect to sell additional bonds within the next twelve months.

According to the District’s Engineer, the remaining authorized but unissued bonds will be sufficient to extend the utility system to the remaining undeveloped acres within the District. Depending upon the rate of development and increases in assessed valuation of taxable property within the District and the amount, maturity schedule and time of issuance of such additional bonds, increases in the District’s annual tax rate may be required to provide for the payment of the principal of and interest on such additional bonds, the Outstanding Bonds and the Bonds. Additional tax bonds and/or tax and revenue bonds may be voted in the future. The Board is further empowered to borrow money for any lawful purpose and pledge the revenues of the waterworks and sewer system therefor and to issue bond anticipation notes and tax anticipation notes.

The Bond Order imposes no limitation on the amount of additional bonds which may be issued by the District. Any additional bonds issued by the District may be on a parity with the Bonds, and may dilute the security of the Bonds.

### **Defeasance**

The Bond Order provides that the obligation of the District to make money available to pay the principal of and interest on the Bonds may be terminated by the deposit of money and/or non-callable direct or indirect obligations of the United States of America, sufficient for such purpose, in the manner described in the Bond Order.

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

The District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or 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.

### **Annexation and Consolidation**

The District is located entirely within the extraterritorial jurisdiction of the City of Houston, Texas (the “City”). Under Texas law, a municipality may annex a district with a population of 200 residents or more only if: (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% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation. Notwithstanding the foregoing, a municipality may annex an area if each owner of land in the area requests annexation. As of the date hereof, the District had an estimated population in excess of 200 residents, thus triggering the voter approval and/or landowner consent requirements discussed above. The described election and petition process does not apply, however, during the term of a strategic partnership agreement between a municipality and a district specifying the procedures for annexation of all or a portion of the District.

The District has the right to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water and sewer system with the water and sewer systems of the district or districts with which it is consolidating. Should any such consolidation occur, the net revenues from the operation of the consolidated system would be applied to the payment of principal, interest, redemption price and bank charges on the combination waterworks and sewer system combination unlimited tax and revenue bonds of the District, if any, and of the district or districts with which the District is consolidated without prejudice to any series of bonds, except that bonds with subordinate liens on net revenues

shall continue to be subordinate. No representations are made that the District will ever consolidate its utility system with other systems.

### **Strategic Partnership**

The District and the City entered into a strategic partnership agreement (“SPA”) on May 8, 2012, effective for a thirty year term, subject to the default provisions therein. The SPA is permitted under state law for the limited purpose annexation by the City of certain commercial property within the District. The SPA requires the City to impose a one percent (1%) sales and use tax within the annexed tract, the proceeds of which shall be equally shared between the City and the District. The District can make no representation as to the effect of such receipts on the finances of the District. In addition, the City may not annex for full purposes any part of the District during the effective term of the SPA and the District remains authorized to exercise all powers and functions of a municipal utility district provided by existing law or any amendments or additions thereto. At the end of the term of the SPA, the parties may agree to extend the SPA, allow the SPA to expire or the City may annex the entire District for full purposes. Amounts received by the District pursuant to the SPA are not pledged to the payment of the Bonds.

### **Amendments to the Bond Order**

The District may, without the consent of or notice to any registered owners, amend the Bond Order in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency or formal defect or omission therein. In addition, the District may, with the written consent of the registered owners of a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to or rescind any of the provisions of the Bond Order; provided that, without the consent of the registered owners of all of the Bonds affected, no such amendment, addition or rescission may (a) extend the time or times of payment of the principal of and interest (or accrual of interest) on the Bonds, or reduce the principal amount thereof or the rate of interest thereon or in any other way modify the terms of payment of the principal of or interest on the Bonds, (b) give preference of any Bond over any other Bond, or (c) extend any waiver of default to subsequent defaults. In addition, a state, consistent with federal law, may in the exercise of its police power make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of a political subdivision as are reasonable and necessary for attainment of an important public purpose.

### **Registered Owners’ Remedies and Effects of Bankruptcy**

The Bond Order provides that, in the event the District defaults in the observance or performance of any covenant in the Bond Order, including payment when due of the principal of and interest on the Bonds, any registered owner may apply for a writ of mandamus from a court of competent jurisdiction requiring the Board or other officers of the District to observe or perform any covenants, obligations or conditions prescribed by the Bond Order. Such right is in addition to other rights of the registered owners of the Bonds that may be provided by the laws of the State of Texas.

The Bond Order does not provide additional remedies to a registered owner. Specifically, the Bond Order does not provide for appointment of a trustee to protect and enforce the interests of the registered owners or for the acceleration of maturity of the Bonds upon the occurrence of a default in the District's obligations. Consequently, the remedy of mandamus may have to be relied upon from year to year by the registered owners.

Under Texas law, no judgment obtained against the District may be enforced by execution or a levy against the District's public purpose property. The registered owners cannot themselves foreclose on taxable property within the District or sell property within the District in order to pay principal of and interest on the Bonds. In addition, the enforceability of the rights and remedies of the registered owners may be subject to limitation pursuant to federal bankruptcy laws or other similar laws affecting the rights of creditors of political subdivisions.

## **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. Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946, if the District: (1) is generally authorized to file for federal bankruptcy protection by State law; (2) is insolvent or unable to meet its debts as they mature; (3) desires to effect a plan to adjust such debt; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, a municipal utility district such as the District must obtain approval of the TCEQ prior to filing for bankruptcy. The TCEQ must investigate the financial condition of the District and will authorize the District to proceed only if the TCEQ determines that 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.

If the District decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the District would develop and file a plan for the adjustment of its debts, and the Bankruptcy Court would confirm the District's plan if: (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code; (2) all payments to be made in connection with the plan are fully disclosed and reasonable; (3) the District is not prohibited by law from taking any action necessary to carry out the plan; (4) administrative expenses are paid in full; and (5) the plan is in the best interests of creditors and is feasible. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a registered owner 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 such registered owner's claim against the District.

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

Pursuant to Chapter 1201, Texas Government Code, and Section 49.186 Texas Water Code, the Bonds, whether rated or unrated, are (a) legal investments for banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and (b) legal investments and lawful security for the public funds of the State, and all agencies, subdivisions, and instrumentalities of the State, including all counties, cities, towns, villages, school districts, and other political subdivisions or public agencies of the State of Texas. The Bonds are also eligible under the Public Funds Collateral Act, Chapter 2257, Texas Government Code, to secure deposits of public funds of the State of Texas or any political subdivision or public agency of the State of Texas and are lawful and sufficient security for those deposits to the extent of their market value.

Most political subdivisions in the State of Texas are required to adopt investment guidelines under the Public Funds Investment Act, Chapter 2256, Texas Government Code, and such political subdivisions may impose a requirement consistent with such act that the Bonds have a rating of not less than "A" or its equivalent to be legal investments for such entity's funds. The District makes no representation that the Bonds will be acceptable to banks, savings and loan associations or public entities for investment purposes or to secure deposits of public funds. The District has made no investigation of other laws, regulations or investment criteria which might apply to or otherwise limit the suitability of the Bonds for investment or collateral purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds as to the suitability of the Bonds for investment or collateral purposes.

## **THE DISTRICT**

### **Authority**

The District is vested with all of the rights, privileges, authority, and functions conferred by the general laws of the State applicable to municipal utility districts, including without limitation those conferred by Chapters 49 and 54, Texas Water Code, as amended. The District is empowered to purchase, construct, operate, acquire, own, and maintain all water and

wastewater facilities, improvements and the control and diversion of storm water. The District is additionally empowered to establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, and to issue bonds for such purposes, after approval by the City of Houston and the TCEQ and the District's voters of the District's plans in such regard. The District is subject to the continuing supervisory jurisdiction of the TCEQ.

**Description**

The District lies entirely within Harris County, Texas, and the exclusive extraterritorial jurisdiction of the City of Houston (the “City”). All of the property within the District lies within either Klein Independent School District or Aldine Independent School District. The District contains approximately 639 acres. The District is located north of and adjacent to the city limits of the City, to the west of Antoine Drive and to the east of North Houston Rosslyn Road, approximately 10 miles from the Houston Central Business District.

According to the District’s Engineer, the land within the District is relatively flat, sloping gradually from northwest to southeast. Land elevations in the District range from approximately 102 feet above mean sea level (“msl”) to approximately 82 feet above msl. The current Flood Insurance Rate Map (“FIRM”) dated June 9, 2014, shows a portion of the District, approximately 14.3 acres of developed property, within the 100 year flood plain. Such acreage includes approximately 2.0 acres of multifamily residential, 6.2 acres of commercial property and approximately 6.1 acres of drainage channels and roadways. The current FIRM is a result of information incorporated following revision to the Tropical Storm Allison data.

**Management of the District**

The District is governed by the Board of Directors, consisting of five directors, which has management control over and management supervision of all affairs of the District. Directors are elected to serve four-year staggered terms. Elections are held within the District in November of each even-numbered year. The current members and officers of the Board are as follows:

<u>Name</u>	<u>Title</u>	<u>Term Expires November</u>
F Daniel Rodriguez	President	2024
Eliza Stein	Vice President	2026
Victoria McNeely	Secretary	2026
Kenneth Tatum	Assistant Secretary	2024
Benjamin J Busbee	Assistant Secretary	2024

The District has no employees but contracts for the services indicated below:

**Auditor** - The District’s audited financial statements for the year ended June 30, 2023 were prepared by Mark C. Eyring CPA, PLLC, Stafford, Texas. A copy of such audit appears herein as Appendix A.

**Bond Counsel and General Counsel** - The District has engaged Strawn & Richardson, P.C., Houston, Texas, as Bond Counsel in connection with the issuance of the Bonds. 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 Bonds actually issued and sold; and therefore, such fees are contingent on the sale and delivery of the Bonds. In addition, Strawn & Richardson P.C. serves as general counsel to the District on matters other than the issuance of bonds. See "LEGAL MATTERS."

**Disclosure Counsel** - McCall, Parkhurst & Horton L.L.P., Dallas, Texas

**Bookkeeper** - The District's bookkeeper is Myrtle Cruz, Inc., Houston, Texas.

**Financial Advisor** - The District's financial advisor is Blich Associates, Inc., Houston, Texas ("Blich").

**Engineer** - The consulting engineer for the District is A&S Engineers, Inc., Houston, Texas.

**Operator** - The District's System is operated by Regional Water Corporation, Houston, Texas.

**Tax Assessor/Collector** - The District's Tax Assessor/Collector is Utility Tax Service, LLC, Houston, Texas.

**Previous Financial Advisor** - The District's previous financial advisor was Carlin Short ("Short"), with whom Blich had been discussing the sale of Short's financial advisory business for several years. By Fall 2012, Blich and Short had come to an agreement whereby Short would recommend to his water district clients that Blich replace him as financial advisor. Since such replacement requires specific approval by each board of directors, there was no certainty that each such replacement would ensue. Consequently, in order to arrive at a sale price, it was agreed that Short (or in the case of his death, his heir) would receive 50% of the financial advisory fees from bond sales received by Blich from Short's previous water district clients. Accordingly, 50% of the fee generated from the sale of the Bonds will be forwarded to Short's heir.

### **Status of Development**

Approximately 382.681 acres within the District have been developed into 1,493 single-family lots, 40.412 acres have been developed into multi-family residential projects with 421 units, and 138.340 acres have been developed into commercial properties with 28 connections and a small number of multi-family units, church, commercial and school. Of the remaining acreage in the District, approximately 20.509 acres are developable but currently undeveloped and approximately 56.995 acres are designated for District facilities, drainage and detention.

Following is a current breakdown of the land within the District, its present or intended use, and its equivalent single family connections ("ESFC"):

<u><i>Complete or Future Development</i></u>	<u><i>Acreage</i></u>	<u><i>ESFC</i></u>
Inwood, Sections 1/3, 7 & 8	246.724	847
Parkland Place, Sections 1/3	46.125	234
Inwood Court, Section 1	3.124	32
Inwood Northwest, Sections 1/4	76.975	351
Inwood Club Estates, Sections 1 & 2	7.326	27
Individual Homes	2.407	2
Inwood Meadows Apartments	2.567	20
Townhomes along West Mount Houston Road	4.410	30
Timbers of Inwood Apartments	11.921	166
Townhomes along West Gulf Bank Road	0.946	7
Inwood Village Townhomes	1.917	24
Inwood Grove Apartments	15.652	143
Inwood Pines Condos	2.999	31
Commercial Development	<u>138.340</u>	<u>233</u>
Subtotal	<u>561.433</u>	<u>2,147</u>









**DISTRICT DEBT**

**Debt Statement**

2023 Taxable Assessed Valuation (100% of Market Value)	\$336,956,352	(a)
Direct Debt		
Outstanding Bonds (As of August 1, 2024)	\$3,674,999	
The Bonds	<u>12,510,000</u>	
Total Direct Debt	\$16,184,999	
Estimated Overlapping Debt	<u>17,852,858</u>	(b)
Direct and Estimated Overlapping Debt	<u>\$34,037,857</u>	
Direct Debt Ratios:		
Direct Debt to Value	4.80%	
Direct & Estimated Overlapping Debt to Value	10.10%	
Estimated Average Annual Debt Service Requirements (2025/2050)	\$1,146,757	(c)
Estimated Maximum Annual Debt Service Requirements (2025)	\$1,252,400	(c)
Fund Balances as of July 3, 2024 (Cash & Investments)		
General Fund	\$2,322,424	
Debt Service Fund	\$249,479	(d)
Capital Projects Fund	\$100,217	

(a) Certified by the Appraisal District. See "TAX PROCEDURES."

(b) See "DISTRICT DEBT--Estimated Overlapping Debt."

(c) Such requirements are on the Bonds and the Outstanding Bonds (as defined herein).

(d) At the time of closing, accrued interest from November 1, 2024 to the date of delivery of the Bonds and one year's capitalized interest on the Bonds shall be deposited in the Debt Service Fund. Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Debt Service Fund.

## Estimated Overlapping Debt

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities within which the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District. This information is based upon data secured from the individual jurisdiction and/or the Texas Municipal Reports. Such figures do not indicate the tax burden levied by the applicable taxing jurisdictions for operation and maintenance or for other purposes. See "TAX DATA--Estimated Overlapping Taxes."

<u>Jurisdiction</u>	<u>Debt As Of August 1, 2024</u>	<u>Overlapping Percent</u>	<u>Overlapping Amount</u>
Aldine Independent School District	\$1,235,855,000	0.397%	\$4,906,344
Harris County (a) (b)	1,994,511,319	0.052%	1,037,146
Harris Co. Department of Education	28,960,000	0.052%	15,059
Harris Co. Flood Control District	991,095,000	0.052%	515,369
Harris Co. Hospital District	65,285,000	0.052%	33,948
Klein Independent School District	1,381,135,000	0.763%	10,538,060
Lone Star College System	537,010,000	0.109%	585,341
Port of Houston Authority	426,134,397	0.052%	<u>221,590</u>
Estimated Overlapping Debt			\$17,852,858
The District (includes the Bonds)			<u>16,184,999</u>
Total Direct & Estimated Overlapping Debt			<u>\$34,037,857</u>

(a) Includes \$130,635,000 Toll Tax and Subordinate Lien Road Bonds, which have historically been paid from toll road revenues and not ad valorem taxes.

(b) Includes \$285,365,000 Flood Control Contract Bonds, payable from Harris County tax funds.

**Pro-Forma Debt Service Schedule**

The following sets forth the debt service requirements on the District's Outstanding Bonds and, assuming an interest rate of 6.00%, that on the Bonds. (Note: Totals may not add due to rounding)

<u>Year</u>	<u>Outstanding Debt Service</u>	<u>The Bonds Principal</u>	<u>The Bonds Interest</u>	<u>The Bonds Total D/S</u>	<u>Grand Total Debt Service</u>
2024	\$361,425				\$361,425
2025	361,150	\$135,000	\$746,250	\$891,250	1,252,400
2026	365,400	135,000	738,450	873,450	1,238,850
2027	374,000	130,000	730,500	860,500	1,234,500
2028	288,125	225,000	719,850	944,850	1,232,975
2029	291,900	225,000	706,350	931,350	1,223,250
2030	294,113	235,000	692,550	927,550	1,221,663
2031	295,638	240,000	678,300	918,300	1,213,938
2032	291,813	250,000	663,600	913,600	1,205,413
2033	297,250	255,000	648,450	903,450	1,200,700
2034	301,850	260,000	633,000	893,000	1,194,850
2035	306,250	265,000	617,250	882,250	1,188,500
2036	310,450	270,000	601,200	871,200	1,181,650
2037	314,450	275,000	584,850	859,850	1,174,300
2038	323,200	275,000	568,350	843,350	1,166,550
2039	0	615,000	541,650	1,156,650	1,156,650
2040	0	640,000	504,000	1,144,000	1,144,000
2041	0	665,000	464,850	1,129,850	1,129,850
2042	0	695,000	424,050	1,119,050	1,119,050
2043	0	720,000	381,600	1,101,600	1,101,600
2044	0	750,000	337,500	1,087,500	1,087,500
2045	0	785,000	291,450	1,076,450	1,076,450
2046	0	820,000	243,300	1,063,300	1,063,300
2047	0	855,000	193,050	1,048,050	1,048,050
2048	0	890,000	140,700	1,030,700	1,030,700
2049	0	930,000	86,100	1,016,100	1,016,100
2050	<u>0</u>	<u>970,000</u>	<u>29,100</u>	<u>999,100</u>	<u>999,100</u>
	<u>\$4,777,013</u>	<u>\$12,510,000</u>	<u>\$12,890,100</u>	<u>\$25,400,100</u>	<u>\$30,177,113</u>

Estimated Average Annual Debt Service (2025/2050) \$ 1,146,757  
 Estimated Maximum Annual Debt Service (2025) \$ 1,252,400

## Historical Operations of the Debt Service Fund

The following statement sets forth in condensed form the historical operations of the District's Debt Service Fund. Such information has been prepared based upon information obtained from the District's audited financial statements, reference to which is made for further and complete information.

	<i><b>Fiscal Year Ended June 30,</b></i>				
	<u><b>2023</b></u>	<u><b>2022</b></u>	<u><b>2021</b></u>	<u><b>2020</b></u>	<u><b>2019</b></u>
Revenues					
Property Taxes	\$337,228	\$335,580	\$376,561	\$353,268	\$356,154
Penalty & Interest	22,738	21,267	21,191	12,035	12,880
Other	<u>11,279</u>	<u>622</u>	<u>193</u>	<u>3,405</u>	<u>5,752</u>
Total Revenues	\$371,245	\$357,469	\$397,945	\$368,708	\$374,786
Expenditures					
Principal Paid	\$255,000	\$250,000	\$205,000	\$190,000	\$190,000
Interest Paid	102,825	102,390	179,511	185,211	190,911
Cost of Collection	<u>45,753</u>	<u>46,155</u>	<u>44,477</u>	<u>36,471</u>	<u>39,362</u>
Total Expenses	<u>\$403,578</u>	<u>\$398,545</u>	<u>\$428,988</u>	<u>\$411,682</u>	<u>\$420,273</u>
Net Tax Revenues	(\$32,333)	(\$41,076)	(\$31,043)	(\$42,974)	(\$45,487)
Fund Balance, July 1	292,144	326,450	357,493	400,467	445,954
Net Proceeds, Refunding	<u>0</u>	<u>6,770</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, June 30	\$259,811	\$292,144	<u>\$326,450</u>	<u>\$357,493</u>	<u>\$400,467</u>
Ending Cash/Investments	<u>\$306,834</u>	<u>\$307,999</u>	<u>\$371,624</u>	<u>\$371,558</u>	<u>\$407,460</u>

## TAX PROCEDURES

### Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Bonds and any additional bonds payable from taxes which the District may hereafter issue (see "RISK FACTORS – Future Debt"), and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year to year as described more fully above under "THE BONDS – Source of and Security for Payment." Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District and the System and for the payment of certain contractual obligations. At an election held within the District on May 14, 2011, the voters in the District authorized the levy of a maintenance and operation tax not to exceed \$0.95 per \$100 valuation. Currently, a maintenance and operation tax of \$0.283 per \$100 assessed value is levied within the District.

### Property Tax Code and County-Wide Appraisal Districts

Title I of the Texas Tax Code (the "Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Tax Code are complex and are not fully summarized here. The Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes

in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Appraisal District has the responsibility of appraising property for all taxing units within the County including the District. Such appraisal values will be subject to review and change by the Harris Central Appraisal Review Board (the "Appraisal Review Board").

Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Absent any such appeal, the appraisal roll, as prepared by the Appraisal District and approved by the Appraisal Review Board, must be used by each taxing jurisdiction in establishing its tax roll and tax rate. 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 the Appraisal District.

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

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District. The District currently grants a \$20,000 homestead exemption to persons who are 65 years of age or older and to disabled homestead owners. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. This exemption will also apply to a residence homestead that was donated by a charitable organization at some cost to such veterans. Also, the surviving spouse of a member of the armed forces who was killed in action is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption may be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

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

has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

Residential Homestead Exemption: The Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than \$5,000 if any exemption is granted, from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. The District currently grants a twenty percent (20%) homestead exemption.

Freeport Goods Exemption: A “Freeport Exemption” applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A “Goods-in-Transit” Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2012 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2013 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

### **Tax Abatement**

The County or the City may designate all or part of the area within the District as a reinvestment zone. Thereafter, the City (after annexation of the land within the District), the County, and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. Currently, no part of the District has been designated as a reinvestment zone.

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

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Assessments under the Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements to the

property. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. The Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

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

### **District and Taxpayer Remedies**

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a petition for review in district court within forty-five (45) days after notice is received that a final order has been entered. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to comply with the Tax Code. The District may challenge the exclusion of property from the appraisal rolls or the grant, in whole or in part, of an exemption.

Texas law provides for notice and hearing procedures prior to the adoption of an ad valorem tax rate by the District. Additionally, under certain circumstances, an election would be required to determine whether to approve the adopted total tax rate. See "Rollback of Operation and Maintenance Tax Rate." The Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

### **Agricultural, Open Space, Timberland and Inventory Deferment**

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

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

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before

February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The 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 by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement in writing and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in equal monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continues to accrue during the period of deferral.

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

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

#### *Special Taxing Units*

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

#### *Developed Districts*

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

Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

#### *Developing Districts*

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

#### *The District*

A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. For the 2024 tax rate, a determination was made by the District's Board of Directors that the District be classified as a Developed District. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

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

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year in which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all 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 the tax liens of other such taxing units. A tax lien on real property takes priority over the claims of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within two years for residential and agricultural property and six months for commercial property and all other types of property after the purchaser's deed at the foreclosure sale is filed in the county records.

#### **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 and owners of property owned or leased by a business entity with not more in gross receipts than the amount calculated by Section 31.032(h) of the Tax Code located within a natural disaster area whether or not the property was 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.

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

The Texas Tax Code provides that the governing body of a taxing unit located within an area declared to be a disaster area by the governor of the State of Texas may authorize reappraisal of all property damaged in the disaster at its market value immediately after the disaster. 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 of that year. Beginning on the date of the disaster and for the remainder of the year, the taxing unit assesses taxes on the reappraised market value of the property.

**TAX DATA**

**General**

All taxable property within the District is subject to the assessment, levy and collection by the District of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Outstanding Bonds, the Bonds, and any future tax-supported bonds which may be issued from time to time as may be authorized. Taxes are levied by the District each year against the District’s assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal and interest on the Bonds when due. The actual rate of such tax will be determined from year to year as a function of the District’s tax base, its debt service requirements and available funds.

**Tax Collection History**

The following table indicates the collection history for taxes assessed by the District:

<i><u>Tax Year</u></i>	<i><u>Taxable Valuation</u></i>	<i><u>D/S Rate</u></i>	<i><u>M&amp;O Rate</u></i>	<i><u>Total Rate</u></i>	<i><u>Tax Levy</u></i>	<i><u>Percent Current</u></i>	<i><u>Percent Total</u></i>	<i><u>FYE June 30</u></i>
2008	\$203,910,329	\$0.310	\$0.150	\$0.460	\$944,244	96.87%	99.81%	2009
2009	192,644,748	0.310	0.150	0.460	890,874	96.93%	98.73%	2010
2010	176,541,128	0.310	0.150	0.460	813,305	97.28%	100.18%	2011
2011	178,767,087	0.220	0.240	0.460	823,086	97.39%	99.49%	2012
2012	166,558,661	0.190	0.280	0.470	784,416	96.94%	99.71%	2013
2013	160,587,119	0.239	0.276	0.515	834,960	97.52%	100.53%	2014
2014	177,917,866	0.214	0.271	0.485	869,255	97.39%	99.04%	2015
2015	182,601,664	0.171	0.314	0.485	887,140	97.57%	98.90%	2016
2016	189,108,856	0.191	0.270	0.461	888,499	98.50%	100.66%	2017
2017	194,951,299	0.187	0.274	0.461	904,438	97.54%	100.07%	2018
2018	201,240,704	0.179	0.281	0.460	934,979	97.58%	97.91%	2019
2019	210,663,724	0.171	0.294	0.465	984,076	96.38%	97.45%	2020
2020	239,225,369	0.155	0.283	0.438	1,072,767	96.45%	99.02%	2021
2021	257,703,242	0.134	0.283	0.417	1,080,493	98.98%	96.56%	2022
2022	300,465,551	0.115	0.292	0.407	1,233,568	94.05%	96.37%	2023
2023	336,956,352	0.115	0.283	0.398	1,341,087	96.43%	97.89%	2024 (a)

(a) Collections from October 1, 2023 to July 30, 2024.

**Estimated Overlapping Taxes**

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, a lien is created upon property as of January 1 for each taxing authority. A tax lien on property in favor of the District is on a parity with tax liens of other state and local taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonds issued by the District and other taxing jurisdictions, certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below are the 2023 tax rates per \$100 of assessed valuation levied by jurisdictions within which the District is included:

<u><b>Taxing Authority</b></u>	<u><b>2023 Tax Rates</b></u>	
	<u><b>Aldine ISD</b></u>	<u><b>Klein ISD</b></u>
Aldine Independent School District	\$1.036300	
Harris County	0.350070	\$0.350070
Harris County Department of Education	0.004800	0.004800
Harris County Emergency Services District No. 1	0.082838	0.082838
Harris County Emergency Services District No. 20	0.100000	0.100000
Harris County Flood Control District	0.031050	0.031050
Harris County Hospital District	0.143430	0.143430
Klein Independent School District		1.031600
Lone Star College System	0.107600	0.107600
Near Northwest Management District	(a)	(a)
Port of Houston Authority	<u>0.005740</u>	<u>0.005740</u>
Total Tax Rate per \$100 Assessed Valuation	\$1.861828	\$1.857128
The District	<u>0.398000</u>	<u>0.398000</u>
Total Direct and Overlapping Tax Rate	<u>\$2.259828</u>	<u>\$2.255128</u>

(a) Taxes for this entity are levied upon commercial property only; residential property is not taxed. The tax rate for 2023 was \$0.139.

**Analysis of Tax Base**

Based on information provided to the District by its Tax Assessor/Collector, the following represents the composition of property comprising the tax roll valuations for each of the years indicated:

	<u>2023 Amount</u>	<u>2023 %'s</u>	<u>2022 Amount</u>	<u>2022 %'s</u>
Land	\$108,417,942	26.37%	\$77,268,175	21.07%
Improvements	293,471,756	71.39%	280,511,837	76.49%
Personal Property	<u>9,211,384</u>	2.24%	<u>8,932,304</u>	2.44%
Subtotal	\$411,101,082		\$366,712,316	
Less: Exemptions (a)	<u>(74,144,730)</u>		<u>(67,382,667)</u>	
Total Taxable Value	<u>\$336,956,352</u>		<u>\$299,329,649</u>	
	<u>2021 Amount</u>	<u>2021 %'s</u>	<u>2020 Amount</u>	<u>2020 %'s</u>
Land	\$60,617,827	18.99%	\$59,143,209	19.85%
Improvements	251,272,549	78.71%	231,451,443	77.68%
Personal Property	<u>7,358,469</u>	2.30%	<u>7,374,596</u>	2.47%
Subtotal	\$319,248,845		\$297,969,248	
Less: Exemptions (a)	<u>(60,493,476)</u>		<u>(58,632,011)</u>	
Total Taxable Value	<u>\$258,755,369</u>		<u>\$239,337,237</u>	

(a) See "TAX PROCEDURES–Property Subject to Taxation by the District" for exemption details.

**Tax Rate Calculations**

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of assessed valuation which would be required to meet certain debt service requirements if no growth in the District’s tax base occurs beyond the 2023 Taxable Value (\$336,956,352). The calculations assume collection of 98% of taxes levied and the sale of no additional bonds (other than the Bonds) by the District.

Estimated Average Annual Debt Service Requirements (2025/2050)	\$1,146,757
Tax Rate of \$0.348 on the 2023 Taxable Value produces	\$1,149,156
Estimated Maximum Annual Debt Service Requirements (2025)	\$1,252,400
Tax Rate of \$0.380 on the 2023 Taxable Value produces	\$1,254,825

**Principal Taxpayers**

<u>Name of Taxpayer</u>	<u>Type of Property</u>	<u>2023 Ass'd Value</u>	<u>% Total 2023 AV</u>	<u>2022 Ass'd Value</u>	<u>% Total 2022 AV</u>
Texas Inwood Grove Apts	Apartments	\$18,000,000	5.34%	\$18,892,624	6.29%
Brown & Yonge LLC	Apartments	11,543,087	3.43%	10,386,654	3.46%
Inwood Central Property	Shopping Center	4,029,330	1.20%	4,567,959	1.52%
Antoine Estates LLC	Apartments	3,629,658	1.08%	2,742,921	0.91%
Sumner Manufacturing Co	Light Industrial	3,568,368	1.06%	3,175,324	1.06%
9510 N Houston Rosslyn	Office/Warehouse	3,335,554	0.99%	3,227,036	1.07%
Avak IVT Investments LLC	Apartments	2,463,826	0.73%	2,218,014	0.74%
Centerpoint Energy	Electric Utility	2,445,280	0.73%	2,255,200	0.75%
PNB Enterprises	Strip Center	2,417,760	0.72%	(a)	
American Business Center	Residential Land	2,232,893	0.66%	2,232,893	0.74%
Inwood Storage LLC	Storage Facility	(a)		2,130,176	0.71%
Total--Top Ten		<u>\$53,665,756</u>	<u>15.93%</u>	<u>\$51,828,801</u>	<u>17.24%</u>

(a) Not among top ten taxpayers this year.

**THE SYSTEM**

**Regulation**

The water, wastewater and drainage facilities serving land within the District (the "System") have been designed in conformance 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 of Houston and the Harris County Engineering Department. During construction, facilities are subject to inspection by the District's Engineer and the foregoing governmental agencies.

Operation of the District's System is subject to regulation by, among others, the United States Environmental Protection Agency ("EPA") and the TCEQ. 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 drainage facilities and the accompanying rights of use therein (the "System") which the District has financed with the proceeds of the Bonds and the Outstanding Bonds are described below, based upon information obtained from the District's Engineer:

***Water Supply***

Water supply for the District is currently provided by the District's two water supply plants, consisting of: (1) water well and pump of approximately 1,500 gallon per minute ("gpm") capacity, 840,000 gallons of ground storage capacity,

40,000 gallons of hydropneumatic tank capacity, booster pumps with a total rated capacity of 3,750 gpm, water disinfection equipment and an emergency power generator and (2) water well and pump of approximately 900 gpm capacity, 300,000 gallons of elevated storage capacity, water disinfection equipment and an emergency power generator. The District has water source interconnects with Harris County Municipal Utility District No. 118.

The Harris-Galveston Coastal Subsidence District (the "Subsidence District") was created by the Texas Legislature to reduce subsidence by regulating the withdrawal of groundwater within Harris and Galveston Counties. In 1999, the Subsidence District adopted its District Regulatory Plan ("Regulatory Plan") to control ground water withdrawals. The Regulatory Plan divides the Subsidence District's jurisdiction into regulatory areas. The Subsidence District's Regulatory Area 3 ("Area 3") generally encompasses northwest and western Harris County, including the District. Pursuant to the Regulatory Plan adopted January 9, 2013 and Amended May 8, 2013, specific major water users, including Area 3 must reduce groundwater withdrawals to no more than 70% by January 2010, to no more than 40% by January 2025 and to no more than 20% by January 2035.

The District has entered into a contract with the City of Houston dated March 6, 2003, for the purpose of compliance with the Regulatory Plan of the Subsidence District. The City has developed a regional groundwater reduction plan (the "GRP") on behalf of its participants, including the District, to meet the Regulatory Plan requirements. The City is developing financing strategies to fund the capital and operating costs for the City's construction and ownership of a system of surface water supply facilities and trunklines to deliver surface water. The City charges its participants fees that will fund these financing, capital and operating costs. The District currently charges its customers \$2.76 per 1,000 gallons of water pumped, which includes a 10% surcharge.

The United States Environmental Protection Agency (the "EPA") revised standards for arsenic in drinking water, reducing the permissible amount from 50 parts per billion ("ppb") to 10 ppb effective in January, 2006. The District tested its two water wells and determined that one of the two wells produces water that exceeds the permissible limit. The District has constructed facilities to reduce the level of arsenic to comply with the current maximum levels and is pursuing the construction of additional facilities to improve the reduction process, which additional facilities are not expected to require the issuance of additional bonds.

#### ***Wastewater Collection and Treatment Facilities***

Wastewater from the District is treated at an existing 200,000 gallon per day ("gpd") dry weather flow wastewater treatment plant owned by the District. In addition, the District owns the right to use an additional 1,475,000 gpd capacity in a plant owned and operated by the City. According to the Engineer, the combined capacity should be adequate to serve all of the development currently planned in the District. Wastewater collection lines have been extended to serve all of the developed property within the District.

#### ***Storm Drainage and the 100 Year Flood Plain***

Storm drainage facilities financed by the District include construction of area detention facilities within the District. No participation fees are financed for regional detention facilities provided by the Harris County Flood Control District. Land elevations in the District range from approximately 102 feet above mean sea level ("msl") to approximately 82 feet above msl. The current Flood Insurance Rate Map ("FIRM") dated June 9, 2014, shows a portion of the District, approximately 13.15 acres of developed property, within the 100 year flood plain. Such acreage includes approximately 2.0 acres of multifamily residential, 6.2 acres of commercial property and approximately 6.1 acres of drainage channels and roadways. The current FIRM is a result of information incorporated following revision to the Tropical Storm Allison data.

**Rate Order**

The District’s utility rate order, subject to change from time to time by Board, is summarized in part below and became effective September 21, 2023:

***-Residential Water Rates-***

First 5,000 gallons	\$11.25 minimum
5,001 to 10,000 gallons	\$0.75/1,000 gallons
10,001 to 15,000 gallons	\$0.95/1,000 gallons
15,001 to 20,000 gallons	\$1.15/1,000 gallons
20,001 to 25,000 gallons	\$1.35/1,000 gallons
Over 25,000 gallons	\$1.50/1,000 gallons

In addition, in order to pay for Groundwater Reduction Costs, all classes of water customers shall pay the most current assessment levied by the City of Houston plus ten percent (10%) per 1,000 gallons used.

***-Residential Sewer Rates-***

First 5,000 gallons	\$12.50 minimum
5,001 to 10,000 gallons	\$0.50/1,000 gallons
10,001 to 15,000 gallons	\$0.75/1,000 gallons
15,001 to 20,000 gallons	\$1.00/1,000 gallons
20,001 to 25,000 gallons	\$1.25/1,000 gallons
Over 25,000 gallons	\$1.50/1,000 gallons

## Historical Operations of the General Operating Fund

The following statement sets forth in condensed form the historical operations of the District's General Operating Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such information has been prepared based upon information obtained from the District's audited financial statements (except for the fiscal year ended June 30, 2024, which was extracted from unaudited District records), reference to which is made for further and complete information. Reference is made to "APPENDIX A" for further and complete information on the audited financial statements. Net Revenues are pledged to the payment of the Bonds and the Outstanding Bonds but have not made, nor are they expected to make, any significant contribution, if any, to debt service on the Bonds or the Outstanding Bonds.

	<i>Fiscal Year Ended June 30,</i>					
	<u>2024(a)</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Revenues						
Property Taxes	\$972,732	\$851,580	\$707,747	\$685,701	\$605,748	\$559,280
Water Service	568,391	421,940	414,987	412,745	436,159	442,232
Surface Water Fees	484,178	245,803	185,197	195,422	207,856	200,462
Wastewater Service	468,942	446,848	439,115	435,078	456,007	461,564
Garbage Collection	335,325	289,441	273,061	271,591	265,062	270,668
Sales & Use Tax	72,181	73,457	74,739	71,753	65,892	74,309
Investment Earnings	97,837	65,019	5,486	8,870	31,778	34,034
Other	<u>79,090</u>	<u>81,611</u>	<u>63,005</u>	<u>86,872</u>	<u>63,841</u>	<u>86,904</u>
Total Revenues	\$3,078,676	\$2,478,399	\$2,163,337	\$2,168,032	\$2,132,343	\$2,129,453
Expenses						
Purchased Sewer Service	\$332,042	\$338,711	\$318,769	\$313,024	\$304,960	\$295,285
Professional Fees	215,464	244,657	238,320	213,993	177,131	202,549
Contracted Services	122,802	153,214	144,655	158,777	165,088	159,616
Utilities	111,462	119,763	163,665	133,062	113,697	118,827
Surface Water Fees	774,093	327,811	265,055	217,681	225,730	213,470
Repairs/Maintenance	476,757	554,098	673,414	345,659	250,357	235,789
Garbage Disposal	290,778	276,496	266,186	268,973	269,688	281,631
Security Service	278,252	263,314	255,245	251,036	241,206	237,132
Administrative/Other	281,895	90,178	107,510	71,485	77,625	86,634
Capital Outlay	<u>0</u>	<u>241,154</u>	<u>206,303</u>	<u>326,573</u>	<u>294,249</u>	<u>164,685</u>
Total Expenditures	<u>\$2,883,545</u>	<u>\$2,609,396</u>	<u>\$2,639,122</u>	<u>\$2,300,263</u>	\$2,119,731	<u>\$1,995,618</u>
Net Revenue (b)	<u>195,131</u>	<u>(\$130,997)</u>	<u>(\$475,785)</u>	<u>(\$132,231)</u>	<u>\$12,612</u>	<u>\$133,835</u>
Fund Balance, July 1		\$1,878,870.	\$1,768,243.	\$1,900,474.	\$1,887,862.	\$1,754,027.
Voluntary Donations	42,959	0	0	0	0	0
Transfer-Capital Projects		<u>223,219</u>	<u>586,412</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, June 30		<u>\$1,971,092</u>	<u>\$1,878,870</u>	<u>\$1,768,243</u>	<u>\$1,900,474</u>	<u>\$1,887,8617</u>
Cash/Inv., June 30 (b)		<u>\$2,043,343</u>	<u>\$2,037,535</u>	<u>\$1,848,537</u>	<u>\$2,010,955</u>	<u>\$1,947,152</u>
Cash as % of Exp (c)		86.28%	83.75%	93.66%	110.16%	106.35%
Active Water Customers		1,542	1,543	1,546	1,542	1,541

(a) Unaudited; compiled from District records

(b) Exclusive of customer deposits.

(c) Calculated after Capital Outlay deducted.

## RISK FACTORS

### General

The Bonds, which are obligations of the District and are not obligations of the State of Texas, Harris County, Texas, the City of Houston, or any other political subdivision, will be secured by a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District, and by a pledge of certain net revenues, if any, derived from the operation of the District's System. The ultimate security for payment of the principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. At this point in the development of the District, the potential increase in taxable values of property is directly related to the demand for commercial and residential development, not only because of general economic conditions, but also due to particular factors discussed below.

The economy of Harris County, Texas, and the southeast Texas regional area is largely dependent on the petrochemical industry. Recent decreases in the price of oil have the potential to decrease housing prices and negatively effect the Harris County, Texas economy. The District can make no prediction on what effect current or future oil prices may have on assessed valuations in the District or on the Harris County, Texas economy generally.

### Factors Affecting Taxable Values and Tax Payments

**Economic Factors:** The growth of taxable values in the District is directly related to the vitality of the commercial development and housing and building industry in the Houston metropolitan area. The housing and building industry has historically been a cyclical industry, affected by both short and long-term interest rates, availability of mortgage and development funds, labor conditions and general economic conditions. During the late 1980's, an oversupply of single-family residential housing in the Houston metropolitan market and the general downturn in the Houston economy adversely affected the local residential development and construction industries. In addition to a decline in housing demand, mortgage foreclosure by private banks and government and financial institutions depressed housing prices and the value of residential real estate in the Houston metropolitan area. The Houston economy is still dependent on energy prices and a precipitous decline in such prices could result in additional adverse effects on the economy.

**Maximum Impact on District Rates:** Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2023 Taxable Valuation is \$336,956,352. See "TAX DATA." After issuance of the Bonds, the estimated maximum annual debt service requirement (2025) is \$1,252,400 and the estimated average annual debt service requirements (2025/2050) is \$1,146,757. Assuming no increase or decrease from the 2023 Taxable Valuation and no use of funds other than tax collections, tax rates of \$0.380 and \$0.348 per \$100 assessed valuation at a 98% collection rate against the 2023 Assessed Valuation, respectively, would be necessary to pay such debt service requirements. The Board levied a tax rate of \$0.115 for debt service purposes and \$0.283 for maintenance tax purposes for the 2023 tax year. See "DISTRICT DEBT-Pro Forma Debt Service Schedule" and "TAX DATA--Tax Rate Calculations."

**Natural Disaster Declarations:** The Governor of the State of Texas, Greg Abbott, issued a Severe Weather Disaster Declaration on April 30, 2024, which was subsequently amended on May 2, 2024, May 7, 2024, May 15, 2024, and May 20, 2024, certifying the severe storms and flooding that began on April 26, 2024 caused widespread and severe property damage, injury, or loss of life and declaring a disaster in several counties through out the State of Texas, including Harris County, Texas, in which the District is located. Additionally, the President of the United States of America, Joe Biden, issued a Major Disaster Declaration declaring a major disaster exists in the State of Texas as a result of severe weather and flooding beginning April 26, 2024 and making federal funding available to affected individuals in seven counties in the State of Texas, including Harris County, Texas, in which the District is located. Property in the District damaged by natural disasters in a declared disaster area may impact the taxable values of the property and the timing of tax payments by the tax payer. See "TAX PROCEDURES – Temporary Tax Exemptions for Property Damaged by Disaster" and "TAX PROCEDURES – Tax Payment Installments after Disaster" and "RISK FACTORS – Extreme Weather Events."

## **Extreme Weather Events**

The greater Houston area, including the District, is subject to occasional severe weather events, including tornadoes, flooding, tropical storms, and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected.

The greater Houston area has experienced multiple storms exceeding a 0.2% probability (i.e., a “500-year flood” event) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. According to the District, approximately 100 homes within the District were flooded. There was no interruption of water and sewer service resulting from Hurricane Harvey and additional expenses for generator fuel and overtime has been reimbursed by FEMA.

The District cannot predict the effect that additional extreme weather events may have upon the District and the Gulf Coast. Additional extreme weather events have the potential to cause damage within the District and along the Gulf Coast generally that could have a negative effect on taxable assessed valuations in the District and the economy of the District and the region.

The heavy rainstorms that began April 26, 2024 through May 20, 2024 and Hurricane Beryl resulted in flooding in the Harris County, Texas area, including the District. To the District’s best knowledge, the District reports no homes were flooded and no System operations were interrupted.

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

## **Specific Flood Type Risks**

*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.

## **Tax Exemption for Property Damaged by Disaster**

The Texas Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a

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

### **Overlapping Tax Rates**

Consideration should be given to the total tax burden of all overlapping jurisdictions imposed upon property located within the District as contrasted with property located in comparable real estate developments to gauge the relative tax burden on property within the District. The combination of the District’s tax rate and the overlapping taxing entities’ tax rates is higher than the combined tax rates levied upon certain other comparable developments in the market area. Consequently, an increase in the District’s tax rate above those anticipated above may have an adverse impact on future development or the construction of taxable improvements in the District. See “DISTRICT DEBT--Estimated Overlapping Debt” and “TAX DATA--Estimated Overlapping Taxes.”

### **Tax Collection Limitations**

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, or (c) market conditions limiting the proceeds from a foreclosure sale of taxable 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. Because ownership of the land within the District may become highly fragmented among a number of taxpayers, attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer.

### **Registered Owners' Remedies**

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the District to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Order does not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the 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. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay the principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further 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. For example, a Chapter IX bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners.

## **Bankruptcy Limitation to Registered Owners' Rights**

The enforceability of the rights and remedies of 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. Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 USC sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owner's remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivisions.

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 a Registered Owner 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 Owner's claim against a district.

The District may not be placed into bankruptcy involuntarily.

## **Environmental Regulations**

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

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

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

*Air Quality Issues.* Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the Texas Commission on Environmental Quality (the "TCEQ") may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act ("CAA") Amendments of 1990, the eight-county Houston-Galveston-Brazoria area ("HGB Area")—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty Counties—has been designated a nonattainment area under three separate federal ozone standards: the one-hour (124 parts per billion ("ppb")) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (the "1997 Ozone Standards"); the tighter, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the "2008 Ozone Standard"), and the EPA's most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the "2015 Ozone Standard"). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB Area, the HGB Area remains subject to CAA nonattainment requirements.

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.

On May 25, 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 actions 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.

### **Proposed Tax Legislation**

Tax legislation, administrative actions taken by tax authorities, and court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to state income taxation, or otherwise prevent the beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. For example, future legislation to resolve certain federal budgetary issues may significantly reduce the benefit of, or otherwise affect, the exclusion from gross income for federal income tax purposes of interest on all state and local obligations, including the Bonds. In addition, such legislation or actions (whether currently proposed, proposed in the future or enacted) could affect the market price or marketability of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and its impact on their individual situations, as to which Bond Counsel expresses no opinion.

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

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

### **Marketability**

The District has no understanding (other than the initial reoffering yields) with the initial purchaser of the Bonds (the "Underwriter") regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made for the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the difference between the bid and asked price of other bonds which are more generally bought, sold or traded in the secondary market. See "SALE AND DISTRIBUTION OF THE BONDS – Prices and Marketability."

### **Approval of the Bonds**

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General, however, does not pass upon or guarantee the security of the Bonds as an investment, nor has the Attorney General passed upon the adequacy or accuracy of the information contained in this Official Statement.

## LEGAL MATTERS

The District will furnish the Underwriter a transcript of certain certified proceedings held incident to the authorization and issuance of the Bonds, including a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the District. The District will also furnish the legal opinion of Strawn & Richardson P.C., Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are legal, valid and binding obligations of the District. Issuance of the Bonds is also subject to the legal opinion of Bond Counsel to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations, published rulings and court decisions as described below under "TAX EXEMPTION." Such opinions will express no opinions with respect to the sufficiency of the security for or the marketability of the Bonds.

### Legal Review

Bond Counsel has reviewed the information appearing in this Official Statement under the sections captioned: "THE BONDS" (except the subsections "--Use of Proceeds" and "--Book-Entry-Only System"), "THE DISTRICT-Description," "THE DISTRICT-Management of the District-Bond Counsel and General Counsel," "TAX PROCEDURES," "LEGAL MATTERS - Legal Opinions," "LEGAL MATTERS-Legal Review," and "CONTINUING DISCLOSURE OF INFORMATION" (except the subsection "--Compliance with Prior Undertakings") solely to determine whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has reviewed the information in this Official Statement under the section captioned "TAX MATTERS-Tax Exemption" solely to determine whether such information fairly summarizes matters of law referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement, nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the information contained herein, other than the matters discussed immediately above. Certain legal matters will be passed upon for the District by McCall, Parkhurst & Horton, L.L.P., Dallas, Texas, as Disclosure Counsel.

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

### No-Litigation Certificate

On the date of delivery of the Bonds to the Underwriter, the District will execute and deliver to the Underwriter a certificate to the effect that no litigation of any nature has been filed or is pending, as of that date, of which the District has notice, to restrain or enjoin the issuance or delivery of the Bonds, or which would affect the provisions made for their payment or security, or in any manner question the validity of the Bonds.

### No Material Adverse Change

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

## Legal Opinions

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District secured by the proceeds of an ad valorem tax levied, without limit as to rate or amount, upon all taxable property in the District and, based upon examination of the transcript of the proceedings incident to authorization and issuance of the Bonds, the legal opinion of Bond Counsel to the effect that (1) the Bonds are valid and legally binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity, and (2) are payable from annual ad valorem taxes, which are not limited by applicable law in rate or amount, levied against all property within the District which is not exempt from taxation by or under applicable law, and from net revenues, if any, derived from operation of the District's System. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this Official Statement. Bond Counsel's opinion will address the matters described below under "TAX MATTERS–Tax Exemption."

## TAX MATTERS

### Tax Exemption

On the date of initial delivery of the Bonds, Strawn & Richardson, P.C., Houston, Texas, 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, (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"); ***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 purposes of determining the alternative minimum tax imposed on corporations.*** Except as stated above, Bond Counsel to the Issuer 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 such opinion, Bond Counsel will rely upon representations and certifications of the District pertaining to the use, expenditure, and investment of the proceeds of the Bonds and, as described above, will assume continuing compliance with certain provisions of the Bond Order and a Federal Tax Certificate executed by the District. Failure to comply with any of these covenants would cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Bond Counsel will not express any opinion with respect to any other federal, state or local tax consequence under present law or proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, "S" corporations with "subchapter C" earnings and profits, owners of an interest in a FASIT, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry (or who have paid or incurred certain expenses allocable to) tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgement based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service (the "Service") with respect to the matters

addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the Service is likely to treat the District as the "taxpayer," and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the District may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

### **Proposed Tax Legislation**

Tax legislation, administrative actions taken by tax authorities, and court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to state income taxation, or otherwise prevent the beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. For example, future legislation to resolve certain federal budgetary issues may significantly reduce the benefit of, or otherwise affect, the exclusion from gross income for federal income tax purposes of interest on all state and local obligations, including the Bonds. In addition, such legislation or actions (whether currently proposed, proposed in the future or enacted) could affect the market price or marketability of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and its impact on their individual situations, as to which Bond Counsel expresses no opinion.

### **Tax Accounting Treatment of Discount and Premium on Certain Bonds**

The initial public offering of certain of the Bonds (the "Discount Bonds") may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount, allocable to the holding period of such Discount Bond by the initial purchaser, will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes on the same terms and conditions as those for other interest on the Bonds described above under "TAX EXEMPTION." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest at the yield to maturity on such Discount Bond, and generally will be allocated to an original purchaser in a different amount from the amount of the payment denominated as interest actually received by the original purchaser during the tax year.

However, such interest may be required to be taken into account in determining the alternative minimum taxable income of a corporation, for purposes of calculating a corporation's alternative minimum tax imposed by Section 55 of the Code and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, "S" corporations with "subchapter C" earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such 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 Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Bonds and with respect to the state and local tax consequences of owning Discount Bonds. It is possible that, under applicable provisions governing determination of

state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

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

### **Future and Proposed Legislation**

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

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

The Board has NOT designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Code.

### **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, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

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

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

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

### **State, Local and Foreign Taxes**

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

### **Information Reporting and Backup Withholding**

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

## **CONTINUING DISCLOSURE OF INFORMATION**

The District, in the Bond Order, 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 certain information vendors. This information will be available free of charge from the Municipal Securities Rule Making Board (“MSRB”) via the Electronic Municipal Market Access (“EMMA”) system at [www.emma.msrb.org](http://www.emma.msrb.org).

### **Annual Reports**

The District will provide certain updated financial information and operating data, which is customarily prepared by the District and is publically available to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings “THE BONDS—Issuance of Additional Debt,” “DISTRICT DEBT—Debt Statement” and “—Debt Service Schedule;” “TAX DATA—Tax Collection History,” “—Estimated Overlapping Taxes,” “—Analysis of Tax Base,” and “—Principal Taxpayers;” and “APPENDIX A—Financial Statements of the District.”

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

the applicable fiscal year to the MSRB within such six month period, and audited financial statements when and if the audit report becomes available.

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

### **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 SEC Rule 15c2-12 or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. For these purposes, any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and order of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

The term "financial obligation" shall mean, for purposes of the events in clauses (15) and (16), a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing, or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "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 Rule 15c2-12) has been provided to the MSRB consistent with Rule 15c2-12.

### **Availability of Information From EMMA**

Investors will be able to access continuing disclosure information filed with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org). The District has agreed in the Bond Order to provide the foregoing information only to the MSRB through EMMA. The

information will be available to holders of Bonds only if the holders comply with the procedures of the MSRB or obtain the information through securities brokers who do so.

### **Limitations and Amendments**

The District has agreed to update information and to provide notices of certain events only as described above. The District has not agreed to provide other information that may be relevant or material to 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 of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status or type of operations of the District, if but only if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as any changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any qualified professional unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described under “Annual Reports,” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating so provided. The District may also amend or repeal the agreement if the United States Securities and Exchange Commission (“SEC”) amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgement that such provisions of the Rule are invalid, and the District also may amend its continuing disclosure agreement in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

### **Compliance with Prior Undertakings**

Due to an oversight, the District failed to include in its additional financial information, the section “THE BONDS–Debt Service Schedule,” for the fiscal years ended June 30, 2005 through and including 2021. The District has implemented procedures to ensure timely and complete filing of all future submissions. Other than such omissions, during the last five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

## **PREPARATION OF OFFICIAL STATEMENT**

### **General**

The information contained in this Official Statement has been obtained primarily from the District's records, the District's Engineer, the Appraisal District, the District's Tax Assessor/Collector and other sources believed to be reliable. The District, however, makes no representation as to the accuracy or completeness of the information derived from such sources. The summaries of the statutes, resolutions, orders, agreements 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.

**Consultants**

The information contained in this Official Statement relating to the physical characteristics of the District and engineering matters and, in particular, that engineering information included in the sections captioned "THE DISTRICT" and "THE SYSTEM" has been provided by the District's Engineer and has been included herein in reliance upon the authority of such firm as experts in the field of civil engineering.

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning historical breakdown of District valuations, principal taxpayers and collection rates contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" has been provided by the Appraisal District and the District's Tax Assessor/Collector and has been included herein in reliance upon their authority as experts in the field of tax assessing and collecting.

The financial statements contained in "APPENDIX A—Financial Statements of the District" have been included in reliance upon the accompanying report of the District's Auditor.

**Updating the Official Statement**

If, subsequent to the date of the Official Statement, the District learns, or is notified by the Underwriter, of any adverse event which causes the Official Statement to be materially misleading, unless the Underwriter elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriter; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Underwriter, unless the Underwriter notifies the District on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the District delivers the Bonds to the Underwriter) until all of the Bonds have been sold to ultimate customers.

**Certification of Official Statement**

The District, acting through the Board in its official capacity, hereby certifies, as of the date hereof, that the information, statements and descriptions pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they are made, not misleading. With respect to information included in this Official Statement other than that relating to the District, the Board has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in light of the circumstances under which they are made, not misleading; however, the Board can give no assurance as to the accuracy or completeness of the information derived from sources other than the District. This Official Statement is duly certified and approved by the Board of Directors of Harris County Municipal Utility District No. 119 as of the date specified on the first page hereof.

/s/  
President, Board of Directors  
Harris County Municipal Utility District No. 119

ATTEST:

/s/  
Secretary, Board of Directors  
Harris County Municipal Utility District No. 119

**APPENDIX A—Financial Statements of the District**

HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 119  
HARRIS COUNTY, TEXAS  
ANNUAL AUDIT REPORT  
JUNE 30, 2023

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October 5, 2023

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Harris County Municipal  
Utility District No. 119  
Harris County, Texas

### **Opinions**

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Harris County Municipal Utility District No. 119 as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Harris County Municipal Utility District No. 119's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Harris County Municipal Utility District No. 119, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows there of for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Harris County Municipal Utility District No. 119, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### **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 Harris County Municipal Utility District No. 119'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.

## INDEPENDENT AUDITOR'S REPORT (Continued)

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

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

In performing an audit in accordance with generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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. I 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 Harris County Municipal Utility District No. 119's internal control. Accordingly, no such opinion is expressed. I 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. I conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Harris County Municipal Utility District No. 119's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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. I 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 I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

INDEPENDENT AUDITOR'S REPORT (Continued)**Supplementary Information**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Harris County Municipal Utility District No. 119's basic financial statements. The supplementary information on Pages 22 to 37 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by my firm.

A handwritten signature in dark ink, appearing to read "M. G. J.", is located in the lower right quadrant of the page.

## Management’s Discussion and Analysis

### Using this Annual Report

Within this section of the Harris County Municipal Utility District No. 119 (the “District”) annual report, the District’s Board of Directors (“Management”) provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended June 30, 2023.

The annual report consists of a series of financial statements plus additional supplemental information to the financial statements as required by its state oversight agency, the Texas Commission on Environmental Quality (“TCEQ”). In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program. In the District’s case, the single governmental program is provision of water and sewer services. Other activities, such as garbage collection and security services, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements, and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

#### *Government-Wide Financial Statements*

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

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

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

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

#### *Fund Financial Statements*

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

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

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

Because the focus of the government-wide and fund financial statements are different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total fund balances to the amount of net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position as reported in the governmental activities column in the statement of activities.

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

Financial Analysis of the District as a Whole begins with an understanding of how financial resources flow through the District's funds. Resources in the Capital Projects Fund are derived principally from proceeds of the sale of bonds and expenditures from this fund are subject to the Rules of the TCEQ. Resources in the Debt Service Fund are derived principally from the collection of property taxes and are used for the payment of tax collection costs and bond principal and interest. Resources in the General Fund are derived principally from property taxes and billings for water and sewer services and are used to operate and maintain the system and to pay costs of administration of the District.

Management has financial objectives for each of the District's funds. The financial objective for the Capital Projects Fund is to spend the funds as necessary in accordance with the Rules of the TCEQ. The financial objective for the Debt Service Fund is to levy the taxes necessary to pay the fiscal year debt service requirements plus the cost of levying and collecting taxes, leaving the appropriate fund balance as recommended by the District's financial advisor. The financial objective for the General Fund is to keep the fund's expenditures as low as possible while ensuring that revenues are adequate to cover expenditures and maintaining the fund balance that Management believes is prudent. Management believes that these financial objectives were met during the fiscal year.

Management believes that the required method of accounting for certain elements of the government-wide financial statements makes the government-wide financial statements as a whole not useful for financial analysis. In the government-wide financial statements, capital assets and depreciation expense have been required to be recorded at historical cost. Management's policy is to maintain the District's capital assets in a condition greater than or equal to the condition required by regulatory authorities and does not believe that depreciation expense is relevant to the management of the District. In the government-wide financial statements, certain non-cash costs of long-term debt are capitalized and amortized over the life of the related debt. Management believes that this required method of accounting is not useful for financial analysis of the District and prefers to consider the required cash flows of the debt as reported in the fund statements and the notes to the financial statements. In the government-wide financial statements, property tax revenues are required to be recorded in the fiscal year for which the taxes are levied, regardless of the year of collection. Management believes that the cash basis method of accounting for property taxes in the funds provides more useful financial information.

The following required summaries of the District's overall financial position and operations for the past two years are based on the information included in the government-wide financial statements. For the reasons described in the preceding paragraph, a separate analysis of the summaries is not presented.

<u>Summary of Net Position</u>			
	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>
Current and other assets	\$ 3,020,725	\$ 3,115,204	\$ (94,479)
Capital assets	5,945,530	6,075,731	(130,201)
Total assets	<u>8,966,255</u>	<u>9,190,935</u>	<u>(224,680)</u>
Long-term liabilities	4,127,741	4,404,928	(277,187)
Other liabilities	583,283	552,537	30,746
Total liabilities	<u>4,711,024</u>	<u>4,957,465</u>	<u>(246,441)</u>
Net position:			
Invested in capital assets, net of related debt	1,824,446	1,674,106	150,340
Restricted	386,277	634,977	(248,700)
Unrestricted	2,044,508	1,924,387	120,121
Total net position	<u>\$ 4,255,231</u>	<u>\$ 4,233,470</u>	<u>\$ 21,761</u>

<u>Summary of Changes in Net Position</u>			
	<u>2023</u>	<u>2022</u>	<u>Change</u>
Revenues:			
Property taxes, including related penalty and interest	\$ 1,238,280	\$ 1,069,265	\$ 169,015
Charges for services	1,488,343	1,375,365	112,978
Other revenues	159,568	81,217	78,351
Total revenues	<u>2,886,191</u>	<u>2,525,847</u>	<u>360,344</u>
Expenses:			
Service operations	2,785,350	2,884,349	(98,999)
Debt service	79,080	239,424	(160,344)
Total expenses	<u>2,864,430</u>	<u>3,123,773</u>	<u>(259,343)</u>
Change in net position	21,761	(597,926)	619,687
Net position, beginning of year	<u>4,233,470</u>	<u>4,831,396</u>	<u>(597,926)</u>
Net position, end of year	<u>\$ 4,255,231</u>	<u>\$ 4,233,470</u>	<u>\$ 21,761</u>

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

The District's combined fund balances as of the end of the fiscal year ended June 30, 2023, were \$2,326,519, a decrease of \$153,517 from the prior year.

The General Fund balance increased by \$92,222, primarily due to the reimbursement of \$223,219 from the Capital Projects Fund.

The Debt Service Fund balance decreased by \$32,333, in accordance with the District's financial plan.

The Capital Projects Fund balance decreased by \$213,406, as the reimbursement of \$223,219 to the General Fund and authorized expenditures exceeded interest earnings.

#### *General Fund Budgetary Highlights*

The Board of Directors did not amend the budget during the fiscal year. The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 21 of this report. The budgetary fund balance as of June 30, 2023, was expected to be \$1,769,970 and the actual end of year fund balance was \$1,971,092.

### **Capital Asset and Debt Administration**

#### *Capital Assets*

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

	<u>Capital Assets (Net of Accumulated Depreciation)</u>		
	<u>2023</u>	<u>2022</u>	<u>Change</u>
Land	\$ 251,029	\$ 251,029	\$ 0
Detention ponds	586,162	586,162	0
Water facilities	2,344,308	2,289,925	54,383
Sewer facilities	2,761,798	2,945,825	(184,027)
Drainage facilities	<u>2,233</u>	<u>2,790</u>	<u>(557)</u>
Totals	<u>\$ 5,945,530</u>	<u>\$ 6,075,731</u>	<u>\$ (130,201)</u>

Changes to capital assets during the fiscal year ended June 30, 2023, are summarized as follows:

Additions:		
Water system improvements		\$ 241,154
Decreases:		
Depreciation		<u>(371,355)</u>
Net change to capital assets		<u>\$ (130,201)</u>

#### *Debt*

Changes in the bonded debt position of the District during the fiscal year ended June 30, 2023, are summarized as follows:

Bonded debt payable, beginning of year	\$ 4,204,999
Bonds paid	<u>(255,000)</u>
Bonded debt payable, end of year	<u>\$ 3,949,999</u>

At June 30, 2023, the District had \$20,095,000 of bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the District.

The District's bonds have an underlying rating of A- by Standard & Poor's. The Series 2015 bonds are insured by Assured Guaranty Municipal Corp. The Series 2021 bonds are insured by Build America Mutual Assurance Company. Due to the insurance, the bonds are rated AA by Standard & Poor's. There were no changes in the bond ratings during the fiscal year.

## RELEVANT FACTORS AND WATER SUPPLY ISSUES

### *Property Tax Base*

The District's tax base increased approximately \$44,910,000 for the 2022 tax year (approximately 17%) primarily due to the increase of the average assessed valuations on existing property.

### *Relationship to 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 of Houston ordinance consenting to the creation of the District. In addition, the District may be annexed by the City of Houston, but subject to the Strategic Partnership Agreement mentioned below. If the District is annexed, the City will assume the District's assets and obligations (including the bonded indebtedness) and dissolve the District within ninety (90) days.

Utilizing a provision of Texas law, the City of Houston ("City") and the District entered into a Strategic Partnership Agreement ("SPA") effective as of May 8, 2012. The SPA provides for the limited purpose annexation of certain developed commercial tracts within the District by the City. 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 SPA requires the City to impose a one percent (1%) Sales and Use Tax within the annexed tracts. The City pays the District an amount equal to 50 percent 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.

### *Water Supply Issues*

The Harris-Galveston Subsidence District (the "Subsidence District") was created by the Texas Legislature to reduce subsidence by regulating the withdrawal of groundwater within Harris and Galveston Counties. In 1999, the Subsidence District adopted its District Regulatory Plan ("Regulatory Plan") to control groundwater withdrawals. The Regulatory Plan divides the Subsidence District's jurisdiction into regulatory areas. The Subsidence District's Regulatory Area 3 ("Area 3") generally encompasses northwest and western Harris County, including the District. Pursuant to the Regulatory Plan, specific major water users, including those in Area 3, must reduce groundwater withdrawals to no more than 70% by January 2010, to no more than 40% by January 2025 and to no more than 20% by January 2035. Additionally, each such water user, including the District, is required to have either a certified Groundwater Reduction Plan ("GRP") on file with the Subsidence District or to be part of a regional GRP; otherwise, the District risks being assessed a penalty per 1,000 gallons of water pumped. The District has opted to become part of the City of Houston (the "City") GRP pursuant to a contract entered into between the District and the City. As a participant in the City's GRP, the District has complied with all Subsidence District requirements in regard to the conversion to surface water, but is obligated to pay to the City a groundwater withdrawal fee for all groundwater produced and used by the District and a water purchase fee for any water actually purchased from the City by the District in the future. The issuance of additional bonds by the District in an undetermined amount may be necessary at some time in the future in order to develop surface water conversion infrastructure should the City require the District to convert to surface water and connect to the City's water supply system or should the District determine that it would be in the District's best interest to supplement or replace its groundwater supply with surface water.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 119

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2023

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>						
Cash, including interest-bearing accounts, Note 7	\$ 66,292	\$ 89,665	\$ 12,564	\$ 168,521	\$	\$ 168,521
Certificates of deposit, at cost, Note 7	480,924			480,924		480,924
Temporary investments, at cost, Note 7	1,695,937	217,169	83,052	1,996,158		1,996,158
Receivables:						
Property taxes	73,416	31,985		105,401		105,401
Accrued penalty and interest on property taxes				0	20,768	20,768
Service accounts	155,297			155,297		155,297
Sales and Use Taxes, Note 10	17,612			17,612		17,612
Accrued interest	9,182			9,182		9,182
Other	44,687			44,687		44,687
Prepaid expenditures	22,175			22,175		22,175
Maintenance taxes collected not yet transferred from other fund	45,444			45,444	(45,444)	0
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated				0	837,191	837,191
Depreciable capital assets				0	5,108,339	5,108,339
<b>Total assets</b>	<u>\$2,610,966</u>	<u>\$ 338,819</u>	<u>\$ 95,616</u>	<u>\$ 3,045,401</u>	<u>5,920,854</u>	<u>8,966,255</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 366,648	\$ 1,579	\$	\$ 368,227		\$ 368,227
Accrued interest payable				0	15,246	15,246
Customer deposits	199,810			199,810		199,810
Maintenance taxes collected not yet transferred to other fund		45,444		45,444	(45,444)	0
Long-term liabilities, Note 5:						
Due within one year				0	301,650	301,650
Due in more than one year				0	3,826,091	3,826,091
<b>Total liabilities</b>	<u>566,458</u>	<u>47,023</u>	<u>0</u>	<u>613,481</u>	<u>4,097,543</u>	<u>4,711,024</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Property tax revenues	<u>73,416</u>	<u>31,985</u>	<u>0</u>	<u>105,401</u>	<u>(105,401)</u>	<u>0</u>
<b>FUND BALANCES / NET POSITION</b>						
Fund balances:						
Assigned to:						
Debt service		259,811		259,811	(259,811)	0
Capital projects			95,616	95,616	(95,616)	0
Unassigned	<u>1,971,092</u>			<u>1,971,092</u>	<u>(1,971,092)</u>	<u>0</u>
<b>Total fund balances</b>	<u>1,971,092</u>	<u>259,811</u>	<u>95,616</u>	<u>2,326,519</u>	<u>(2,326,519)</u>	<u>0</u>
<b>Total liabilities, deferred inflows, and fund balances</b>	<u>\$2,610,966</u>	<u>\$ 338,819</u>	<u>\$ 95,616</u>	<u>\$ 3,045,401</u>		
<b>Net position:</b>						
Invested in capital assets, net of related debt					1,824,446	1,824,446
Restricted for debt service					290,661	290,661
Restricted for capital projects					95,616	95,616
Unrestricted					<u>2,044,508</u>	<u>2,044,508</u>
<b>Total net position</b>					<u>\$ 4,255,231</u>	<u>\$ 4,255,231</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 119

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
<b>REVENUES</b>						
Property taxes	\$ 851,580	\$ 337,228	\$	\$ 1,188,808	\$ 32,467	\$ 1,221,275
Water service	421,940			421,940		421,940
Sewer service	446,848			446,848		446,848
Surface water fees, Note 9	248,503			248,503		248,503
Garbage collection	289,441			289,441		289,441
Penalty and interest	36,355	22,738		59,093	(5,733)	53,360
Sales and Use Taxes, Note 10	73,457			73,457		73,457
Interest on deposits and investments	65,019	11,279	9,813	86,111		86,111
Other revenues	45,256			45,256		45,256
<b>Total revenues</b>	<b>2,478,399</b>	<b>371,245</b>	<b>9,813</b>	<b>2,859,457</b>	<b>26,734</b>	<b>2,886,191</b>
<b>EXPENDITURES / EXPENSES</b>						
Service operations:						
Purchased services, Note 9	338,711			338,711		338,711
Professional fees	244,657	7,651		252,308		252,308
Contracted services	153,214	30,240		183,454		183,454
Utilities	119,763			119,763		119,763
Surface water pumpage fees, Note 9	327,811			327,811		327,811
Repairs and maintenance	554,098			554,098		554,098
Other operating expenditures	5,085			5,085		5,085
Security services	263,314			263,314		263,314
Garbage disposal	276,496			276,496		276,496
Administrative expenditures	85,093	7,862		92,955		92,955
Depreciation				0	371,355	371,355
Capital outlay / non-capital outlay	241,154			241,154	(241,154)	0
Debt service:						
Principal retirement		255,000		255,000	(255,000)	0
Interest and fees		102,825		102,825	(23,745)	79,080
<b>Total expenditures / expenses</b>	<b>2,609,396</b>	<b>403,578</b>	<b>0</b>	<b>3,012,974</b>	<b>(148,544)</b>	<b>2,864,430</b>
Excess (deficiency) of revenues over expenditures	(130,997)	(32,333)	9,813	(153,517)	175,278	21,761
<b>OTHER FINANCING SOURCES (USES)</b>						
Reimbursement to (from) other fund	223,219	0	(223,219)	0	0	0
<b>Total other financing sources (uses)</b>	<b>223,219</b>	<b>0</b>	<b>(223,219)</b>	<b>0</b>	<b>0</b>	<b>0</b>
Net change in fund balances / net position	92,222	(32,333)	(213,406)	(153,517)	175,278	21,761
Beginning of year	1,878,870	292,144	309,022	2,480,036	1,753,434	4,233,470
End of year	<u>\$ 1,971,092</u>	<u>\$ 259,811</u>	<u>\$ 95,616</u>	<u>\$ 2,326,519</u>	<u>\$ 1,928,712</u>	<u>\$ 4,255,231</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 119NOTES TO THE FINANCIAL STATEMENTSJUNE 30, 2023

## NOTE 1: REPORTING ENTITY

Harris County Municipal Utility District No. 119 (the "District") was created by an order of the Texas Water Rights Commission (now the TCEQ) effective March 4, 1974, in and operates in accordance with Texas Water Code Chapters 49 and 54. The District is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Board of Directors held its first meeting on April 3, 1974, and the first bonds were sold on June 10, 1975. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may provide garbage disposal and collection services. In addition, the District is empowered, if approved by the electorate, the TCEQ and other governmental entities having jurisdiction, to establish, operate and maintain a fire department, either independently or jointly with certain other districts.

In evaluating how to define the District for financial reporting purposes, the Board of Directors of the District has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there were no other entities which were included as a component unit in the District's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES**

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board (the "GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989 (when applicable), that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

Basic Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and governmental fund financial statements (reporting the District's funds). Because the District is a single-program government as defined by the GASB, the District has combined the government-wide statements and the fund financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements. An additional reconciliation between the fund and the government-wide financial data is presented in Note 3 (page 14).

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. The District's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The government-wide statement of activities reports the components of the changes in net position during the reporting period.

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for in a separate set of self-balancing accounts that comprises its assets, liabilities, fund balances, revenues and expenditures and changes in fund balances. The District's fund balances are reported as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balances are either not in spendable form or are contractually required to remain intact. Restricted fund balances include amounts that can only be used for the specific purposes stipulated by constitutional provisions, external resource providers or enabling legislation. Committed fund balances include amounts that can only be used for the specific purposes determined by formal action of the District's Board of Directors. Assigned fund balances are intended for a specific purpose but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. The transactions of the District are accounted for in the following funds:

General Fund -- To account for all revenues and expenditures not required to be accounted for in other funds.

Debt Service Fund -- To account for the accumulation of financial resources for, and the payment of, bond principal and interest, paid principally from property taxes levied by the District.

Capital Projects Fund -- To account for financial resources designated to construct or acquire capital assets. Such resources are derived principally from proceeds of the sale of bonds.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### Basis of Accounting

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting which recognizes all long-term assets and receivables as well as long-term debt and obligations. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Ad valorem property taxes are recognized as revenues in the fiscal year for which they have been levied and related penalties and interest are recognized in the fiscal year in which they are imposed. An allowance for uncollectibles is estimated for delinquent property taxes and reported separately in the financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred except for principal and interest on bonds payable which are recorded only when payment is due.

### Interfund Activity

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is reported as interfund receivables or payables, as appropriate, as are all other outstanding balances between funds. Operating transfers between funds represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

### Receivables

Service accounts receivable as reported are considered collectible. The District uses the direct write off method for uncollectible service accounts. Unbilled water and sewer revenues are not material and are not recorded at year end. The District considers service accounts revenues to be available if they are to be collected within 60 days after the end of the fiscal year.

In the fund financial statements, ad valorem taxes and penalties and interest are reported as revenues in the fiscal year in which they become available to finance expenditures of the fiscal year for which they have been levied. Property taxes which have been levied and are not yet collected (or have been collected in advance of the fiscal year for which they have been levied) are recorded as deferred inflow of resources. Property taxes collected after the end of the fiscal year are not included in revenues.

### Capital Assets

Capital assets, which include property, plant, equipment, and immovable public domain or "infrastructure" assets are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$10,000 (including installation costs, if any, and associated professional fees) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed by the District. Donated capital assets are recorded at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset or increase the value of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

Plant and equipment	10-45 years
Underground lines	45 years

Long-term Liabilities

Long-term debt and other long-term obligations are reported in the government-wide financial statements. Bond premiums and discounts, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable premium or discount. If bonds are refunded and the carrying amount of the new debt is different than the net carrying amount of the old debt, the difference is netted against the new debt and amortized using the effective interest method over the shorter of the remaining life of the refunded debt or the life of the new debt issued.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures of the fund from which they are paid.

**NOTE 3: RECONCILIATION OF FUND TO GOVERNMENT-WIDE FINANCIAL STATEMENTS**

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		\$ 2,326,519
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Total capital assets, net		5,945,530
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	\$ (3,949,999)	
Deferred charge on refunding (to be amortized as interest expense)	79,594	
Issuance premium, net of discount (to be amortized as interest expense)	(250,679)	
Accreted interest payable	<u>(6,657)</u>	(4,127,741)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Accrued penalty and interest on property taxes receivable	20,768	
Uncollected property taxes	<u>105,401</u>	126,169
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		<u>(15,246)</u>
Net position, end of year		<u>\$ 4,255,231</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Reconciliation of net change in fund balances to change in net position:

Total net change in fund balances		\$ (153,517)
<p>The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>		
Capital outlay	\$ 241,154	
Depreciation	<u>(371,355)</u>	(130,201)
<p>The issuance of long-term debt (bonds payable) provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:</p>		
Principal reduction		255,000
<p>The funds report the effect of bond issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:</p>		
Refunding charges	(9,068)	
Issuance premium, net of discount	<u>34,609</u>	25,541
<p>Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:</p>		
Accrued penalty and interest on property taxes receivable	(5,733)	
Uncollected property taxes	<u>32,467</u>	26,734
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:</p>		
Accreted interest	(3,354)	
Accrued interest	<u>1,558</u>	<u>(1,796)</u>
Change in net position		<u>\$ 21,761</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 4: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 251,029	\$	\$	\$ 251,029
Detention ponds	586,162			586,162
Construction in progress	<u>0</u>			<u>0</u>
Total capital assets not being depreciated	<u>837,191</u>	<u>0</u>	<u>0</u>	<u>837,191</u>
Depreciable capital assets:				
Water system	7,611,201	241,154		7,852,355
Water system	7,062,555			7,062,555
Drainage system	<u>11,145</u>			<u>11,145</u>
Total depreciable capital assets	<u>14,684,901</u>	<u>241,154</u>	<u>0</u>	<u>14,926,055</u>
Less accumulated depreciation for:				
Water system	(5,321,276)	(186,771)		(5,508,047)
Water system	(4,116,730)	(184,027)		(4,300,757)
Drainage system	<u>(8,355)</u>	<u>(557)</u>		<u>(8,912)</u>
Total accumulated depreciation	<u>(9,446,361)</u>	<u>(371,355)</u>	<u>0</u>	<u>(9,817,716)</u>
Total depreciable capital assets, net	<u>5,238,540</u>	<u>(130,201)</u>	<u>0</u>	<u>5,108,339</u>
Total capital assets, net	<u>\$ 6,075,731</u>	<u>\$ (130,201)</u>	<u>\$ 0</u>	<u>\$ 5,945,530</u>
Changes to capital assets:				
Capital outlay		\$ 241,154	\$	
Less depreciation expense for the fiscal year		<u>(371,355)</u>		
Net increases / decreases to capital assets		<u>\$ (130,201)</u>	<u>\$ 0</u>	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended June 30, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Bonds payable	\$ 4,204,999	\$	\$ 255,000	\$ 3,949,999	\$ 275,000
Add interest accreted	3,303	3,354		6,657	0
Less deferred amounts:					
For issuance premiums (discounts)	285,288		34,609	250,679	33,998
Refunding charge	<u>(88,662)</u>		<u>(9,068)</u>	<u>(79,594)</u>	<u>(7,348)</u>
Total bonds payable	<u>4,404,928</u>	<u>3,354</u>	<u>280,541</u>	<u>4,127,741</u>	<u>301,650</u>
Total long-term liabilities	<u>\$ 4,404,928</u>	<u>\$ 3,354</u>	<u>\$ 280,541</u>	<u>\$ 4,127,741</u>	<u>\$ 301,650</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As of June 30, 2023, the debt service requirements on the bonds payable were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 275,000	\$ 91,475	\$ 366,475
2025	285,000	81,375	366,375
2026	300,000	70,925	370,925
2027	320,000	59,875	379,875
2028	19,999	268,126	288,125
2029 - 2033	1,270,000	209,975	1,479,975
2034 - 2038	<u>1,480,000</u>	<u>91,000</u>	<u>1,571,000</u>
	<u>\$ 3,949,999</u>	<u>\$ 872,751</u>	<u>\$ 4,822,750</u>

Bonds voted	\$ 41,100,000
Bonds approved for sale and sold	21,005,000
Bonds voted and not issued	20,095,000
Refunding bonds voted	29,400,000
Refunding bonds sold	6,770,000
Refunding bonds voted and not issued	22,630,000

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount, and are further payable from and secured by a lien on and pledge of the net revenues to be received from the operation of the District's waterworks and sanitary sewer system.

The bond issues payable at June 30, 2023, were as follows:

	<u>Refunding Series 2015</u>	<u>Refunding Series 2021</u>
Amounts outstanding, June 30, 2023	\$795,000	\$3,154,999
Interest rates	4.00%	1.00% to 3.00%
Maturity dates, serially beginning/ending	May 1, 2024/2027	May 1, 2024/2038
Interest payment dates	November 1/May 1	November 1/May 1
Callable dates	May 1, 2022*	May 1, 2028*

\*Or any interest payment date thereafter, callable at par plus unpaid accrued interest in whole or in part at the option of the District.

Developer Construction Commitments and Liabilities

At June 30, 2023, there were no developer construction commitments or liabilities.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 6: PROPERTY TAXES

The Harris County Appraisal District has the responsibility for appraising property for all taxing units within the county as of January 1 of each year, subject to review and change by the county Appraisal Review Board. The appraisal roll, as approved by the Appraisal Review Board, must be used by the District in establishing its tax roll and tax rate. The District's taxes are usually levied in the fall, are due when billed and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later. On January 1 of each year, a statutory tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property.

The Bond Orders require that the District 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.

At an election held May 14, 2011, the voters within the District authorized a maintenance tax not to exceed \$0.95 per \$100 valuation on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District.

On October 20, 2022, the District levied the following ad valorem taxes for the 2022 tax year on the adjusted taxable valuation of \$303,088,090:

	<u>Rate</u>	<u>Amount</u>
Debt service	\$ 0.1150	\$ 348,551
Maintenance	<u>0.2920</u>	<u>885,017</u>
	<u>\$ 0.4070</u>	<u>\$ 1,233,568</u>

A reconciliation of the tax levy to property tax revenues on the Statement of Activities is as follows:

2022 tax year total property tax levy	\$ 1,233,568
Appraisal district adjustments to prior year taxes	<u>(12,293)</u>
Statement of Activities property tax revenues	<u>\$ 1,221,275</u>

NOTE 7: DEPOSITS AND TEMPORARY INVESTMENTS

The District complied with the requirements of the Public Funds Investment Act during the current fiscal year including the preparation of quarterly investment reports required by the Act.

State statutes authorize the District to invest and reinvest in direct or indirect obligations of the United States, the State of Texas, any county, city, school district, or other political subdivision of the state, or in local government investment pools authorized under the Public Funds Investment Act. Funds of the District may be placed in certificates of deposit of state or national banks or savings and loan associations within the state provided that they are secured in the manner provided for the security of the funds under the laws of the State of Texas. In accordance with the District's investment policies, during the current year the District's funds were invested in interest bearing accounts at authorized financial institutions and in TexPool, a local government investment pool sponsored by the State Comptroller. TexPool is rated AAAM by Standard & Poor's.

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the District's deposits were covered by federal insurance.

At the balance sheet date the carrying value and market value of the investments in TexPool was \$1,996,158.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Deposits and temporary investments restricted by state statutes and Bond Orders:

Debt Service Fund

For payment of debt principal and interest,  
paying agent fees and costs of assessing and  
collecting taxes:

Cash	\$ 89,665
Temporary investments	<u>217,169</u>
Total	<u>\$ 306,834</u>

Capital Projects Fund

For construction of capital assets:

Cash	\$ 12,564
Temporary investments	<u>83,052</u>
Total	<u>\$ 95,616</u>

During the fiscal year ended June 30, 2023, the District's Capital Projects Fund reimbursed the General Fund \$223,219 in accordance with the rules of the Texas Commission on Environmental Quality.

NOTE 8: RISK MANAGEMENT

The District is exposed to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; personal injuries and natural disasters. Significant losses are covered by insurance as described below. There were no significant reductions in insurance coverage from the prior fiscal year. There have been no settlements which have exceeded the insurance coverage for each of the past three fiscal years.

At June 30, 2023, the District had physical damage and boiler and machinery coverage of \$6,818,000, comprehensive general liability coverage with a per occurrence limit of \$1,000,000 and \$3,000,000 general aggregate, pollution liability coverage of \$1,000,000, umbrella liability coverage of \$1,000,000, automobile liability coverage of \$1,000,000, worker's compensation coverage of \$1,000,000, consultant's crime coverage of \$100,000 and a tax assessor-collector bond of \$50,000.

NOTE 9: CONTRACTS WITH CITY OF HOUSTON

Sewage Treatment Contract

On October 18, 1983, the District entered into a forty year sewage treatment contract with the City of Houston (the "City"). Under the terms of the agreement, the City will treat a portion of the District's wastewater and will bill the District on a monthly basis. During the fiscal year ended June 30, 2023, the District incurred costs of \$338,711.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Water Supply Contract

On July 11, 2003, the District entered into a Water Supply and Groundwater Reduction Plan Wholesale Agreement (the "Agreement") with the City of Houston (the "City") in order to meet regulatory compliance requirements of the Harris Galveston Subsidence District (the "Subsidence District"). The Agreement continues until noon on December 31, 2040. Under the terms of the Agreement, the City of Houston is the manager of the Groundwater Reduction Plan (the "GRP") that includes the District as a participant. In order to achieve overall compliance with the Subsidence District regulation for reduction of groundwater use in Regulatory Area 3, treated surface water will be supplied by the City to some of the participants in the GRP area in sufficient quantities to meet the requirements. Under the terms of the Agreement, the District will pay to the City a monthly pumpage charge based on the District's water pumpage. The surface water pumpage fees payable to the City for the fiscal year ended June 30, 2023, were \$327,811. The District billed its customers \$248,503 for surface water fees during the fiscal year to pay for the fees charged by the City.

**NOTE 10: STRATEGIC PARTNERSHIP AGREEMENT**

On May 8, 2012, the District and the City of Houston (the "City") entered into a 30 year Strategic Partnership Agreement (the "Agreement"). Under the terms of the Agreement, the City annexed a portion of the District (the "Partial District") for the limited purposes of applying the City's Sales and Use Tax within the Partial District. The Agreement states that the District and all taxable property within the District shall not be liable for any present or future debts of the City and current and future taxes levied by the City shall not be levied on taxable property with the District. The City agreed that it will not annex the District for full purposes or commence any action to annex the District for full purposes during the term of this Agreement.

The City imposed a Sales and Use Tax within the boundaries of the Partial District at the time of the limited-purpose annexation of the Partial District. The Agreement provides that the City shall pay to the District one half of all Sales and Use Tax revenues generated within the boundaries of the Partial District and received by the City from the Comptroller of Public Accounts of the State of Texas. The District accrued Sales and Use Tax revenues of \$73,457 from the City for the fiscal year ended June 30, 2023. \$17,612 of this amount was receivable at that date.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 119

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property taxes	\$ 650,000	\$ 650,000	\$ 851,580	\$ 201,580
Water service	427,150	427,150	421,940	(5,210)
Sewer service	422,150	422,150	446,848	24,698
Surface water fees	232,000	232,000	248,503	16,503
Garbage collection	310,000	310,000	289,441	(20,559)
Penalty	58,800	58,800	36,355	(22,445)
Sales and Use Taxes	70,000	70,000	73,457	3,457
Interest on deposits and investments	15,000	15,000	65,019	50,019
Other revenues	16,000	16,000	45,256	29,256
<b>TOTAL REVENUES</b>	<b><u>2,201,100</u></b>	<b><u>2,201,100</u></b>	<b><u>2,478,399</u></b>	<b><u>277,299</u></b>
<b>EXPENDITURES</b>				
Service operations:				
Purchased services	300,000	300,000	338,711	38,711
Professional fees	248,500	248,500	244,657	(3,843)
Contracted services	104,000	104,000	153,214	49,214
Utilities	150,000	150,000	119,763	(30,237)
Surface water pumpage fees	255,000	255,000	327,811	72,811
Repairs and maintenance	516,000	516,000	554,098	38,098
Other operating expenditures	28,000	28,000	5,085	(22,915)
Security services	255,000	255,000	263,314	8,314
Garbage disposal	314,000	314,000	276,496	(37,504)
Administrative expenditures	137,000	137,000	85,093	(51,907)
Capital outlay	2,500	2,500	241,154	238,654
<b>TOTAL EXPENDITURES</b>	<b><u>2,310,000</u></b>	<b><u>2,310,000</u></b>	<b><u>2,609,396</u></b>	<b><u>299,396</u></b>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<b><u>(108,900)</u></b>	<b><u>(108,900)</u></b>	<b><u>(130,997)</u></b>	<b><u>(22,097)</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Reimbursement from other fund	0	0	223,219	223,219
<b>TOTAL OTHER FINANCIAL SOURCES (USES)</b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>223,219</u></b>	<b><u>223,219</u></b>
<b>EXCESS SOURCES (USES)</b>	<b>(108,900)</b>	<b>(108,900)</b>	<b>92,222</b>	<b>201,122</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b><u>1,878,870</u></b>	<b><u>1,878,870</u></b>	<b><u>1,878,870</u></b>	<b><u>0</u></b>
<b>FUND BALANCE, END OF YEAR</b>	<b><u>\$ 1,769,970</u></b>	<b><u>\$ 1,769,970</u></b>	<b><u>\$ 1,971,092</u></b>	<b><u>\$ 201,122</u></b>

The District's Board of Directors adopts an annual nonappropriated budget. This budget may be amended throughout the fiscal year and is prepared on a basis consistent with generally accepted accounting principles.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 119

SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION  
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

JUNE 30, 2023

(Schedules included are checked or explanatory notes provided for omitted schedules.)

- [X] TSI-1. Services and Rates
- [X] TSI-2. General Fund Expenditures
- [X] TSI-3. Temporary Investments
- [X] TSI-4. Taxes Levied and Receivable
- [X] TSI-5. Long-Term Debt Service Requirements by Years
- [X] TSI-6. Changes in Long-Term Bonded Debt
- [X] TSI-7. Comparative Schedule of Revenues and Expenditures -  
General Fund and Debt Service Fund - Five Year
- [X] TSI-8. Board Members, Key Personnel and Consultants



HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 119

SCHEDULE OF SERVICES AND RATES (Continued)

JUNE 30, 2023

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	0	0	1.0	0
< or = 3/4"	1,508	1,467	1.0	1,467
1"	49	45	2.5	113
1-1/2"	8	8	5.0	40
2"	16	15	8.0	120
3"	1	1	15.0	15
4"	4	4	25.0	100
6"	1	1	50.0	50
8"	1	1	80.0	80
10"	0	0	115.0	0
Total Water	<u>1,588</u>	<u>1,542</u>		<u>1,985</u>
Total Wastewater	<u>1,588</u>	<u>1,542</u>	1.0	<u>1,542</u>

\*Single family equivalents

3. Total Water Consumption during the Fiscal Year (rounded to thousands):

Gallons pumped into system (unaudited): 242,128  
 Gallons billed to customers (unaudited): 227,864'

Water Accountability Ratio  
 (Gallons billed/ gallons pumped): 94%

4. Standby Fees (authorized only under Texas Water Code Section 49.231):

Does the District have Debt Service standby fees? Yes  No

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

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

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 119

EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2023

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CURRENT				
Purchased sewer services	\$ 338,711	\$ 0	\$ 0	\$ 338,711
Professional fees:				
Auditing	10,950			10,950
Legal	150,156	7,651		157,807
Engineering	83,551			83,551
	<u>244,657</u>	<u>7,651</u>	<u>0</u>	<u>252,308</u>
Contracted services:				
Bookkeeping	26,980			26,980
Operation and billing	126,234			126,234
Tax assessor-collector		21,370		21,370
Central appraisal district		8,870		8,870
	<u>153,214</u>	<u>30,240</u>	<u>0</u>	<u>183,454</u>
Utilities	<u>119,763</u>	<u>0</u>	<u>0</u>	<u>119,763</u>
Surface water pumpage fees	<u>327,811</u>	<u>0</u>	<u>0</u>	<u>327,811</u>
Repairs and maintenance	<u>554,098</u>	<u>0</u>	<u>0</u>	<u>554,098</u>
Other operating expenditures:				
Sewer inspection costs	983			983
TCEQ assessment	4,102			4,102
	<u>5,085</u>	<u>0</u>	<u>0</u>	<u>5,085</u>
Security services	<u>263,314</u>	<u>0</u>	<u>0</u>	<u>263,314</u>
Garbage disposal	<u>276,496</u>	<u>0</u>	<u>0</u>	<u>276,496</u>
Administrative expenditures:				
Director's fees	22,950			22,950
Office supplies and postage	4,538			4,538
Insurance	36,771	1,832		38,603
Permit fees	5,136			5,136
Other	15,698	6,030		21,728
	<u>85,093</u>	<u>7,862</u>	<u>0</u>	<u>92,955</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 119

EXPENDITURES (Continued)

FOR THE YEAR ENDED JUNE 30, 2023

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
<b>CAPITAL OUTLAY</b>				
Authorized expenditures	\$ 241,154	\$ 0	\$ 0	\$ 241,154
<b>DEBT SERVICE</b>				
Principal retirement	<u>0</u>	<u>255,000</u>	<u>0</u>	<u>255,000</u>
Interest and fees:				
Interest		100,825		100,825
Paying agent fees		<u>2,000</u>		<u>2,000</u>
	<u>0</u>	<u>102,825</u>	<u>0</u>	<u>102,825</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 2,609,396</u>	<u>\$ 403,578</u>	<u>\$ 0</u>	<u>\$ 3,012,974</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 119

ANALYSIS OF CHANGES IN DEPOSITS AND TEMPORARY INVESTMENTS  
ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED JUNE 30, 2023

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
<b>SOURCES OF DEPOSITS AND TEMPORARY INVESTMENTS</b>				
Cash receipts from revenues excluding maintenance taxes	\$ 1,565,529	\$ 371,245	\$ 9,813	\$ 1,946,587
Maintenance tax receipts		851,580		851,580
Transfer of maintenance taxes	821,477			821,477
Increase in customer deposits	4,085			4,085
Collections for volunteer fire department	42,620			42,620
Reimbursement from other fund	223,219			223,219
Overpayments from taxpayers		<u>22,420</u>		<u>22,420</u>
<b>TOTAL DEPOSITS AND TEMPORARY INVESTMENTS PROVIDED</b>	<u>2,656,930</u>	<u>1,245,245</u>	<u>9,813</u>	<u>3,911,988</u>
<b>APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS</b>				
Cash disbursements for:				
Current expenditures	2,340,959	45,910		2,386,869
Capital outlay	241,154			241,154
Debt service		357,825		357,825
Prepaid expenditures	22,175			22,175
Transfer of maintenance taxes		821,477		821,477
Disbursements to volunteer fire department	42,749			42,749
Reimbursement to other fund			223,219	223,219
Refund of taxpayer overpayments		<u>21,198</u>		<u>21,198</u>
<b>TOTAL DEPOSITS AND TEMPORARY INVESTMENTS APPLIED</b>	<u>2,647,037</u>	<u>1,246,410</u>	<u>223,219</u>	<u>4,116,666</u>
<b>INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS</b>	9,893	(1,165)	(213,406)	(204,678)
<b>DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR</b>	<u>2,233,260</u>	<u>307,999</u>	<u>309,022</u>	<u>2,850,281</u>
<b>DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR</b>	<u>\$ 2,243,153</u>	<u>\$ 306,834</u>	<u>\$ 95,616</u>	<u>\$ 2,645,603</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 119

SCHEDULE OF CERTIFICATES OF DEPOSIT AND TEMPORARY INVESTMENTS

JUNE 30, 2023

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Year End Balance</u>	<u>Accrued Interest Receivable</u>
GENERAL FUND				
Certificates of Deposit				
No. 9009002970	2.05%	7/09/23	\$ 240,000	\$ 4,799
No. 6000017787	2.00%	7/31/23	<u>240,924</u>	<u>4,383</u>
			<u>\$ 480,924</u>	<u>\$ 9,182</u>
TexPool				
No. 2568800002	Market	On demand	<u>\$ 1,695,937</u>	<u>\$ 0</u>
DEBT SERVICE FUND				
TexPool				
No. 2568800001	Market	On demand	<u>\$ 217,169</u>	<u>\$ 0</u>
CAPITAL PROJECTS FUND				
TexPool				
No. 2568800003	Market	On demand	<u>\$ 83,052</u>	<u>\$ 0</u>
Total – All Funds			<u>\$ 2,477,082</u>	<u>\$ 9,182</u>

See accompanying independent auditor’s report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 119

TAXES LEVIED AND RECEIVABLE

FOR THE YEAR ENDED JUNE 30, 2023

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 45,517	\$ 27,417
Additions and corrections to prior year taxes	<u>(5,538)</u>	<u>(6,755)</u>
Adjusted receivable, beginning of year	39,979	20,662
2022 ADJUSTED TAX ROLL	<u>885,017</u>	<u>348,551</u>
Total to be accounted for	924,996	369,213
Tax collections: Current tax year	(832,355)	(327,811)
Prior tax years	<u>(19,225)</u>	<u>(9,417)</u>
RECEIVABLE, END OF YEAR	<u>\$ 73,416</u>	<u>\$ 31,985</u>
RECEIVABLE, BY TAX YEAR		
2012 and prior	\$ 384	\$ 353
2013	173	149
2014	244	193
2015	302	165
2016	343	242
2017	1,201	820
2018	1,505	959
2019	1,773	1,031
2020	4,204	2,302
2021	10,625	5,031
2022	<u>52,662</u>	<u>20,740</u>
RECEIVABLE, END OF YEAR	<u>\$ 73,416</u>	<u>\$ 31,985</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 119

TAXES LEVIED AND RECEIVABLE (Continued)

FOR THE YEAR ENDED JUNE 30, 2023

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Land	\$ 77,243,038	\$ 60,592,825	\$ 59,117,961	\$ 48,929,180
Improvements	283,183,491	250,997,059	231,274,827	212,323,454
Personal property	9,151,442	7,765,880	7,388,450	6,509,971
Less exemptions	<u>(66,489,881)</u>	<u>(61,175,627)</u>	<u>(58,735,385)</u>	<u>(57,104,461)</u>
 TOTAL PROPERTY VALUATIONS	 <u>\$ 303,088,090</u>	 <u>\$ 258,180,137</u>	 <u>\$ 239,045,853</u>	 <u>\$ 210,658,144</u>
 TAX RATES PER \$100 VALUATION				
Debt service tax rates	\$ 0.11500	\$ 0.13400	\$ 0.15500	\$ 0.17100
Maintenance tax rates*	<u>0.29200</u>	<u>0.28300</u>	<u>0.28300</u>	<u>0.29400</u>
 TOTAL TAX RATES PER \$100 VALUATION	 <u>\$ 0.40700</u>	 <u>\$ 0.41700</u>	 <u>\$ 0.43800</u>	 <u>\$ 0.46500</u>
 TAX ROLLS	 <u>\$ 1,233,568</u>	 <u>\$ 1,076,611</u>	 <u>\$ 1,047,021</u>	 <u>\$ 979,560</u>
 PERCENT OF TAXES COLLECTED TO TAXES LEVIED	 <u>94.1 %</u>	 <u>98.6 %</u>	 <u>99.4 %</u>	 <u>99.7 %</u>

\*Maximum tax rate approved by voters on May 14, 2011: \$0.95

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 119  
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS

JUNE 30, 2023

<u>Due During Fiscal Years Ending June 30</u>	<u>Series 2015</u>		
	<u>Principal Due May 1</u>	<u>Interest Due November 1, May 1</u>	<u>Total</u>
2024	\$ 185,000	\$ 31,800	\$ 216,800
2025	190,000	24,400	214,400
2026	205,000	16,800	221,800
2027	<u>215,000</u>	<u>8,600</u>	<u>223,600</u>
TOTALS	<u>\$ 795,000</u>	<u>\$ 81,600</u>	<u>\$ 876,600</u>

<u>Due During Fiscal Years Ending June 30</u>	<u>Series 2021</u>		
	<u>Principal Due May 1</u>	<u>Interest Due November 1, May 1</u>	<u>Total</u>
2024	\$ 90,000	\$ 59,675	\$ 149,675
2025	95,000	56,975	151,975
2026	95,000	54,125	149,125
2027	105,000	51,275	156,275
2028	19,999	268,126	288,125
2029	245,000	48,125	293,125
2030	250,000	45,675	295,675
2031	255,000	42,550	297,550
2032	255,000	38,725	293,725
2033	265,000	34,900	299,900
2034	275,000	29,600	304,600
2035	285,000	24,100	309,100
2036	295,000	18,400	313,400
2037	305,000	12,500	317,500
2038	<u>320,000</u>	<u>6,400</u>	<u>326,400</u>
TOTALS	<u>\$ 3,154,999</u>	<u>\$ 791,151</u>	<u>\$ 3,946,150</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 119

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

JUNE 30, 2023

<u>Due During Fiscal Years Ending June 30</u>	<u>Annual Requirements for All Series</u>		
	<u>Total Principal Due</u>	<u>Total Interest Due</u>	<u>Total</u>
2024	\$ 275,000	\$ 91,475	\$ 366,475
2025	285,000	81,375	366,375
2026	300,000	70,925	370,925
2027	320,000	59,875	379,875
2028	19,999	268,126	288,125
2029	245,000	48,125	293,125
2030	250,000	45,675	295,675
2031	255,000	42,550	297,550
2032	255,000	38,725	293,725
2033	265,000	34,900	299,900
2034	275,000	29,600	304,600
2035	285,000	24,100	309,100
2036	295,000	18,400	313,400
2037	305,000	12,500	317,500
2038	320,000	6,400	326,400
TOTALS	\$ 3,949,999	\$ 872,751	\$ 4,822,750

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 119  
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT  
FOR THE YEAR ENDED JUNE 30, 2023

	<u>(1)</u>	<u>(2)</u>	<u>Totals</u>
Bond Series:	2015	2021	
Interest Rate:	4.00%	1.00% to 3.00%	
Dates Interest Payable:	November 1/ May 1	November 1/ May 1	
Maturity Dates:	May 1, 2024/2027	May 1, 2024/2038	
Bonds Outstanding at Beginning of Current Year	\$ 965,000	\$ 3,239,999	\$ 4,204,999
Less Retirements	<u>(170,000)</u>	<u>(85,000)</u>	<u>(255,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 795,000</u>	<u>\$ 3,154,999</u>	<u>\$ 3,949,999</u>
Current Year Interest Paid:	<u>\$ 38,600</u>	<u>\$ 62,225</u>	<u>\$ 100,825</u>

Bond Descriptions and Original Amount of Issue

- (1) Harris County Municipal Utility District No. 119 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2015 (\$1,970,000)
- (2) Harris County Municipal Utility District No. 119 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2021 (\$3,329,999)

Paying Agent/Registrar

- (1) (2) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

<u>Bond Authority</u>	<u>Tax Bonds</u>	<u>Other Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters:	\$ 41,100,000	\$ 0	\$ 29,400,000
Amount Issued:	21,005,000		6,770,000
Remaining to be Issued:	20,095,000		22,630,000
Net Debt Service Fund deposits and investments balances as of June 30, 2023:			\$259,811
Average annual debt service payment for remaining term of all debt:			321,517

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 119

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,  
GENERAL FUND

FOR YEARS ENDED JUNE 30

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2023	2022	2021	2020	2019	2023	2022	2021	2020	2019
<b>REVENUES</b>										
Property taxes	\$ 851,580	\$ 707,747	\$ 685,701	\$ 605,748	\$ 559,280	34.4 %	32.6 %	31.7 %	28.4 %	26.2 %
Water service	421,940	414,987	412,745	436,159	442,232	17.0	19.2	19.0	20.5	20.8
Sewer service	446,848	439,115	435,078	456,007	461,564	18.0	20.3	20.1	21.4	21.7
Surface water fees	248,503	185,197	195,422	207,856	200,462	10.0	8.6	9.0	9.7	9.4
Garbage collection	289,441	273,061	271,591	265,062	270,668	11.7	12.6	12.5	12.4	12.7
Penalty	36,355	26,609	48,981	38,930	57,085	1.5	1.2	2.3	1.8	2.7
Sales and Use Taxes	73,457	74,739	71,753	65,892	74,309	3.0	3.5	3.3	3.1	3.5
Tap connection and inspection fees	0	0	16,194	0	0	0.0	0.0	0.7	0.0	0.0
Interest on deposits and investments	65,019	5,486	8,870	31,778	34,034	2.6	0.3	0.4	1.5	1.6
Other revenues	45,256	36,396	21,697	24,911	29,819	1.8	1.7	1.0	1.2	1.4
<b>TOTAL REVENUES</b>	<b>2,478,399</b>	<b>2,163,337</b>	<b>2,168,032</b>	<b>2,132,343</b>	<b>2,129,453</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>EXPENDITURES</b>										
Service operations:										
Purchased sewer services	338,711	318,769	313,024	304,960	295,285	13.7	14.7	14.4	14.4	14.0
Professional fees	244,657	238,320	213,993	177,131	202,549	9.9	11.0	9.9	8.3	9.5
Contracted services	153,214	144,655	158,777	165,088	159,616	6.2	6.7	7.3	7.7	7.5
Utilities	119,763	163,665	133,062	113,697	118,827	4.8	8.6	6.1	5.3	5.6
Surface water pumpage fees	327,811	265,055	217,681	225,730	213,470	13.2	12.3	10.0	10.6	10.0
Repairs and maintenance	554,098	673,414	345,659	250,357	235,789	22.4	31.1	15.9	11.7	11.1
Other operating expenditures	5,085	4,081	4,926	4,178	4,631	0.2	0.2	0.2	0.2	0.2
Security services	263,314	255,245	251,036	241,206	237,132	10.6	11.8	11.6	11.3	11.1
Garbage disposal	276,496	266,186	268,973	269,688	281,631	11.2	11.3	12.4	12.6	13.2
Administrative expenditures	85,093	103,429	66,559	73,447	82,003	3.4	4.8	3.1	3.4	3.9
Capital outlay	241,154	206,303	326,573	294,249	164,685	9.7	9.5	15.2	13.9	7.7
<b>TOTAL EXPENDITURES</b>	<b>2,609,396</b>	<b>2,639,122</b>	<b>2,300,263</b>	<b>2,119,731</b>	<b>1,995,618</b>	<b>105.3</b>	<b>122.0</b>	<b>106.1</b>	<b>99.4</b>	<b>93.8</b>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<b>\$ (130,997)</b>	<b>\$ (475,785)</b>	<b>\$ (132,231)</b>	<b>\$ 12,612</b>	<b>\$ 133,835</b>	<b>(5.3) %</b>	<b>(22.0) %</b>	<b>(6.1) %</b>	<b>0.6 %</b>	<b>6.2 %</b>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<b>1,542</b>	<b>1,543</b>	<b>1,546</b>	<b>1,542</b>	<b>1,541</b>					
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<b>1,542</b>	<b>1,534</b>	<b>1,532</b>	<b>1,540</b>	<b>1,527</b>					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 119  
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,  
DEBT SERVICE FUND  
FOR YEARS ENDED JUNE 30

	<u>AMOUNT</u>					<u>PERCENT OF TOTAL REVENUES</u>				
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Property taxes	\$ 337,228	\$ 335,580	\$ 376,561	\$ 353,268	\$ 356,154	90.9 %	92.5 %	94.7 %	95.8 %	95.1 %
Penalty and interest	22,738	21,267	21,191	12,035	12,880	6.1	5.9	5.3	3.3	3.4
Accrued interest on bonds received at date of sale	0	5,050	0	0	0	0.0	1.4	0.0	0.0	0.0
Interest on deposits and investments	<u>11,279</u>	<u>622</u>	<u>193</u>	<u>3,405</u>	<u>5,752</u>	<u>3.0</u>	<u>0.2</u>	<u>0.0</u>	<u>0.9</u>	<u>1.5</u>
<b>TOTAL REVENUES</b>	<u>371,245</u>	<u>362,519</u>	<u>397,945</u>	<u>368,708</u>	<u>374,786</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
<b>EXPENDITURES</b>										
Current:										
Professional fees	7,651	7,501	7,072	3,400	4,827	2.1	2.1	1.8	0.9	1.3
Contracted services	30,240	27,549	27,659	26,724	27,420	8.1	7.6	7.0	7.2	7.3
Other expenditures	7,862	11,105	9,746	6,347	7,115	2.1	3.1	2.4	1.7	1.9
Debt service:										
Principal retirement	255,000	250,000	205,000	190,000	190,000	68.7	68.9	51.5	51.6	50.7
Interest and fees	<u>102,825</u>	<u>102,390</u>	<u>179,511</u>	<u>185,211</u>	<u>190,911</u>	<u>27.7</u>	<u>28.2</u>	<u>45.1</u>	<u>50.3</u>	<u>50.9</u>
<b>TOTAL EXPENDITURES</b>	<u>403,578</u>	<u>398,545</u>	<u>428,988</u>	<u>411,682</u>	<u>420,273</u>	<u>108.7</u>	<u>109.9</u>	<u>107.8</u>	<u>111.7</u>	<u>112.1</u>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<u>\$ (32,333)</u>	<u>\$ (36,026)</u>	<u>\$ (31,043)</u>	<u>\$ (42,974)</u>	<u>\$ (45,487)</u>	<u>(8.7) %</u>	<u>(9.9) %</u>	<u>(7.8) %</u>	<u>(11.7) %</u>	<u>(12.1) %</u>

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 119BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTSJUNE 30, 2023

Complete District Mailing Address: Harris County Municipal Utility District No. 119  
c/o Strawn & Richardson, P.C.  
1155 Dairy Ashford Road, Suite 875  
Houston, Texas 77079

District Business Telephone No.: 713-864-5466

Submission date of the most recent District Registration Form: November 28, 2022

Limit on Fees of Office that a Director may receive during a fiscal year: \$7,200

BOARD MEMBERS

<u>Name and Address</u>	<u>Term of Office (Elected/ Appointed)</u>	<u>Fees of Office Paid</u>	<u>Expense Reimb.</u>	<u>Title at Year End</u>
F. Daniel Rodriguez c/o Strawn & Richardson, P.C. 1155 Dairy Ashford Road, Suite 875 Houston, Texas 77079	Elected 11/3/20- 11/5/24	\$ 4,350	\$ 1,164	President
Eliza Stein c/o Strawn & Richardson, P.C. 1155 Dairy Ashford Road, Suite 875 Houston, Texas 77079	Elected 11/8/22- 11/3/26	5,100	2,461	Vice President
Victoria McNeely c/o Strawn & Richardson, P.C. 1155 Dairy Ashford Road, Suite 875 Houston, Texas 77079	Elected 11/8/22- 11/3/26	4,350	690	Secretary
Kenneth Tatum c/o Strawn & Richardson, P.C. 1155 Dairy Ashford Road, Suite 875 Houston, Texas 77079	Appointed 11/19/20- 11/5/24	4,950	1,119	Assistant Secretary
Benjamin Busbee c/o Strawn & Richardson, P.C. 1155 Dairy Ashford Road, Suite 875 Houston, Texas 77079	Appointed 7/15/21- 11/5/24	4,200	1,132	Assistant Secretary

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 119

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)

JUNE 30, 2023

CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>
Strawn & Richardson, P.C. 1155 Dairy Ashford Road, Suite 875 Houston, Texas 77079	8/01/99	\$ 150,156	Attorney
Perdue, Brandon, Fielder, Collins & Mott, L.L.P. 1235 North Loop West, Suite 600 Houston, Texas 77008	12/21/17	7,651	Delinquent Tax Attorney
Myrtle Cruz, Inc. 3401 Louisiana, Suite 400 Houston, Texas 77002	8/83	30,149	Bookkeeper
Mary Jarmon 3401 Louisiana, Suite 400 Houston, Texas 77002	4/20/01	0	Investment Officer
Regional Water Corporation P.O. Box 690406 Houston, Texas 77269	8/01/97	576,559	Operator
A&S Engineers, Inc. 10377 Stella Link Road Houston, Texas 77025	10/20/16	93,176	Engineer
Utility Tax Service, LLC 11500 Northwest Freeway, Suite 150 Houston, Texas 77092	5/05/11	26,333	Tax Assessor- Collector
Harris County Appraisal District P.O. Box 900275 Houston, Texas 77292	Legislative Action	8,870	Central Appraisal District
Blitch Associates, Inc. 11111 Katy Freeway, Suite 820 Houston, Texas 77079-2118	12/6/12	0	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	Prior to 1992	10,984	Independent Auditor

See accompanying independent auditor's report.